HONG FOK CORPORATION LIMITED

Annual Report 2016

RADIANT

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Concourse Skyline

The Concourse

International Building

Chairmen's Statement

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, we are pleased to present the Annual Report of **HONG FOK CORPORATION LIMITED** (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2016 ("FY2016").

REVIEW OF FY2016

During the year, the Group continued to engage in property related business, including the construction of its hotel at Orchard Road.

The Group's revenue for 2016 was mainly rental income from the leasing of its investment and development properties.

The Group recorded a gain of approximately $98 million from the revaluation of its investment properties as at 31 December 2016 which is lower than the gain of $136 million as at 31 December 2015, as assessed by professional valuers.

In 2015, the Group's profit included a net gain of approximately $82 million on disposal of its shares in Winfoong International Limited.

Hence, the Group posted a net profit attributable to Owners of the Company of approximately $73 million in 2016 as against $167 million in 2015.

The Group's net asset per share as at 31 December 2016 was $2.24 as compared to the adjusted net asset per share of $2.14 per share as at 31 December 2015 (after taking into account the bonus shares issued in 2016).

DIVIDEND

The Group is committed to give due recognition and reward to its shareholders for their continuing support and loyalty. Hence, the Board has decided to recommend a first and final 1-tier tax-exempt dividend of 1.0 cent per share for FY2016.

PROSPECTS

The Group expects office and apartments rental market to remain stable. The residential sales market is showing more positive sentiments with the easing of the seller's stamp duty but will remain subdued with the raft of cooling measures largely unchanged and the impending rise in interest rates.

The Group is looking to the expected opening of YOTEL Singapore Orchard Road in the second half of 2017 to contribute to the Group's revenue.

The Group is continuously looking for suitable investment opportunities.

APPRECIATION

On behalf of the Board, we thank our shareholders, tenants, customers, bankers and business associates for their continued support to the Group.

We wish to thank our fellow Directors for their dedication, support and valuable contributions.

On behalf of the Board, we also thank the management and staff of the Group for their commitment and hard work.

CHEONG PIN CHUAN
CHEONG SIM ENG
Joint Chairmen

Board of Directors

Mr Cheong Pin Chuan is the Joint Chairman and Joint Managing Director and is principally involved in the Group's overall operations and management with greater emphasis in Hong Kong. He is a graduate of the Footscray Institute of Technology in Australia and is a member of the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Certified Public Accountants. He has over 45 years of experience in property development at both management and board levels in Singapore and Hong Kong.

Mr Cheong Sim Eng is the Joint Chairman and Joint Managing Director and is principally involved in the Group's overall operations and management with greater emphasis in Singapore. He is a graduate of the Chaminade University of Honolulu with a Bachelor of Arts degree. He has over 32 years of experience in the property development business.

Ms Cheong Hooi Kheng is an Executive Director and Chief Operating Officer and is principally involved in the Group's development of properties. She also oversees the project management in relation to the development and construction of properties, the leasing and marketing of the Group's real estate properties and major financial affairs of the Group in Singapore. She is a non-executive director of KTL Global Limited. She holds a Bachelor of Science degree in Business Administration from the California State University, Hayward and a Master of Business Administration degree from the Chaminade University of Honolulu. She has over 37 years of experience in the property development and construction business.

Mr Chow Yew Hon is a Non-Executive Director, Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee and the Nominating Committee. He is also the Lead Independent Director. He graduated with a Bachelor of Business Administration (Honours) degree from the University of Singapore and has also completed the Pacific Rim Bankers' Programme at the University of Washington, Seattle, United States of America. He was a former certified Private Wealth Professional in Hong Kong. He has held various senior positions with major international banks in Singapore, Hong Kong, London and Los Angeles and has more than 38 years of financial and banking experience covering international, corporate & commercial banking and wealth management.

Mr Lim Jun Xiong Steven is a Non-Executive Director, Chairman of the Audit and Risk Management Committee and a member of the Nominating Committee and the Remuneration Committee.

Mr Lim started his career at PricewaterhouseCoopers before transitioning to the finance industry by joining HSBC Private Bank (Suisse) SA, the Global Wealth Solutions arm of the HSBC Group, in 1985. He took charge of operations, corporate secretarial and systems control in the Trust Division before assuming the position of Managing Director in 1990. He left to become the chief executive officer of SG Trust (Asia) Ltd, a subsidiary of Societe Generale Private Banking, in 2010, a position he held until 2014. He currently provides consultancy advice in the field of global wealth solutions. He is the lead independent director of Bund Center Investment Ltd and Keong Hong Holdings Limited, an independent director and non-executive chairman of Sapphire Corporation Limited and an independent director of Mirach Energy Limited.

Mr Lim holds a Bachelor of Commerce degree majoring in Accounting and Finance from the University of Newcastle, Australia. He is a fellow member of CPA Australia and the Institute of Singapore Chartered Accountants in addition to being a member of the Society of Trust and Estate Practitioners. He has more than 33 years of experience in the financial, trust and wealth management industry.

Mr Chan Pengee, Adrian is a Non-Executive Director, Chairman of the Nominating Committee and a member of the Audit and Risk Management Committee and the Remuneration Committee. He is the Head of Corporate and a Senior Partner at Lee & Lee. He was the First Vice-Chairman of the Singapore Institute of Directors and sits on the board of the Accounting and Corporate Authority of Singapore. He serves on the Legal Service Commission. He is the non-executive chairman of Nobel Design Holdings Ltd, the lead independent director of Yoma Strategic Holdings Ltd and Global Investments Limited and is an independent director of Ascendas Funds Management (S) Limited, the manager of Ascendas REIT. He also serves on the Catalist Advisory Panel of the SGX. He sits on the Corporate Governance and Regulations Committee of the Singapore International Chamber of Commerce. He is the Chairman of the Panel of the Institute of Corporate Law, chairs the Corporate Practice Committee of the Law Society of Singapore and serves on its Audit Committee. He was appointed to the Audit Committee Guidance Committee, established by the MAS, ACRA and the SGX, and served on the Corporate Governance and Directors' Duties Working Group of the Steering Committee established by the Ministry of Finance to rewrite the Companies Act.

Mr Chan holds a Bachelor of Laws degree from the National University of Singapore and is a member of the Singapore Academy of Law. He has more than 27 years of experience in the law profession and has been a director of various SGX-listed companies since 2002.

Key Executive Officers

Ms Cheong Puay Kheng
Vice President (Administration and Personnel)
Ms Cheong's job responsibilities essentially cover the planning, organisation and control of office administration and personnel management of the Group. She graduated from the Armstrong College of Berkeley in the United States of America with a Bachelor of Science degree. She has 38 years of experience at management level.

Ms Cheong is also the Senior Manager of Hong Fok Land International Limited.

Mr Jimmy Yeo
Vice President (Marketing)
Mr Yeo is responsible for the marketing and leasing of the Group's real estate properties in Singapore. He holds a Master of Business Administration degree from the University of Hull in the United Kingdom and a Diploma in Marketing from the Chartered Institute of Marketing in the United Kingdom. He is a fellow of the Marketing Institute of Singapore. He has 36 years of real estate marketing experience at management level.

Mr Lok Nam Moon
Vice President (Projects)
Mr Lok is responsible for all projects developments undertaken by the Group in Singapore. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering both from the University of Strathclyde in the United Kingdom. He is a Professional Engineer, a Chartered Engineer and a Chartered Professional Engineer registered with the Singapore Professional Engineers Board, Engineering Council in the United Kingdom and the Institute of Engineers (Australia) respectively. He is also a senior member of the Institution of Engineers in Singapore, a member of the Institute of Engineers in Australia and an Associate of the Institution of Structural Engineers in the United Kingdom. He has 36 years of experience in project management in Singapore.

Ms Koh Chay Tiang
Vice President (Accounts and Finance)/Company Secretary
Ms Koh is responsible for the accounts and finance functions of the Group in Singapore. She holds a Bachelor of Accountancy degree from the University of Singapore and is a Chartered Accountant of Singapore. She has 34 years of experience at management level in Singapore.

Mr Ng Sai Kian
Vice President (Property Management)
Mr Ng is responsible for property management and maintenance for all properties under the Group as well as properties of Warranty Management Pte Ltd's clients. He holds a Honours degree in Bachelor of Science from the University of Bradford in the United Kingdom. He has over 5 years of experience in project management in China, 2 years of experience in consultancy service in Singapore as well as more than 22 years of experience in property management in Singapore.

Mr Cheong Tze Hong, Marc
Director – Business Development of Hong Fok Land International Limited
Mr Cheong's job responsibilities cover the identification and development of new business opportunities in Hong Kong. He holds a Bachelor of Science degree in Accounting from the University of Southern California in the United States of America and a Master of Business Administration degree from the University of Chicago Graduate School of Business. He has over 3 years of experience in the merchant banking field and 16 years of experience in business development in Hong Kong.

Mr Cheong Tze Hian, Howard
Director – Project Management of Hong Fok Land International Limited
Mr Cheong's job responsibilities cover project management in relation to the development and construction of properties in Hong Kong. He holds a Bachelor of Science degree in Accounting from the University of Southern California in the United States of America. He has over 3 years of experience in the private equity field and 12 years of experience in project management in Hong Kong.

Mr Tsui Yeung Kun
Director – Business Development of Hong Fok Land International Limited
Mr Tsui's job responsibilities cover the identification and development of new business opportunities in Hong Kong, and project management in relation to the development and construction of properties in Hong Kong. He graduated from the Christian Brothers College in the United States of America with a Bachelor of Science degree in Accounting and Economics. He has over 6 years of experience in the management of investment funds and 11 years of experience in equity research and stock broking activities in Hong Kong.

Corporate Information

HONG FOK CORPORATION LIMITED is a public company listed on the Singapore Exchange Securities Trading Limited. The principal activity of the Company is that of investment holding whose subsidiaries are primarily engaged in property investment, property development and construction, property management, investment trading and investment holding and management.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr Cheong Pin Chuan
Joint Chairman & Joint Managing Director

Mr Cheong Sim Eng
Joint Chairman & Joint Managing Director

Ms Cheong Hooi Kheng
Executive Director & Chief Operating Officer

NON-EXECUTIVE DIRECTORS

Mr Chow Yew Hon
Lead Independent Director

Mr Lim Jun Xiong Steven

Mr Chan Pengee, Adrian

AUDIT AND RISK MANAGEMENT COMMITTEE

Mr Lim Jun Xiong Steven
Chairman

Mr Chow Yew Hon

Mr Chan Pengee, Adrian

NOMINATING COMMITTEE

Mr Chan Pengee, Adrian
Chairman

Mr Chow Yew Hon

Mr Lim Jun Xiong Steven

REMUNERATION COMMITTEE

Mr Chow Yew Hon
Chairman

Mr Lim Jun Xiong Steven

Mr Chan Pengee, Adrian

SECRETARIES

Ms Lo Swee Oi

Ms Koh Chay Tiang

AUDITORS

KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581
Tel : 6213 3388
Fax : 6225 0984

Ms Teo Han Jo
Partner-in-charge
Year of Appointment : 2012

REGISTRARS

B.A.C.S. Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544
Tel : 6593 4848
Fax : 6593 4847

REGISTERED OFFICE

300 Beach Road #41-00
The Concourse
Singapore 199555
Tel : 6292 8181
Fax : 6293 8689
Website : www.hongfok.com.sg

Another quality development under Hong Fok Corporation Limited's portfolio, YOTEL Singapore Orchard Road will feature 610 state-of-the-art cabins located at the heart of the retail and entertainment hub and steps away from all major tourist attractions.

Artist Impression of YOTEL Singapore Orchard Road (Night View)

Property Summary

Property	Description	Lot Nos.	Stage of Completion/ Expected Date of Completion	Existing Use	Approximate Site Area (m²)	Approximate Gross Floor Area (m²)	Percentage Owned (%)	Tenure of Land
INVESTMENT PROPERTIES								
International Building at Orchard Road, Singapore	A 12-storey commercial building	956X of Town Subdivision 25	Completed	Offices/ Shops/ Restaurants	2,066	14,963 (1)	100	Freehold
YOTEL Singapore Orchard Road at Orchard Road/ Claymore Hill, Singapore	A 30-storey 610-room hotel and a single-storey commercial block	956X and 1719L of Town Subdivision 25	Reinforced concrete, mechanical & engineering and architectural works in progress/1st half 2017	–	2,990	16,071	100	Freehold
The Concourse at Beach Road, Singapore	A 41-storey commercial/office tower block	43 strata units of Parent Lot No.1110V of Town Subdivision 13	Completed	Offices/ Retail	11,715	60,164 (2)	100	99 years lease from 13/3/2008
Concourse Skyline at Beach Road, Singapore	Retail units at 1st storey	9 strata units of Parent Lot No. 1110V of Town Subdivision 13	Completed	Retail	115	608 (2)	100	99 years lease from 13/3/2008
Concourse Skyline at Beach Road, Singapore	A part 4/part 7-storey podium car park and apartments with 2 blocks of part 20/ part 28-storey and part 34/part 40-storey residential flats with communal facilities	8 strata units of Parent Lot No. 1110V of Town Subdivision 13	Completed	Residential	8,662	710 (2)	42	99 years lease from 13/3/2008
International Plaza at Anson Road, Singapore	A 50-storey commercial-cum-residential development	3 strata units, U199K, U914L and U462V of Town Subdivision 3	Completed	Residential	–	447 (2)	42	99 years lease from 2/6/1970
Magazine Gap Towers at 15 Magazine Gap Road, Hong Kong	A 12-storey residential development	Inland Lot No. 2570 and The Extension thereto	Completed	Residential	1,765	5,128	42	75 years lease from 4/6/1925 and renewed for a further term of 75 years
Magazine Heights at 17 Magazine Gap Road, Hong Kong	A 12-storey residential development	Inland Lot No. 8021 and The Extension thereto	Completed	Residential	2,139	5,574	42	75 years lease from 28/8/1920 and renewed for a further term of 75 years
DEVELOPMENT PROPERTIES								
Concourse Skyline at Beach Road, Singapore	A part 4/part 7-storey podium car park and apartments with 2 blocks of part 20/ part 28-storey and part 34/part 40-storey residential flats with communal facilities	118 strata units of Parent Lot No. 1110V of Town Subdivision 13	Completed	Residential	8,662	18,676 (2)	100	99 years lease from 13/3/2008
Jewel of Balmoral at Balmoral Park, Singapore	A 10-storey residential development	2 strata units, U2179A and U2193V of Town Subdivision 26	Completed	Residential	1,651	300 (2)	100	Freehold

NOTES:

(1) Excludes 162m² of floor space which are held by third parties on 999 years lease.

(2) This relates to the strata area for the said units.

Summary of the Group

SUMMARY OF THE RESULTS OF THE GROUP

For the last 5 financial years are as follows:

	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Revenue	**58,436**	60,500	97,191	235,374	163,461
Profit before share of results of associate and joint venture	**83,280**	200,570	70,027	350,079	97,657
Share of results of associate and joint venture, net of tax	**–**	(1)	#	–	–
Profit before tax	**83,280**	200,569	70,027	350,079	97,657
Tax expense	**(1,330)**	(1,330)	(5,951)	(6,090)	(4,524)
Profit for the year	**81,950**	199,239	64,076	343,989	93,133
Profit attributable to:					
Owners of the Company	**72,986**	167,003	48,090	300,530	77,609
Non-controlling interests	**8,964**	32,236	15,986	43,459	15,524
Profit for the year	**81,950**	199,239	64,076	343,989	93,133
Dividend	**6,930**	12,601	9,450	3,780	–

SUMMARY OF THE ASSETS AND LIABILITIES OF THE GROUP

For the last 5 financial years are as follows:

	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Property, plant and equipment	**2,102**	2,424	2,131	624	608
Associate and joint venture	**#**	#	#	–	–
Investment properties	**2,562,574**	2,390,839	2,193,456	2,096,825	1,671,384
Other non-current assets	**6,925**	4,381	5,677	896	694
Current assets	**327,724**	414,997	420,542	501,136	446,416
Total Assets	**2,899,325**	2,812,641	2,621,806	2,599,481	2,119,102
Share capital	**186,688**	186,688	186,688	186,688	186,688
Treasury shares	**(101,050)**	(101,050)	(101,050)	(101,050)	(101,050)
Reserves	**1,468,056**	1,398,069	1,235,928	1,189,987	859,156
	1,553,694	1,483,707	1,321,566	1,275,625	944,794
Non-controlling interests	**518,676**	500,987	476,260	451,335	430,621
Total Equity	**2,072,370**	1,984,694	1,797,826	1,726,960	1,375,415
Non-current liabilities	**743,772**	752,088	667,214	341,798	684,520
Current liabilities	**83,183**	75,859	156,766	530,723	59,167
Total Liabilities	**826,955**	827,947	823,980	872,521	743,687
Total Equity and Liabilities	**2,899,325**	2,812,641	2,621,806	2,599,481	2,119,102

For comparative purposes, the figures for the financial years 2013 and 2012 have been amended to comply with the new/revised Singapore Financial Reporting Standards including FRS 110 which the Group adopted in financial year 2014.

Amount less than $1,000

Financial Report

Corporate Governance Statement

Year Ended 31 December 2016

The board of directors of the Company (the "Board" or "Directors") is committed to raising the standard of corporate governance within the Group in order to enhance transparency in the disclosure of material information. The Company confirms that it has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code" or "2012 Code") and if there is any deviation from the Code, appropriate explanations are provided in this Statement on each area of non-compliance.

BOARD MATTERS

The Board's Conduct of Affairs (Principle 1 of the Code)

The Board is collectively responsible for the long-term success of the Company. The Board works with management to achieve this objective and management remains accountable to the Board.

In accordance with the Code, the Board has, without abdicating its responsibility, delegated the authority to make decisions to the Audit and Risk Management Committee, the Nominating Committee and the Remuneration Committee (collectively referred to as the "Board Committees"). Each Board Committee has its own terms of references to address their respective duties and responsibilities.

The Board held meetings on a regular basis during FY2016 to review, *inter alia*, the Company's and the Group's operations and financial results. Details of attendance of Directors at the Board meetings, Audit and Risk Management Committee meetings, Nominating Committee meetings, and Remuneration Committee meetings are set out on page 20. The Company's Constitution permits Directors to attend meetings through the use of audio-visual communication equipment.

Guidelines are established to specify which material transactions require the Board's approval. These transactions include mergers and acquisitions, divestments and major capital expenditure.

Newly appointed Directors will receive appropriate training and orientation programmes to familiarise themselves with the operations of the Group and its major business processes.

On the appointment of a new Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations.

The Company also funds and arranges for the Directors to receive regular training. In this connection, the Company's external auditors, KPMG LLP, conducted a briefing session for the Board during FY2016 on the latest changes to the financial reporting standards. Various Directors attended seminars and courses organized by the Singapore Institute of Directors and other professional organisations, including the Corporate Governance Roundup 2016, Launch of the Board Guide, Singapore Directorship Report 2016, The State of Corporate Governance Disclosures in Singapore, Singapore Governance & Transparency Forum, Launch of Remuneration Committee Guide and Remuneration Committee Chairmen Conversation/ Forum (2016).

The Board has no dissenting views on the Chairmen's Statement for the year in review.

Board Composition and Guidance (Principle 2 of the Code)

During FY2016, out of the six Directors, three were non-executive and independent. The independence of each independent Director is reviewed annually by the Nominating Committee based on the provisions relating to independence as set out in the Code. The Nominating Committee requires each independent Director to complete and execute a form declaring and affirming his independence and confirming that there exist no conditions that would impair his independence. This declaration of independence is tabled before the Nominating Committee and, if accepted, the Director's independence is then recommended by the Nominating Committee to the Board.

Taking into account the views of the Nominating Committee, the Board is satisfied that Mr Chow Yew Hon, Mr Lim Jun Xiong Steven and Mr Chan Pengee, Adrian are independent in light of the provisions of the Code. This is in compliance with the Code which recommends that independent Directors make up at least half the Board where the Chairman and the Chief Executive Officer ("CEO") (or equivalent, in our case, the Managing Director) is the same person, notwithstanding that this recommendation only comes into effect following the end of the financial year commencing on or after 1 May 2016.

The Code further requires the independence of any Director who has served on the Board beyond nine (9) years to be rigorously reviewed. None of the current independent Directors has served on the Board for more than nine (9) years since the date of their appointment.

The Board is of the view that the size of the Board is appropriate for the needs and demands of the Company's and the Group's operations. The Board comprises business leaders and professionals from different industries and financial backgrounds. The current Board comprises Directors who have diverse qualifications and backgrounds in areas such as law, banking, trusts, finance and business, and includes Directors who are resident in Singapore and Hong Kong. The independent Directors have exposure to the business industry in which the Group operates. The Board's composition enables the management to benefit from a diverse and objective external perspective on issues raised before the Board.

The Company has recently adopted a Board Diversity Policy to set out its approach to achieve diversity on the Board. The details of the Board Diversity Policy are available on the Company's website.

During FY2016, the non-executive Directors constructively challenged and helped the management develop proposals on business strategies for the Company and the Group. The Board also reviews the performance of the management in achieving agreed goals and objectives for the Company and the Group, and monitors the reporting of performance.

During FY2016, the non-executive independent Directors had meetings without the presence of the management.

Chairman and Chief Executive Officer (Principle 3 of the Code)
Mr Cheong Pin Chuan and Mr Cheong Sim Eng were the Joint Chairmen of the Board and Joint Managing Directors of the Company.

The Code recommends that a lead independent director be appointed where the Chairman and the CEO (or equivalent) is the same person. Mr Chow Yew Hon had been appointed as the lead independent Director since 1 September 2014.

The Joint Chairmen bring with them a wealth of experience and lead the Board to ensure its effectiveness on all aspects of their role. Prior to each Board meeting, the Joint Chairmen determine the agenda for the meeting and instruct the Company Secretary to disseminate it to all Directors. They lead the meeting and ensure full discussion of each agenda item, as appropriate. The Joint Chairmen ensure that Board members engage the management in constructive debate on various matters including strategic issues. They also oversee the quality and timeliness of information flow between the management and the Board.

Board Membership (Principle 4 of the Code)
Key information on the Directors, such as whether they are executive, non-executive, or considered by the Nominating Committee to be independent, as well as details of their academic and professional qualifications and other particulars are set out on pages 3 and 21.

The members of the nominating committee of the Company (the "Nominating Committee") were Mr Chan Pengee, Adrian (Chairman of the Nominating Committee), Mr Lim Jun Xiong Steven and Mr Chow Yew Hon.

According to the Nominating Committee's terms of reference, the Nominating Committee's duties and responsibilities are as follows:

(a) determining annually, and as and when circumstances require, whether a Director is independent, and providing its views to the Board in relation thereto for the Board's consideration;

(b) reviewing the independence of any Director who has served on the Board for more than nine (9) years from the date of his first appointment and the reasons for considering him as independent;

(c) where a Director or proposed Director has multiple board representations, deciding whether the Director is able to and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments[1];

(d) where the appointment of an alternate Director to a Director is proposed, determining whether the alternate Director is familiar with the Company's affairs, appropriately qualified and (in the case of an alternate Director to an independent Director) whether the alternate Director would similarly qualify as an independent Director, and providing its views to the Board in relation thereto for the Board's consideration;

(e) making recommendations to the Board on relevant matters relating to:

    (i) the review of board succession plans for Directors, in particular, the Chairman and for the CEO;

    (ii) the development of a process for evaluation of the performance of the Board, its Board Committees and Directors;

[1] The term "*principal commitments*" shall include all commitments which involve significant time commitment such as full time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisation. Where a Director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

(iii) the review of training and professional development programs for the Board; and

(iv) the appointment and re-appointment of Directors (including alternate Directors, if applicable);

(f) proposing objective performance criteria for evaluation of the Board's performance as a whole which allows for comparison with industry peers and address how the Board has enhanced long-term shareholder value;

(g) carrying out, at least annually, a formal assessment of the performance and effectiveness of the Board as a whole and its Board Committees and (if applicable) the contributions of individual Directors to the effectiveness of the Board, based on the process implemented by the Board; and

(h) based on the results of the performance evaluation, providing its views and recommendations to the Board, including any appointment of new members.

The Nominating Committee has recommended and the Board has adopted a policy that a Director should not have in aggregate more than six (6) listed company Board representations so as to be able to devote sufficient time and attention to the affairs of the Company. None of the Directors currently exceed this limit. In the view of the Nominating Committee, the Directors have demonstrated their commitment and effectiveness in discharging their duties and responsibilities and avoiding actual or potential conflicts of interest. The Nominating Committee, in assessing the performance of each individual Director, considers whether sufficient time and attention has been given by the Director to the affairs of the Company. It also has regard to the Director's other Board memberships and commitments. The Nominating Committee is satisfied that all Directors have discharged their duties adequately for FY2016.

All new appointments and selection of Directors are reviewed and proposed by the Nominating Committee. The Nominating Committee will first identify the knowledge, skills, experience and background of the candidate being considered for appointment to the Board. Suitable candidates for Board membership are then identified through, *inter alia*, recommendations from current Board members, searches conducted by external search consultants or the Singapore Institute of Directors and other referrals. The Nominating Committee and the Board will interview short-listed candidates before discussing and approving the final appointment. For existing Directors who retire and stand for re-election, based on the evaluation of these Directors, the Nominating Committee will make recommendations for the re-nomination of such Directors.

All Directors (including Managing Directors and executive Directors) are subject to retirement in accordance with the provisions of the Company's Constitution whereby one-third of the Directors (or if their number is not three or a multiple of three, the number nearest to but not less than one-third) are required to retire from office by rotation and subject themselves to re-election by shareholders at every annual general meeting of the Company.

After assessing the contribution and performance of the retiring Directors, the Nominating Committee has recommended the re-election of Mr Cheong Sim Eng and Ms Cheong Hooi Kheng, who will be retiring by rotation at the forthcoming annual general meeting under Article 104 of the Company's Constitution. Mr Cheong Sim Eng and Ms Cheong Hooi Kheng have offered themselves for re-election and the Board has accepted the recommendations of the Nominating Committee.

Board Performance (Principle 5 of the Code)

The Board supervises the management of the business and affairs of the Company and the Group. Apart from its statutory duties, the Board reviews and approves the Company's and the Group's strategic plans, key operational initiatives, major investments and funding decisions, annual business plans, and reviews the financial performance of the Company and the Group and those subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements. The Board also evaluated the performance and compensation of key management personnel.

The Nominating Committee has implemented a process which requires each Director to submit an assessment of the Board and the Board Committees, and a peer assessment of each of the other Directors on the Board to assess the Director's contributions to the effectiveness of the Board. These detailed forms assess Directors in various different areas and competencies, including their attendance and contributions at meetings, preparedness for meetings and their interactive and interpersonal skills. The responses are collated by the external Company Secretary and a consolidated report is submitted to the Nominating Committee. The responses are then discussed by the Nominating Committee for the recommendations to be made to the Board.

As described below, the Remuneration Committee, in consultation with Korn Ferry Hay Group, recommended to the Board specific remuneration packages appropriate for each executive Director and the Directors' fees payable to the non-executive Directors. During this process, the Korn Ferry Hay Group and the Remuneration Committee assessed the contributions and performance of each Director in addition to considering other relevant factors.

Access to Information (Principle 6 of the Code)

The Board has separate and independent access to management and the Company Secretary, and is free to request for additional information as needed to make informed decisions. Management provides the Board with reports of the performance, financial position and prospects of the Group and those subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements, and these are reviewed by the Board at each Board meeting. Monthly management accounts of the Company and its key subsidiaries are also provided to the Directors. Directors may obtain independent professional advice in furtherance of their duties, at the Company's and the Group's expense.

REMUNERATION MATTERS (Principles 7, 8 and 9 of the Code)

The members of the remuneration committee (the "Remuneration Committee") were Mr Chow Yew Hon (Chairman of the Remuneration Committee), Mr Lim Jun Xiong Steven and Mr Chan Pengee, Adrian.

According to the Remuneration Committee's terms of reference, the Remuneration Committee's principal functions are as follows:

(a) reviewing and recommending to the Board, a general framework of remuneration for the Directors and key management personnel[2];

(b) reviewing and recommending annually to the Board, the specific remuneration packages for each Director as well as for the key management personnel, and in its review, to cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind;

(c) reviewing annually the remuneration of employees who are immediate family members[3] of a Director or CEO whose remuneration exceeds $50,000 during the year;

(d) reviewing the Company's obligations arising in the event of termination of the executive Directors and key management personnel's contracts of service;

(e) ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants; and

(f) reviewing whether executive Directors, non-executive and independent Directors and key management personnel should be eligible for options, share incentives, awards and other benefits under any one or more employee share option scheme, share-incentive or award scheme from time to time established or implemented by the Company.

The Group's remuneration policy is to provide remuneration packages which will reward, retain and motivate its executives and Directors. During FY2016, the Korn Ferry Hay Group was the remuneration consultant of the Company. The Company does not have any relationship with the Korn Ferry Hay Group that could affect the Korn Ferry Hay Group's independence and objectivity.

The Remuneration Committee, with the advice of the Korn Ferry Hay Group, recommends to the Board specific remuneration packages appropriate for each executive Director and the Directors' fees payable to the non-executive Directors. The Board will then review and, if it deems fit, approve these accordingly.

The Company adopts a remuneration policy for executive Directors and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the performance of the Group and each individual's performance which is assessed based on the respective key performance indicators allocated to him. Staff appraisals are conducted once a year. The executive Directors do not receive Directors' fees. The corporate and individual performance-related elements of remuneration are designed to align the interests of executive Directors with those of shareholders in order to promote the long term success of the Company. The executive Directors and key management personnel had met their respective key performance indicators in respect of FY2016. No Director or member of the Remuneration Committee is involved in deciding his or her own remuneration.

In reviewing the remuneration of non-executive Directors, the Remuneration Committee and the Korn Ferry Hay Group have taken into consideration the knowledge and expertise of each individual non-executive Director, the responsibilities vested upon them and the time commitment required from the non-executive Directors given the complexities of the business and the business structure.

[2] "*Key management personnel*" shall mean the CEO and any other persons having authority and responsibility for planning, directing and controlling the activities of the Company.

[3] An "*immediate family member*" refers to spouse, child, adopted child, step-child, brother, sister and parent.

The Company currently does not have contractual provisions to allow the Company to reclaim incentive components of remuneration from executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company shall consider the said contractual provisions to be included in future renewals of service contracts as recommended by the Code. Save as aforesaid, the Company reserves the rights to employ legal recourse should any Director and/or key management personnel wilfully and negligently engage in any misconduct.

As the Remuneration Committee and the Board are of the opinion that the remuneration packages of the executive Directors are of a confidential and sensitive nature, the disclosure of which would place the Group in a competitively disadvantageous position, they have chosen to make disclosures in relation thereto in bands of $250,000.

The level and mix of the executive Directors' remuneration in bands of $250,000 for FY2016 and the total fees payable to the non-executive Directors are set out below:

Remuneration Band Name of Executive Director	Salary %	Fees %	Bonus %	Other Benefits[4] %	Total %
$2,750,000 to $2,999,999					
Ms Cheong Hooi Kheng[(1)]	44	–	52	4	100
$3,000,000 to $4,249,999					
–	–	–	–	–	–
$4,250,000 to $4,499,999					
Mr Cheong Sim Eng[(1)]	45	–	50	5	100
Mr Cheong Pin Chuan[(1)]	27	–	59	14	100

Name of Non-executive Director	Salary $	Fees $	Bonus $	Other Benefits[4] $
Mr Chow Yew Hon	–	87,500	–	–
Mr Lim Jun Xiong Steven	–	80,000	–	–
Mr Chan Pengee, Adrian	–	77,500	–	–

(1) The remuneration reflected in this table includes the remuneration given by those subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements, aggregated together with the remuneration given by the Company.

The structure of the fees paid or payable to non-executive Directors of the Company for FY2016 is as follows:

Type of Appointment	Fee Per Annum ($)
Board of Directors	
Basic retainer	35,000
Lead Independent Director	10,000
Audit and Risk Management Committee	
Chairman	25,000
Member	12,500
Nominating Committee	
Chairman	20,000
Member	10,000
Remuneration Committee	
Chairman	20,000
Member	10,000

4 There are no termination, retirement and post-employment benefits granted to Directors or the CEO.

The level and mix of the remuneration of the key management personnel who are not Directors or the CEO (or equivalent) for FY2016 are set out in bands of $250,000 below:

Remuneration Band Designation of Executive	Salary %	Fees %	Bonus %	Other Benefits[5] %	Total %
Below $250,000					
Vice President (Property Management)	75	–	20	5	100
$250,000 to $499,999					
Vice President (Projects)	75	–	19	6	100
Vice President (Accounts and Finance)/ Company Secretary	74	–	25	1	100
Vice President (Marketing)	70	–	23	7	100
Director – Business Development of Hong Fok Land International Limited (“HFLIL”)[6]	48	–	6	46	100
$500,000 to $749,999					
Director – Project Management of HFLIL[6]	41	–	3	56	100
Director – Business Development of HFLIL[6]	48	–	4	48	100
$750,000 to $1,249,999					
–	–	–	–	–	–
$1,250,000 to $1,499,999					
Vice President (Administration and Personnel) and Senior Manager of HFLIL[6]	85	–	12	3	100

The aggregate amount of the total remuneration paid to the above eight (8) key management personnel was approximately $3,966,000.

Remuneration Packages of Employees who are Immediate Family Members of the Directors, or CEO of the Company
Certain employees, namely, (a) Ms Cheong Puay Kheng, the Vice President (Administration and Personnel) and the Senior Manager of HFLIL, (b) Mr Cheong Tze Hong, Marc, the Director – Business Development of HFLIL, and (c) Mr Cheong Tze Hian, Howard, the Director – Project Management of HFLIL, were employees of the Group whose remuneration exceeded $50,000 each during the financial year who are immediate family members of Mr Cheong Pin Chuan, Ms Cheong Hooi Kheng and Mr Cheong Sim Eng, who were Directors of the Company for FY2016. Ms Cheong Puay Kheng is a sibling of Mr Cheong Pin Chuan, Ms Cheong Hooi Kheng and Mr Cheong Sim Eng. Mr Cheong Tze Hong, Marc and Mr Cheong Tze Hian, Howard, are the sons of Mr Cheong Pin Chuan and the nephews of Ms Cheong Hooi Kheng and Mr Cheong Sim Eng. In addition, for FY2016, Mr Cheong Pin Chuan, Ms Cheong Hooi Kheng and Mr Cheong Sim Eng, who are siblings, were employees of the Group.

The Company believes that the disclosure of the detailed remuneration packages of employees, including those who are immediate family members of the Directors or the CEO (or equivalent) of the Company would be prejudicial to the Company’s interests and hamper its ability to retain and nurture the Group’s talent pool and hence have chosen to make disclosures in relation thereto in bands of $250,000.

Information of the key executive officers is set out on page 4.

The Company does not have any employee share option scheme.

ACCOUNTABILITY AND AUDIT (Principles 10, 11, 12 and 13 of the Code)
Audit and Risk Management Committee
The members of the audit and risk management Committee (the “Audit and Risk Management Committee”) were Mr Lim Jun Xiong Steven (Chairman of the Audit and Risk Management Committee), Mr Chow Yew Hon and Mr Chan Pengee, Adrian. The members of the Audit and Risk Management Committee (including the Chairman) possess recent and relevant accounting or related financial management expertise or experience.

[5] There are no termination, retirement and post-employment benefits granted to the key management personnel.
[6] The accounts of the HFLIL Group have been consolidated into the accounts of the Group for FY2016 for accounting purposes.

The Audit and Risk Management Committee had full access to and co-operation of the management. The Audit and Risk Management Committee also had discretion to invite any Director or executive officer to attend its meetings and was assured of adequate resources to enable it to discharge its functions properly. KPMG LLP (an accounting firm registered with the Accounting and Corporate Regulatory Authority of Singapore), the Company's external auditors had unrestricted access to the Audit and Risk Management Committee.

The Audit and Risk Management Committee was satisfied that the Company's external auditors and the audit engagement partner assigned to the audit had adequate resources and experience to meet its audit obligations. In this connection, the Company has complied with Rule 712 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

According to the Audit and Risk Management Committee's terms of reference, the Audit and Risk Management Committee's duties and responsibilities include:

(a) reviewing the audit plan, scope and results of the external audit and its cost effectiveness;

(b) reviewing the independence and objectivity of the external auditors annually. Where the auditors also supply a substantial volume of non-audit services to the Company, the Committee shall keep under review the nature and extent of such services, seeking to maintain objectivity;

(c) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(d) reviewing the quarterly and annual financial statements and financial announcements;

(e) reviewing and reporting to the Board, at least annually, the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);

(f) reviewing the results of the internal auditors' examination of the Group's system of internal controls;

(g) monitoring the establishment, appointments, staffing, qualifications and experience of the Company's internal audit function, including approval of the appointment and compensation terms of the head of the internal audit function, review of whether the internal audit function is adequately resourced, is independent of the activities it audits, and has appropriate standing within the Company. The internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff;

(h) reviewing, at least annually, the adequacy and effectiveness of the Company's internal audit function;

(i) meeting with the external auditors, and with the internal auditors, in each case without the presence of the Company's management, at least annually;

(j) making recommendations to the Board on proposal to shareholders on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;

(k) reviewing policies and arrangements by which staff of the Company may, in confidence, raise concerns about any possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow up action to be taken;

(l) reviewing any matters relating to suspected fraud or irregularity, or suspected infringement of any Singapore laws, or regulations or rules of the SGX-ST or any regulatory authority in Singapore, of which the Committee is aware, which has or is likely to have a material impact on the Company's or Group's operating results and/or financial position, and the findings of any internal investigations, and management's response thereto;

(m) in addition to any requirements under the Listing Manual of the SGX-ST, reviewing, at least annually, any interested person transactions[7];

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[7] An "*interested person*" means: (i) a director, chief executive officer, or controlling shareholder of the Company; or (ii) an associate of any such director, chief executive officer, or controlling shareholder. An "*interested person transaction*" means a transaction between the Company, any of its subsidiaries, or associated companies provided the Company or the Company and its interested person(s) have control over the associate company, and an interested person.

(n) determining and recommending to the Board for its approval, the nature and extent of significant risks in achieving the Board's strategic objectives;

(o) determining the Company's level of risk tolerance and risk policies, and overseeing management in the design, implementation and monitoring of the Company's risk management and internal control systems;

(p) advising the Board on the Company's overall risk appetite, tolerance and strategy;

(q) overseeing and advising the Board on the current risk exposures and future risk strategy of the Company;

(r) in relation to risk assessment:

    (i) keeping under review the Company's overall risk assessment processes that inform the Board's decision making;

    (ii) reviewing regularly and approving the parameters used in these measures and the methodology adopted; and

    (iii) setting a process for the accurate and timely monitoring of large exposures and certain risk types of critical importance;

(s) reviewing the Company's capability to identify and manage new risk types;

(t) before a decision to proceed is taken by the Board, advising the Board on proposed strategic transactions, focusing in particular on risk aspects and implications for the risk tolerance of the Company, and taking independent external advice where appropriate and available;

(u) reviewing reports on any material breaches of risk limits and the adequacy of proposed action;

(v) reviewing the effectiveness of the Company's internal controls and risk management systems, and reviewing and approving the statements to be included in the annual report concerning the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;

(w) providing advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration;

(x) monitoring the independence of risk management functions throughout the organisation;

(y) reviewing promptly all relevant risk reports on the Company; and

(z) reviewing and monitoring management's responsiveness to the findings.

To enable the Audit and Risk Management Committee to discharge its functions more effectively, the Company outsourced its internal audit function to Deloitte & Touche Enterprise Risk Services Pte Ltd, a reputable international accounting firm which is not the external auditor. The internal audit function reports directly to the Audit and Risk Management Committee. The Audit and Risk Management Committee reviewed and approved the internal audit plan for execution. During FY2016, the Audit and Risk Management Committee met with the internal auditors and external auditors, in each case without the presence of management.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Directors regularly review the effectiveness and adequacy of all internal controls, including operational controls.

The Board recognises the importance of maintaining a sound system of internal controls to safeguard the shareholders' investments and assets of the Company and the Group. The Audit and Risk Management Committee has been assigned to oversee and review the effectiveness of these controls at least annually.

In FY2016, the Group with the assistance of its internal auditors carried out an exercise to review the Group's risk register which identified the key risks facing the Group and the internal controls in place to manage or mitigate those risks. Internal and external auditors conducted audits that involve testing the effectiveness of the material internal control systems in the Group. Any material non-compliance or lapses in internal controls together with corrective measures recommended by internal and external auditors were reported to the Audit and Risk Management Committee. The Audit and Risk Management Committee also reviewed the effectiveness of the measures taken by management in response to the recommendations made by the internal and external auditors. The system of internal control and risk management is continually being refined by management, the Audit and Risk Management Committee and the Board.

The Audit and Risk Management Committee reviewed the volume of non-audit services to the Company and the Group by the Company's external auditors and was satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditors. Hence, the Audit and Risk Management Committee has recommended to the Board that the auditors, KPMG LLP, be nominated for re-appointment as the Company's external auditors at the forthcoming annual general meeting of the Company.

The Board and the Audit and Risk Management Committee reviewed the appointment of different auditors for its subsidiaries and significant associates and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group. Accordingly, the Company has complied with Rule 716 of the Listing Manual of the SGX-ST.

The audit and non-audit fees paid/payable to auditors are stated in Note 23 (Profit/(Loss) Before Tax) to the Financial Statements.

Based on the work carried out by the internal auditors, the external auditors and the existing management controls in place, the Audit and Risk Management Committee and the Board were satisfied that there were adequate and effective internal controls in place to mitigate critical and significant risks relating to financial, operational and compliance matters, information technology controls, and risk management systems. The Board, together with the Audit and Risk Management Committee and management, will continue to enhance and improve the existing internal control framework to identify and mitigate these risks.

The Board has also received assurance from the Joint Managing Directors and the Vice President (Accounts and Finance) that the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group and those subsidiary companies or subsidiary corporations whose financial statements are consolidated with the Company's financial statements, and regarding the effectiveness of the Group's risk management and internal control systems.

The Company has a whistle blowing policy which provides a mechanism for staff of the Group in Singapore to in confidence, raise concerns about fraud and other possible improprieties in matters of financial reporting or other matters. The whistle blowing policy has a well-defined process which begins with a complaint being submitted via email to the Chairman of the Audit and Risk Management Committee, who will then perform a preliminary review of the complaint received. If he determines that the complaint is valid and within the scope of the whistle blowing policy, he will report it to the Audit and Risk Management Committee accordingly, which will review the facts of the complaint and follow-up with the appropriate course of action. The Company's whistle blowing policy provides assurance that employees will be protected from reprisals for whistle blowing in good faith. Anonymous complaints are not disregarded and will also be investigated.

The Company has recently adopted an Anti-corruption and Anti-money Laundering Policy to demonstrate its commitment to conducting its business with integrity, and in compliance with all applicable laws and regulations relating to the prevention of corruption, bribery, money laundering and terrorism financing. The details of the Anti-corruption and Anti-money Laundering Policy are available on the Company's website.

The Audit and Risk Management Committee also meets with the management, the Vice President (Accounts and Finance) and external auditors to discuss and keep abreast of any changes to the accounting standards and issues which could have a direct impact on the Group or Company's financial statements.

COMMUNICATION WITH SHAREHOLDERS (Principles 14, 15 and 16 of the Code)

The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company and the Group are made to the shareholders. Any such information, should they arise, are communicated to the shareholders through the Company's annual reports and announcements to the SGX-ST. Shareholders are encouraged to attend the annual general meetings and extraordinary general meetings of the Company to ensure high level of accountability and to stay appraised of the Group's strategy and goals. At the annual general meeting, the shareholders are given an opportunity to air their views and ask questions regarding the Company and the Group. The Board and management are present at the annual general meetings to address any questions that the shareholders may have. The external auditors of the Company are also present to assist the Board in addressing relevant queries by the shareholders. Shareholders have the opportunity to vote in person or by proxy. All resolutions at the annual general meeting are put to the vote by way of poll and the detailed results of the voting for each of the resolutions are announced on the SGX-ST. The Company Secretary prepares minutes of general meetings that includes a summary of comments or queries made by shareholders during that meeting, and responses from the Board. Generally, during general meetings, shareholders are invited to raise questions, and this would be recorded in the minutes.

The Company believes in regular, effective and fair communication with the shareholders. The Company's website is at www.hongfok.com.sg. The Company's latest annual reports, financial results, corporate announcements and share trading information are available on the Company's website. The Company also provides an email alert service so that shareholders and investors may be automatically alerted by email once the Company releases any announcements or filings on the SGX-ST.

The Company has recently adopted an Investor Relations Policy to demonstrate its commitment to promoting regular, effective and fair communication with its shareholders to disclose material or pertinent information in a timely, transparent and accurate manner. The details of the Investor Relations Policy are available on the Company's website.

The Company's dividend policy is to distribute dividends based on the Company's performance, taking into consideration the resources needed for the Company's continuing operations and possible future plans. The declaration and payment of any dividends will be recommended by the Directors and the final dividend (if any) will be subject to the approval of the shareholders.

INTERESTED PERSON TRANSACTIONS

During FY2016, the following interested person transaction ("IPT") was entered into by the Group:

Name of Interested Person	Aggregate value of all interested person transactions (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST)	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST (excluding transactions less than $100,000)
Hong Fok Land International Limited	$33,858,000 (HK$190,000,000)	N.A. The Company does not have a shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual.

The Company has recently adopted a Conflict of Interests and Interested Person Transaction Policy which aims to provide guidance to Directors to help them recognise and deal with conflict of interests and to set out the Company's internal procedures and guidelines to identify, report and where necessary, seek appropriate approval of interested person transactions in order to comply with the Listing Manual of the SGX-ST. Under this policy, Directors should recuse themselves and refrain from participating in discussions regarding a transaction or proposed transaction in which the Director has an interest or is conflicted. This policy also requires the personnel involved in the proposed IPTs to endeavour to ensure that the IPTs are conducted fairly, on an arm's length basis, on normal commercial terms, and are not prejudicial to the interests of the Company and its minority shareholders.

The details of the Conflict of Interests and Interested Person Transaction Policy are available on the Company's website.

MATERIAL CONTRACTS

Save for the interested person transactions disclosed in Note 32 (Related Parties) to the Financial Statements, there were no other material contracts of the Company or its subsidiaries involving the interests of the chief executive officer, each Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

SECURITIES TRANSACTIONS

The Company has adopted the Hong Fok Corporation Limited Best Practices Guide (Dealings in Company's Securities) (the "Guide"). The Guide sets out, *inter alia*, the restrictions on insider trading under the Securities and Futures Act, Chapter 289, the implications of insider trading as well as guidelines on dealings in securities. In addition, the Guide further elaborates that an officer of the Company should not deal in the securities of the Company on short-term considerations and the Company and its officers should not deal in the securities of the Company during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before its half year or financial year, as the case may be, and ending on the date of announcement of the relevant results. The Guide also provides as a policy that non-executive Directors should not sell securities (including stock) of the Company prior to leaving the Company if they hold any such securities (including stock) of the Company. The details of the Guide are available on the Company's website.

CORPORATE SOCIAL RESPONSIBILITY

The Group is aware of the effects of its operations and the role it plays in preserving the environment. The Group strives to encourage a more environmentally responsible culture, and has adopted various measures. During FY2016, the measures that were already in place included the use of LED lights for the roof terrace and office lobby, and the use of paint materials that are environmentally preferred as opposed to those that are not. The entire air conditioning system in International Building was replaced with environmentally friendly ones that consume less energy. The Group also issues circulars to encourage the tenants of The Concourse and International Building to be environmentally friendly, including engaging in paper recycling and reducing the unnecessary use of paper.

The Concourse was admitted into the Skyrise Greenery Incentive Scheme introduced by the National Parks Board.

The Building and Construction Authority has awarded the BCA Green Mark Platinum award for The Concourse and the BCA Green Mark Gold Plus award for International Building.

The Group is committed to continue identifying opportunities to contribute to environmental sustainability.

The Company has recently adopted a Code of Conduct to set out the general principles and standards of behaviour that the Company expects from its employees in their dealings with fellow employees, customers, suppliers and business partners. The details of the Code of Conduct is available on the Company's website.

DIRECTORS' ATTENDANCE AT BOARD, AUDIT AND RISK MANAGEMENT COMMITTEE, NOMINATING COMMITTEE AND REMUNERATION COMMITTEE MEETINGS FOR FY2016

	Board		Audit and Risk Management Committee	
	No. of Meetings [1]	Attendance	No. of Meetings [1]	Attendance
Executive Directors				
Mr Cheong Pin Chuan[2]	5	5	N.A.	N.A.
Mr Cheong Sim Eng	5	5	N.A.	N.A.
Ms Cheong Hooi Kheng	5	5	N.A.	N.A.
Independent and Non-Executive Directors				
Mr Chow Yew Hon	5	5	8	8
Mr Lim Jun Xiong Steven	5	5	8	8
Mr Chan Pengee, Adrian	5	5	8	8

	Nominating Committee		Remuneration Committee	
	No. of Meetings [1]	Attendance	No. of Meetings [1]	Attendance
Independent and Non-Executive Directors				
Mr Chow Yew Hon	2	2	2	2
Mr Lim Jun Xiong Steven	2	2	2	2
Mr Chan Pengee, Adrian	2	2	2	2

(1) This refers to the number of meetings held during FY2016. In addition to these meetings, operational matters that require the Board or Audit and Risk Management Committee, Nominating Committee or Remuneration Committee's attention are also dealt with via circular resolutions.
(2) Mr Cheong Pin Chuan, who is working in Hong Kong, generally participates in meetings via teleconference.
N.A.: Not applicable

INFORMATION OF THE DIRECTORS

Name of Director	Age	Academic and Professional Qualifications	Board Committees Served on as Chairman or Member	Directorship: Date First Appointed	Directorship: Date Last Re-elected
Mr Cheong Pin Chuan	67	Graduate of the Footscray Institute of Technology in Australia Member of the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Certified Public Accountants	Joint Chairman of the Board	26 July 1971	29 April 2016
Mr Cheong Sim Eng	56	Bachelor of Arts	Joint Chairman of the Board	14 May 1990	30 April 2015
Ms Cheong Hooi Kheng	64	Bachelor of Science Master of Business Administration	–	1 March 1989	30 April 2015
Mr Chow Yew Hon	66	Bachelor of Business Administration (Honours) Completed the Pacific Rim Bankers' Programme in the United States of America	Chairman of Remuneration Committee, and member of Audit and Risk Management Committee and Nominating Committee	1 April 2013	29 April 2016
Mr Lim Jun Xiong Steven	61	Bachelor of Commerce Fellow member of the CPA Australia and the Institute of Singapore Chartered Accountants Member of the Society of Trust and Estate Practitioners	Chairman of Audit and Risk Management Committee and member of Nominating Committee and Remuneration Committee	25 July 2014	30 April 2015
Mr Chan Pengee, Adrian	52	Bachelor of Laws Member of the Singapore Academy of Law	Chairman of Nominating Committee and member of Audit and Risk Management Committee and Remuneration Committee	1 January 2015	30 April 2015

Directors' Statement

Year Ended 31 December 2016

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

In our opinion:

(a) the financial statements set out on pages 29 to 79 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards; and

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

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

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

Executive Directors
Mr Cheong Pin Chuan
Mr Cheong Sim Eng
Ms Cheong Hooi Kheng

Non-Executive Directors
Mr Lim Jun Xiong Steven
Mr Chow Yew Hon
Mr Chan Pengee, Adrian

DIRECTORS' INTERESTS
According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of Directors who held office at the end of the financial year (including those held by their spouses and children who are less than 18 years of age) in shares, debentures, warrants and share options in the Company and in its subsidiary corporations (other than wholly owned subsidiary corporations) are as follows:

Name of Director and Corporation in which Interests are Held	Holdings at Beginning of the Year	Holdings at End of the Year
Hong Fok Corporation Limited		
Ordinary Shares		
Mr Cheong Pin Chuan		
- direct interest held	10,948,244	13,368,728
- deemed interests	128,980,959	147,653,053
Mr Cheong Sim Eng		
- direct interest held	94,400,760	104,692,756
- deemed interests	40,923,435	50,789,778
Ms Cheong Hooi Kheng		
- direct interest held	12,782,800	14,181,080

Name of Director and Corporation in which Interests are Held	Holdings at Beginning of the Year	Holdings at End of the Year
Hong Fok Land International Limited		
Ordinary Shares		
Mr Cheong Pin Chuan		
- deemed interests	3,397,000	3,397,000
Ms Cheong Hooi Kheng		
- direct interest held	2,000,000	2,000,000

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and as at 21 January 2017.

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

SHARE OPTIONS

During the financial year, there were:

(a) no options granted by the Company or any of its subsidiary corporations to any person to take up unissued shares in the Company or its subsidiary corporations; and

(b) no shares issued by virtue of any exercise of options to take up unissued shares of the Company.

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

AUDIT AND RISK MANAGEMENT COMMITTEE

The members of the Audit and Risk Management Committee during the year and at the date of this statement are:

Mr Lim Jun Xiong Steven (Chairman)
Mr Chow Yew Hon
Mr Chan Pengee, Adrian

The Audit and Risk Management Committee performs the functions specified in Section 201B of the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance 2012.

The Audit and Risk Management Committee has held seven meetings since the last Directors' Statement. In performing its functions, the Audit and Risk Management Committee met with the Company's external and internal auditors to discuss the scope of their work (including the external auditors' audit plan), the results of their examination (including the external auditors' audit report) and evaluation of the Company's internal accounting control system.

The Audit and Risk Management Committee also reviewed the following:

- assistance provided by the Group's officers and the Company's officers to the internal and external auditors;
- quarterly financial statements and annual financial statements of the Group and the Company prior to their submission to the Directors of the Company for adoption;
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST); and
- the scope and results of the Group's internal audit procedures.

Directors' Statement

Year Ended 31 December 2016

The Audit and Risk Management Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or officer to attend its meetings. The Audit and Risk Management Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit and Risk Management Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiary corporations and significant associated companies, we have complied with Rules 712 and 715 of the Listing Manual of the SGX-ST.

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

ON BEHALF OF THE BOARD OF DIRECTORS

CHEONG SIM ENG
Director

CHEONG HOOI KHENG
Director

Singapore
27 March 2017

Independent Auditors' Report

Year Ended 31 December 2016

MEMBERS OF THE COMPANY
HONG FOK CORPORATION LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hong Fok Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and the statement of comprehensive income and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 29 to 79.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the financial performance 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 *Auditors' 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 *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.

Classification of Investment Properties ($579,000,000)
(Refer to Note 2.4, Note 3.3, Note 3.5 and Note 8 to the Financial Statements)
Risk:

In 2014, the Group commenced the construction of a hotel and classified the hotel as an investment property. As at 31 December 2016, the Group has continued to classify the hotel under development as an investment property.

Classification of the hotel under development as investment property versus property, plant and equipment requires judgement and is determined by reference to the Group's intention and business model.

If the hotel under development is assessed as investment property, the hotel under development will be re-measured at fair value with fair value changes recognised in profit or loss. If the hotel under development is assessed as property, plant and equipment, under the revaluation model, the hotel under development will be carried at fair value less accumulated depreciation and impairment loss, with the fair value changes recognised in other comprehensive income instead.

The hotel will be managed by a third party operator upon completion. The assessment of whether the exposure to operating risks is substantially passed on to the third party operator is an area of critical accounting judgement. If exposure to operating risks substantially resides with the Group, the hotel under development is an own-used property and classified as property, plant and equipment. Otherwise, it is an investment property.

Our response:

In analysing whether the exposure to operating risks is substantially passed on to the third party operator, we challenged the various criteria used by making enquiries of management and Directors, inspecting internal business plans and reading the key terms of the hotel management agreement. We focused our work on the key assumptions used to project the net cash flows generated from the property to determine the Group's exposure to the variations in net cash flows.

Our findings:
We found the Group's assessment of the classification of the hotel under development as an investment property to be appropriate based on the various criteria used. The key assumptions used to project the net cash flows generated from the property were found to be balanced and consistent with current available market data.

Valuation of Investment Properties ($2,562,574,000)
(Refer to Note 2.4, Note 3.5 and Note 8 to the Financial Statements)
Risk:
As at 31 December 2016, the Group has a portfolio of investment properties. These investment properties are stated at fair value, determined based on independent external valuation.

The valuation of investment property requires significant judgement and estimation. There is a risk that the investment properties may not be fairly stated if the valuation methodology adopted and the key assumptions applied by the valuers are inappropriate. A small change in the key assumptions applied by the valuers such as the market comparable used, the vacancy allowance and capitalisation rate can have a significant impact to the valuation. For investment property under development, the estimated total cost of development and cost of work done will also impact the valuation.

Our response:
We assessed the competency, capability and objectivity of these valuers. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

We considered the valuation methodologies used against those applied by other valuers for similar property type. We held discussions with the valuers and challenged their key assumptions applied by comparing them against market comparable, historical data and available industry data.

In addition, for investment property under development, we evaluated the estimated total cost of development by comparing the underlying assumptions to relevant market evidence and agreed to contracts with third parties, where relevant. We have also tested significant items of the cost components to source documents to ascertain the existence and accuracy of the cost of work done.

Our findings:
We are satisfied with the competency, capability and objectivity of the external valuers. The valuers are members of generally-recognised professional body for valuers. The valuation methodologies adopted by the valuers were found to be appropriate and comparable to methods used for similar property types and those used in the prior years. The key assumptions used in the valuations were found to be balanced, and where available, consistent with current market data. For investment property under development, estimated total cost of development and cost of work done were found to be supported.

Valuation of Development Properties ($245,179,000)
(Refer to Note 2.4, Note 3.8 and Note 11 to the Financial Statements)
Risk:
As at 31 December 2016, the Group has residential properties for sale (or development properties) which are located in Singapore. These properties are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price, less estimated costs of completion and selling expenses.

Arising from the weak demand and the consequential oversupply of residential units in Singapore, the properties' transaction volumes and prices might face downward pressure. There is therefore a potential risk that the estimated net realisable value exceeds the future selling prices, resulting in losses when these properties are sold.

Our response:
Where an independent external valuer was engaged, our procedures included assessment of the competency, capability and objectivity of the valuers. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

We considered the valuation methodologies used against those applied by other valuers for similar property types. We compared the valuers' underlying assumptions on estimated selling prices to market comparables.

Where an independent external valuer was not engaged, we assessed the reasonableness of the Group's estimated selling prices of the development properties by independently validating to the recent transacted sales prices of comparable properties. We also considered industry reports and forecasts on property market trends published by research analysts.

Our findings:
We are satisfied with the competency, capability and objectivity of the external valuers. The valuers are members of generally-recognised professional body for valuers. The valuation methodologies adopted by the valuers were found to be appropriate and comparable to the methods used for similar property types and those used in the prior years. The key assumptions used in the valuations were found to be balanced, and where available, consistent with current market data.

Where an independent external valuer was not engaged, we found that the Group's estimated selling prices are within the market's expectation.

Other Information
Management is responsible for the other information. The other information comprises Chairmen's Statement, Board of Directors' and Key Executive Officers' profiles, Corporate Information, Property Summary, Summary of the Group, Corporate Governance Statement, Directors' Statement and Statement of Shareholdings.

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

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

Responsibilities of 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.

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

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

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

- Obtain an understanding of internal 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 controls.

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with 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 auditors' 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 auditors' report is Ms Teo Han Jo.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2017

Statements of Financial Position

As At 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current Assets					
Property, plant and equipment	4	**2,102**	2,424	**–**	–
Subsidiaries	5	**–**	–	**233,106**	233,106
Associate and joint venture	7	**#**	#	**–**	–
Investment properties	8	**2,562,574**	2,390,839	**–**	–
Other assets	9	**187**	185	**–**	–
Pledged bank deposits	14	**6,499**	4,196	**–**	–
Deferred tax assets	10	**239**	–	**–**	–
		2,571,601	2,397,644	**233,106**	233,106
Current Assets					
Other assets	9	**354**	559	**–**	–
Current tax assets		**145**	342	**–**	–
Development properties	11	**245,179**	246,611	**–**	–
Trade and other receivables	12	**4,676**	3,726	**26**	39
Amounts due from subsidiaries	13	**–**	–	**269,713**	249,736
Cash and cash equivalents	14	**77,370**	163,759	**1,936**	33,294
		327,724	414,997	**271,675**	283,069
Total Assets		**2,899,325**	2,812,641	**504,781**	516,175
Equity Attributable to Owners of the Company					
Share capital	15	**186,688**	186,688	**186,688**	186,688
Treasury shares	15	**(101,050)**	(101,050)	**–**	–
Reserves	16	**1,468,056**	1,398,069	**72,182**	83,881
		1,553,694	1,483,707	**258,870**	270,569
Non-controlling interests	6	**518,676**	500,987	**–**	–
Total Equity		**2,072,370**	1,984,694	**258,870**	270,569
Non-current Liabilities					
Loans and borrowings	17	**729,478**	738,205	**219,276**	218,769
Trade and other payables	18	**13,821**	12,844	**–**	–
Deferred tax liabilities	10	**473**	1,039	**–**	–
		743,772	752,088	**219,276**	218,769
Current Liabilities					
Loans and borrowings	17	**5,230**	5,798	**–**	–
Trade and other payables	18	**74,514**	68,270	**4,638**	4,838
Amounts due to subsidiaries	13	**–**	–	**21,997**	21,999
Current tax liabilities		**3,439**	1,791	**–**	–
		83,183	75,859	**26,635**	26,837
Total Liabilities		**826,955**	827,947	**245,911**	245,606
Total Equity and Liabilities		**2,899,325**	2,812,641	**504,781**	516,175

Amount less than $1,000

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

Statements of Comprehensive Income

Year Ended 31 December 2016

	Note	Group		Company	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000
Revenue	20	**58,436**	60,500	**–**	15,900
Other income	21	**578**	533	**–**	–
		59,014	61,033	**–**	15,900
Commitment fee on unutilised facilities		**(1,433)**	(1,118)	**–**	–
Cost of sales of development properties		**(1,514)**	(1,447)	**–**	–
Depreciation of property, plant and equipment	4	**(712)**	(472)	**–**	–
Employee benefit expenses	24	**(21,310)**	(31,901)	**–**	–
Gain on disposal of subsidiaries	36	**–**	81,922	**–**	–
Gain on revaluation of investment properties	8	**97,606**	136,358	**–**	–
Maintenance expenses		**(7,684)**	(10,708)	**–**	–
Operating lease expenses		**(1,135)**	(994)	**–**	–
Professional fees		**(3,605)**	(1,621)	**(326)**	(372)
Property tax		**(5,685)**	(6,184)	**–**	–
Rental commission		**(647)**	(1,134)	**–**	–
Other expenses		**(3,442)**	(2,813)	**34**	27,011
		109,453	220,921	**(292)**	42,539
Finance income	22	**762**	803	**129**	225
Finance expense	22	**(26,935)**	(21,154)	**(2,830)**	(2,673)
Net finance expense	22	**(26,173)**	(20,351)	**(2,701)**	(2,448)
Share of results of associate and joint venture, net of tax		**–**	(1)	**–**	–
Profit/(Loss) before tax	23	**83,280**	200,569	**(2,993)**	40,091
Tax expense	25	**(1,330)**	(1,330)	**–**	–
Profit/(Loss) for the year		**81,950**	199,239	**(2,993)**	40,091
Profit/(Loss) attributable to:					
Owners of the Company		**72,986**	167,003	**(2,993)**	40,091
Non-controlling interests	6	**8,964**	32,236	**–**	–
Profit/(Loss) for the year		**81,950**	199,239	**(2,993)**	40,091
Earnings per share (cents):					
Basic	28	**10.53**	24.10		
Diluted	28	**10.53**	24.10		

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

Statements of Comprehensive Income

Year Ended 31 December 2016

	Note	Group		Company	
		2016	**2015**	**2016**	**2015**
		$'000	**$'000**	**$'000**	**$'000**
Profit/(Loss) for the year		**81,950**	199,239	**(2,993)**	40,091
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to Profit or Loss:					
Realisation of reserves on disposal of subsidiaries	36	**–**	(1,139)	**–**	–
Exchange differences on translation of financial statements of foreign subsidiaries		**9,633**	25,059	**–**	–
Exchange differences on monetary items forming part of net investments in foreign subsidiaries		**672**	2,553	**–**	–
Other comprehensive income for the year, net of tax *		**10,305**	26,473	**–**	–
Total comprehensive income for the year		**92,255**	225,712	**(2,993)**	40,091
Total comprehensive income attributable to:					
Owners of the Company		**76,816**	173,879	**(2,993)**	40,091
Non-controlling interests	6	**15,439**	51,833	**–**	–
Total comprehensive income for the year		**92,255**	225,712	**(2,993)**	40,091

* *There was no tax effect on the components included in other comprehensive income.*

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

Consolidated Statement of Changes in Equity

Year Ended 31 December 2016

Group	Note	Share Capital $'000	Capital and Other Reserves $'000	Treasury Shares $'000	Translation Reserves $'000	Retained Profit $'000	Total $'000	Non-controlling Interests $'000	Total Equity $'000
		Attributable to Owners of the Company							
At 1 January 2015		186,688	3,330	(101,050)	(38,455)	1,271,053	1,321,566	476,260	1,797,826
Total comprehensive income for the year									
Profit for the year		–	–	–	–	167,003	167,003	32,236	199,239
Other comprehensive income									
Realisation of reserves on disposal of subsidiaries	36	–	(1,139)	–	–	–	(1,139)	–	(1,139)
Exchange differences on translation of financial statements of foreign subsidiaries		–	164	–	5,298	–	5,462	19,597	25,059
Exchange differences on monetary items forming part of net investments in foreign subsidiaries		–	–	–	2,553	–	2,553	–	2,553
Total other comprehensive income, net of tax		–	(975)	–	7,851	–	6,876	19,597	26,473
Total comprehensive income for the year		–	(975)	–	7,851	167,003	173,879	51,833	225,712
Transactions with Owners, recorded directly in Equity									
Contributions by and Distributions to Owners									
Shares issued under share option scheme		–	16	–	–	20	36	49	85
Dividend paid	26	–	–	–	–	(12,601)	(12,601)	–	(12,601)
Total Contributions by and Distributions to Owners		–	16	–	–	(12,581)	(12,565)	49	(12,516)
Changes in Ownership Interests in Subsidiaries									
Disposal of subsidiaries	36	–	–	–	–	–	–	(25,947)	(25,947)
Acquisition of additional interest in a subsidiary	27	–	–	–	–	827	827	(1,208)	(381)
Total Changes in Ownership Interests in Subsidiaries		–	–	–	–	827	827	(27,155)	(26,328)
Total Transactions with Owners		–	16	–	–	(11,754)	(11,738)	(27,106)	(38,844)
At 31 December 2015		186,688	2,371	(101,050)	(30,604)	1,426,302	1,483,707	500,987	1,984,694

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

Consolidated Statement of Changes in Equity

Year Ended 31 December 2016

Group	Note	Share Capital $'000	Capital and Other Reserves $'000	Treasury Shares $'000	Translation Reserves $'000	Retained Profit $'000	Total $'000	Non-controlling Interests $'000	Total Equity $'000
		Attributable to Owners of the Company							
At 1 January 2016		186,688	2,371	(101,050)	(30,604)	1,426,302	1,483,707	500,987	1,984,694
Total comprehensive income for the year									
Profit for the year		–	–	–	–	72,986	72,986	8,964	81,950
Other comprehensive income									
Exchange differences on translation of financial statements of foreign subsidiaries		–	–	–	3,158	–	3,158	6,475	9,633
Exchange differences on monetary items forming part of net investments in foreign subsidiaries		–	–	–	672	–	672	–	672
Total other comprehensive income, net of tax		–	–	–	3,830	–	3,830	6,475	10,305
Total comprehensive income for the year		–	–	–	3,830	72,986	76,816	15,439	92,255
Transactions with Owners, recorded directly in Equity									
Contributions by and Distributions to Owners									
Imputed interest on the bonds issued by a subsidiary	16	–	101	–	–	–	101	2,250	2,351
Dividend paid	26	–	–	–	–	(6,930)	(6,930)	–	(6,930)
Total Contributions by and Distributions to Owners		–	101	–	–	(6,930)	(6,829)	2,250	(4,579)
Total Transactions with Owners		–	101	–	–	(6,930)	(6,829)	2,250	(4,579)
At 31 December 2016		186,688	2,472	(101,050)	(26,774)	1,492,358	1,553,694	518,676	2,072,370

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

Statement of Changes in Equity

Year Ended 31 December 2016

Company	**Note**	**Share Capital $'000**	**Retained Profit $'000**	**Total $'000**
At 1 January 2015		186,688	59,619	246,307
Profit and total comprehensive income for the year		–	40,091	40,091
Transactions with Owners, recorded directly in Equity				
Distributions to Owners				
Dividend paid	26	–	(15,829)	(15,829)
Total Transactions with Owners		–	(15,829)	(15,829)
At 31 December 2015		186,688	83,881	270,569
At 1 January 2016		**186,688**	**83,881**	**270,569**
Loss and total comprehensive income for the year		**–**	**(2,993)**	**(2,993)**
Transactions with Owners, recorded directly in Equity				
Distributions to Owners				
Dividend paid	26	**–**	**(8,706)**	**(8,706)**
Total Transactions with Owners		**–**	**(8,706)**	**(8,706)**
At 31 December 2016		**186,688**	**72,182**	**258,870**

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

Consolidated Statement of Cash Flows

Year Ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash Flows From Operating Activities			
Profit before tax		**83,280**	200,569
Adjustments for:			
Share of results of associate and joint venture, net of tax		**–**	1
Depreciation of property, plant and equipment	4	**712**	472
Gain on disposal of subsidiaries	36	**–**	(81,922)
Gain on revaluation of investment properties	8	**(97,606)**	(136,358)
Loss/(Gain) on disposal of property, plant and equipment	23	**19**	(62)
Loss on disposal of other assets	23	**81**	5
Impairment loss on trade and other receivables and club membership, net	23	**31**	229
Changes in fair value of held for trading equity securities	23	**(32)**	16
Finance income	22	**(762)**	(803)
Finance expense	22	**26,935**	21,154
		12,658	3,301
Changes in working capital:			
Development properties		**1,432**	3,286
Trade and other receivables		**(1,349)**	28,561
Trade and other payables		**6,768**	11,327
Cash generated from operations		**19,509**	46,475
Tax paid		**(1,479)**	(12,381)
Tax refund		**1,210**	4
Net Cash From Operating Activities		**19,240**	34,098
Cash Flows From Investing Activities			
Capital expenditure on investment properties		**(62,498)**	(31,399)
Proceeds from disposal of property, plant and equipment		**2**	68
Proceeds from disposal of other assets		**160**	652
Purchase of property, plant and equipment		**(406)**	(847)
Purchase of other assets		**(1)**	(29)
Interest received		**767**	764
Disposal of subsidiaries, net of cash	36	**–**	102,312
Net Cash (Used In)/From Investing Activities		**(61,976)**	71,521
Cash Flows From Financing Activities			
(Increase)/Decrease in pledged bank deposits		**(2,276)**	790
Interest paid		**(21,024)**	(21,423)
Dividend paid		**(6,930)**	(12,601)
Payment of finance lease liabilities		**(27)**	(3)
Payment of acquisition of ownership interests in subsidiaries with no change in control		**–**	(381)
Repayments of loans and borrowings		**(59,673)**	(66,478)
Proceeds from loans and borrowings		**44,038**	64,532
Net Cash Used In Financing Activities		**(45,892)**	(35,564)
Net (Decrease)/Increase in Cash and Cash Equivalents		**(88,628)**	70,055
Cash and cash equivalents at beginning of the year		**163,759**	93,071
Effect of exchange rate fluctuations on cash held		**2,239**	633
Cash and Cash Equivalents at End of the Year	14	**77,370**	163,759

Significant Non-cash Transactions

During the financial year ended 31 December 2015, the Group purchased property, plant and equipment of approximately $877,000, of which $30,000 was acquired under finance lease arrangements.

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 27 March 2017.

1 DOMICILE AND ACTIVITIES

Hong Fok Corporation Limited (the "Company") is incorporated in the Republic of Singapore. The Company's registered office is at 300 Beach Road #41-00, The Concourse, Singapore 199555.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries consist of property investment, property development and construction, property management, investment trading, provision of horticultural services and investment holding and management.

The financial statements of the Group as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as the "Group entities") and the Group's interest in equity-accounted investees.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and Presentation Currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information is presented in Singapore dollars and has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of Estimates and Judgements

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

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

- Note 8 – classification of investment properties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 8 – valuation of investment properties
- Note 11 – valuation of development properties

Measurement of Fair Values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes the management that reports directly to the Executive Directors who will then have the overall responsibility for all significant fair value measurements, including Level 3 fair values.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation and valuation methodologies.

The results of the external valuations are reported to the Executive Directors.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 8 – investment properties
- Note 30 – fair value of assets and liabilities

3 SIGNIFICANT ACCOUNTING POLICIES

The Group adopted new or revised financial reporting standards and interpretations which became effective during the year. The initial adoption of these standards and interpretations did not have a material impact on the financial statements.

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

3.1 Basis of Consolidation

(i) Business Combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the date of acquisition, which is the date on which control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests (“NCI”) that are present ownership interests and entitle their holders to a proportionate share of the acquiree’s net assets in the event of liquidation are measured either at fair value or at the NCI’s proportionate share of the recognised amounts of the acquiree’s identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Loss applicable to the NCI in a subsidiary is allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iii) Acquisitions from Entities under Common Control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(iv) Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Investments in Associates and Joint Ventures (Equity-accounted Investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of loss exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further loss is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(vi) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised loss is eliminated in the same way as unrealised gain, but only to the extent that there is no evidence of impairment.

(vii) Subsidiaries, Associates and Joint Ventures in the Separate Financial Statements

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment loss.

3.2 Foreign Currency

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss, except for differences which are recognised in OCI arising on the translation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

Foreign Operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in OCI, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gain and loss arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

3.3 Property, Plant and Equipment

(i) Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Buildings held for own use which are situated in leasehold land are measured at fair value less accumulated depreciation and impairment loss recognised after the date of revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the building at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under fair value reserve, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the fair value reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

(ii) Subsequent Costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Building	-	over the terms of leases of 40 years
Leasehold land	-	over the terms of leases of 35 to 52 years
Plant and equipment	-	3 to 5 years
Office equipment and furniture	-	1 to 5 years
Motor vehicles	-	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3.5 Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained profit.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Property that is being constructed for future use as investment property is accounted for at fair value.

3.6 Financial Instruments

(i) Non-derivative Financial Assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the financial assets.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents, trade and other receivables and amounts due from subsidiaries.

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged bank deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment loss and foreign currency differences on available-for-sale debt instrument, are recognised in OCI and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Available-for-sale financial assets comprise equity securities.

(ii) Non-derivative Financial Liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the date of acquisition. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the financial liabilities.

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

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

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

Other financial liabilities comprise loans and borrowings, trade and other payables, and amounts due to subsidiaries.

(iii) Share Capital

Ordinary shares

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

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

Shares held by subsidiary (treasury shares)

A subsidiary's investment in the Company's shares is not treated as ordinary shares outstanding in the consolidated statement of financial position. On consolidation, the subsidiary's investment in the Company's share is reclassified as treasury shares and deducted from consolidated equity.

(iv) Intra-group Financial Guarantees in the Separate Financial Statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are initially measured at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

3.7 Club Memberships

Club memberships are stated at cost less accumulated impairment loss. Gain or loss on disposal of club membership is determined as the difference between the net disposal proceeds and the carrying amount of the club membership and is accounted for in profit or loss as they arise.

3.8 Development Properties

Development properties for sale are measured at the lower of cost and net realisable value. Cost includes acquisition costs, development expenditure, capitalised borrowing costs and other costs directly attributable to the development activities.

Borrowing costs that are directly attributable to the acquisition and development of the development properties are capitalised as part of development property during the period of development.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

3.9 Impairment

(i) Non-derivative Financial Assets

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

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

Loans and receivables

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

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

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

Available-for-sale financial assets

Impairment loss on available-for-sale financial assets is recognised by reclassifying the loss accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in OCI.

(ii) Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than investment properties and development properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment loss is recognised in profit or loss. Impairment loss recognised in respect of CGUs is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment loss recognised in prior periods is assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Investment in subsidiaries, associates and joint ventures
An impairment loss in respect of a subsidiary, associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 3.9(ii). An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

3.10 Revenue Recognition

(i) Sale of Completed Development Properties
Revenue from sales of completed development properties is only recognised upon the transfer of control and significant risks and rewards of ownership of the property to the buyer. This generally coincides with the point in time when the development unit is delivered to the buyer. No revenue is recognised when there is significant uncertainty as to the collectability of the consideration due or the possible return of units sold.

(ii) Sale of Goods
Revenue is recognised when goods are delivered at the customers' premise which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Rental Income and Maintenance Fee
Rental income (net of any incentives given to lessee) and maintenance fees are recognised in profit or loss on a straight-line basis over the term of the lease.

(iv) Car Park and Interest Income
Car park and interest income from late payment by tenants are recognised in profit or loss on an accrual basis. Interest income from deposits is accrued on an effective interest basis.

(v) Dividend
Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(vi) Property Management and Horticultural Services Income
Property management and horticultural services income are recognised in profit or loss upon rendering of the services.

3.11 Employee Benefits

(i) Defined Contribution Plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term Employee Benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Other Long-term Employee Benefits

The Group's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield of Singapore Government Bond that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. Any gain or loss is recognised in profit or loss in the period in which they arise.

(iv) Termination Benefits

Termination benefits are recognised as an expense at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(v) Share-based Payment Transactions

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the subsidiary's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profit).

3.12 Provisions

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

3.13 Government Grants

An unconditional government grant related to investment properties is recognised as a deduction against the carrying amount of the investment property when the grant becomes receivable.

Any other unconditional government grant that compensates the Group for expenses already incurred is recognised in profit or loss of the period in which it becomes receivable.

3.14 Finance Income and Expense

Finance income relates to interest income on late payments and certain cash and cash equivalents, and amortisation of financial guarantees that are recognised in profit or loss.

Finance expense comprises interest expense on loans and borrowings, amortisation of transaction costs capitalised previously and amortisation of imputed interest on the bonds issued.

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

3.15 Operating Leases

Where the Group has the use of the assets under operating leases, payments made under these leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.16 Tax Expense

Tax expense comprises current tax and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment properties will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

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

3.17 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Company's Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.18 Earnings Per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.19 New Accounting Standards and Interpretations not yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, the Group is in the process of assessing the transition options and the potential impact on its financial statements. Management provides updates to the Audit and Risk Management Committee on the progress of implementing these standards. The Group does not plan to adopt these standards early.

Applicable to 2018 Financial Statements

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue-Barter Transactions Involving Advertising Services*.

FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

During 2016, the Group completed its initial assessment of the impact on the Group's financial statements. Based on its initial assessment, the Group expects no significant changes to the recognition criteria, quantum and timing of its existing revenue sources and contracts with customers.

The Group plans to adopt the standard when it becomes effective in 2018 using the full retrospective approach.

FRS 109 Financial Instruments

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

During 2016, the Group completed its initial assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant impact on its opening equity.

The Group's initial assessment of the key elements of FRS 109 relevant to the Group is as described below.

Classification and measurement

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109. For financial assets currently classified as held for trading accounted for at fair value with changes in fair value recognised to the profit or loss, will continue to be accounted for at fair value through profit or loss under FRS 109.

Impairment
The Group plans to apply the simplified approach and record lifetime expected impairment loss on all trade receivables. On adoption of FRS 109, the Group expects a decrease in the impairment loss allowance due to the low historical default rates. The Group is currently refining its impairment loss estimation methodology to quantify the impact on its financial statements.

The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information, and is gathering data to quantify the potential impact arising from the adoption.

Convergence with International Financial Reporting Standards (IFRS)
In addition, the Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

In addition, the Group plans to take advantage of two transitional optional exemptions as allowed by SG-IFRS 1, where the Group may elect not to apply FRS 103 retrospectively to business combinations that occurred before 1 January 2001 and to deem the cumulative translation differences (FCTR) for all foreign operations to be zero at the date of transition (1 January 2017). This will result in the FCTR of approximately $26,774,000 to be transferred directly to retained earnings at the date of transition.

Applicable to 2019 Financial Statements
FRS 116 Leases
FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases-Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

Potential impact on the financial statements
The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. As at 31 December 2016, the operating lease commitments on an undiscounted basis amount to $1,680,000 (Note 34). The Group plans to adopt the standard when it becomes effective in 2019.

The Group expects that the impact on adoption of SG-IFRS 16 *Leases* to be similar to adopting FRS 116, after the transition to SG-IFRS in 2018 as described above.

4 PROPERTY, PLANT AND EQUIPMENT

Group	Building $'000	Leasehold Land $'000	Plant and Equipment $'000	Office Equipment and Furniture $'000	Motor Vehicles $'000	Total $'000
Cost or Valuation						
At 1 January 2015						
Cost	–	165	1,245	4,559	2,163	8,132
Valuation	21	–	–	–	–	21
	21	165	1,245	4,559	2,163	8,153
Additions	–	–	18	472	387	877
Disposal of subsidiaries (Note 36)	(21)	(175)	–	(696)	(102)	(994)
Disposals	–	–	(7)	(157)	(266)	(430)
Translation differences	–	10	–	153	50	213
At 31 December 2015	–	–	1,256	4,331	2,232	7,819
At 1 January 2016						
Cost	**–**	**–**	**1,256**	**4,331**	**2,232**	**7,819**
Additions	**–**	**–**	**20**	**386**	**–**	**406**
Disposals	**–**	**–**	**(1)**	**(192)**	**–**	**(193)**
Translation differences	**–**	**–**	**–**	**40**	**16**	**56**
At 31 December 2016	**–**	**–**	**1,275**	**4,565**	**2,248**	**8,088**
Accumulated Depreciation						
At 1 January 2015	2	45	1,213	3,796	966	6,022
Depreciation for the year	–	2	14	308	148	472
Disposal of subsidiaries (Note 36)	(2)	(49)	–	(696)	(102)	(849)
Disposals	–	–	(7)	(150)	(266)	(423)
Translation differences	–	2	–	142	29	173
At 31 December 2015	–	–	1,220	3,400	775	5,395
At 1 January 2016	**–**	**–**	**1,220**	**3,400**	**775**	**5,395**
Depreciation for the year	**–**	**–**	**18**	**517**	**177**	**712**
Disposals	**–**	**–**	**(1)**	**(171)**	**–**	**(172)**
Translation differences	**–**	**–**	**–**	**40**	**11**	**51**
At 31 December 2016	**–**	**–**	**1,237**	**3,786**	**963**	**5,986**
Carrying Amounts						
At 1 January 2015	19	120	32	763	1,197	2,131
At 31 December 2015	–	–	36	931	1,457	2,424
At 31 December 2016	**–**	**–**	**38**	**779**	**1,285**	**2,102**

Assets Held under Finance Lease

The carrying amount of property, plant and equipment under finance lease is as follows:

Group	2016 $'000	2015 $'000
Motor vehicles	–	141

5 SUBSIDIARIES

Company	2016 $'000	2015 $'000
Equity investment at cost	**183,431**	183,431
Impairment loss	**(115)**	(115)
	183,316	183,316
Financial guarantees	**25,439**	25,439
	208,755	208,755
Amounts due from subsidiaries	**32,670**	32,670
Impairment loss	**(8,319)**	(8,319)
	24,351	24,351
	233,106	233,106

The amounts due from subsidiaries are unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As these amounts are, in substance, a part of the Company's net investment in the subsidiaries, they are stated at cost less accumulated impairment loss and presented together with the Company's equity investment in the subsidiaries.

The movements in impairment loss on investments in subsidiaries were as follows:

Company	2016 $'000	2015 $'000
At 1 January	**(8,434)**	(33,732)
Impairment loss during the year	–	(4)
Impairment loss written back	–	25,302
At 31 December	**(8,434)**	(8,434)

As at 31 December 2015, the Company carried out a review on the recoverable amount of its investments in subsidiaries. The review led to an impairment loss written back of approximately $25,302,000 and an impairment loss of approximately $4,000 that have been recognised in profit or loss of the Company. The recoverable amount had been determined based on the fair value less costs to sell. Fair value is based on the net asset value of the subsidiaries at the reporting date as, in the opinion of the Directors of the Company, the net asset value of the investment reasonably approximates the fair value.

Details of the subsidiaries are as follows:

	Name of Subsidiary	Principal Place of Business/Country of Incorporation	Effective Equity Held by the Group 2016 %	2015 %
	Yat Yuen Hong Holdings Pte. Ltd.	Singapore	**100.00**	100.00
	Yat Yuen Hong Company Limited and its subsidiary:	Singapore	**100.00**	100.00
	Super Homes Pte. Ltd.	Singapore	**100.00**	100.00
	Hong Fok Homes Pte Ltd	Singapore	**100.00**	100.00
	Cecil Land Development Pte. Ltd.	Singapore	**100.00**	100.00
	Hong Fok Land Ltd and its subsidiary:	Singapore	**100.00**	100.00
	Jemmax Investments Pte Ltd	Singapore	**100.00**	100.00
	Hong Fok Commercial Pte. Ltd.	Singapore	**100.00**	–
	Hong Fok Realty Pte. Ltd.	Singapore	**100.00**	100.00
	Vista Parking Services Pte Ltd	Singapore	**100.00**	100.00
	Hong Fok Nominees Pte. Ltd.	Singapore	**100.00**	100.00
	Broadway Development Pte Ltd	Singapore	**100.00**	100.00
	Turie Pte Ltd	Singapore	**100.00**	100.00
	Defoe Pte Ltd and its subsidiary:	Singapore	**100.00**	100.00
	Brisco Pte Ltd	Singapore	**100.00**	100.00
	Rasco Pte Ltd	Singapore	**100.00**	100.00
	Biogem International Pte Ltd	Singapore	**100.00**	100.00
	HFC Ventures.com Co Pte Ltd	Singapore	**100.00**	100.00
	Highfeature.com Co Pte Ltd	Singapore	**100.00**	100.00
	Warranty Management Pte Ltd	Singapore	**100.00**	100.00
	Maincon (Building) Pte. Ltd. and its subsidiary:	Singapore	**100.00**	100.00
	Elegant Homes Pte. Ltd.	Singapore	**100.00**	100.00
	Goldease Investments Limited and its subsidiaries:	Singapore/British Virgin Islands	**100.00**	100.00
	Arundel Trading Pte Ltd	Singapore	**100.00**	100.00
	Firth Enterprises Pte Ltd	Singapore	**100.00**	100.00
	Hong Fok Development (Newton) Pte Ltd	Singapore	**100.00**	100.00
	Bishopgate Holdings Limited	Singapore/British Virgin Islands	**100.00**	100.00
	Gold Triumph Assets Limited	Singapore/British Virgin Islands	**100.00**	100.00
	Yorkwin Investments Limited	Singapore/British Virgin Islands	**100.00**	100.00
	Hong Fok Corporation (Cayman) Limited	Hong Kong/Cayman Islands	**100.00**	100.00
@	Hong Fok Corporation (H.K.) Limited and its subsidiaries:	Hong Kong	**100.00**	100.00
	Hong Fok Investment Holding Company Limited	Hong Kong	**100.00**	100.00
	Hong Fok Land International Limited	Hong Kong	**100.00**	100.00
	Hong Fok Nominees Limited	Hong Kong	**100.00**	100.00
	Supreme Homes Company Limited	Hong Kong	**100.00**	100.00
	Hong Fok Enterprises Limited	Hong Kong	**100.00**	100.00
@	Hong Fok Land International Limited and its significant subsidiaries:	Hong Kong/Bermuda	**42.33**	42.33
	Hong Fok Land Asia Limited	Hong Kong/British Virgin Islands	**42.33**	42.33
	Hong Fok Land Investment Limited	Hong Kong	**42.33**	42.33
	Hugoton Limited	Hong Kong	**42.33**	42.33
	Bossiney Limited	Hong Kong	**42.33**	42.33
	Magazine Gap Property Management Limited	Hong Kong	**42.33**	42.33
	Wellow Investment Limited	Hong Kong/Republic of Liberia	**42.33**	42.33
	Giant Yield Limited	Hong Kong	**42.33**	42.33
	Hong Fok Land Holding Limited	Hong Kong	**42.33**	42.33
	Allied Crown Limited	Hong Kong	**42.33**	42.33

	Name of Subsidiary	Principal Place of Business/Country of Incorporation	Effective Equity Held by the Group 2016 %	2015 %
	Winfoong Land Limited (formerly known as Star International Investments Limited)	Hong Kong	**42.33**	42.33
	Asian Vision Limited	Hong Kong	**42.33**	42.33
	Winfoong International Limited (formerly known as First Strategy Investments Limited)	Hong Kong/British Virgin Islands	**42.33**	42.33
	Prestige Century Limited	Hong Kong/British Virgin Islands	**42.33**	42.33
*	Hong Fok Land Assets Pte. Ltd.	Singapore	**42.33**	42.33

@ *The consolidated financial statements are audited by Crowe Horwath (HK) CPA Limited.*
* *The financial statements are audited by Crowe Horwath First Trust LLP.*

KPMG LLP is the auditor of all significant Singapore-incorporated subsidiaries. Significant foreign-incorporated subsidiaries are audited by Crowe Horwath (HK) CPA Limited. For this purpose, a subsidiary is considered significant as defined under the Listing Manual of the SGX-ST if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

Although the Group owns less than half of the voting power of Hong Fok Land International Limited, management has determined that the Group has de facto control over Hong Fok Land International Limited. This is on the basis that the remaining voting rights in the investee are widely dispersed, historical attendance at shareholder meetings shows that the Group has been able to control the outcome of voting, and that there is no indication that other shareholders exercise their votes collectively.

6 NON-CONTROLLING INTERESTS

The following subsidiaries have material NCI:

Name of Subsidiary	Place of Business	Country of Incorporation	Effective Equity Held by Non-controlling Interests 2016 %	2015 %
Hong Fok Land International Limited and its subsidiaries	Hong Kong	Bermuda, Hong Kong, British Virgin Islands, Republic of Liberia, Singapore	**57.67**	57.67

The following summarised the financial information of the Group's subsidiaries with material NCI prepared in accordance with FRS.

Group	**Hong Fok Land International Limited and its Subsidiaries $'000**	**Intra-group Adjustments $'000**	**Total $'000**
2016			
Non-current assets	581,595		
Current assets	51,627		
Non-current liabilities	(95,715)		
Current liabilities	(19,297)		
Net assets	518,210		
Net assets attributable to NCI	298,852	219,824	518,676
Revenue	5,573		
Loss	(1,352)		
Other comprehensive income	(7,003)		
Total comprehensive income	(8,355)		
Attributable to NCI:			
- (Loss)/Profit	(780)	9,744	8,964
- Other comprehensive income	(4,039)	10,514	6,475
- **Total comprehensive income**	(4,819)	20,258	15,439
Cash flows used in operating activities	(7,101)		
Cash flows used in investing activities	(297)		
Cash flows from financing activities (dividends to NCI: $Nil)	17,422		
Net increase in cash and cash equivalents	10,024		

Group	Hong Fok Land International Limited and its Subsidiaries $'000	Winfoong International Limited and its Subsidiaries ^ $'000	Intra-group Adjustments $'000	Total $'000
2015				
Non-current assets	564,052	–		
Current assets	40,821	–		
Non-current liabilities	(76,061)	–		
Current liabilities	(17,705)	–		
Net assets	511,107	–		
Net assets attributable to NCI	294,755	–	206,232	500,987
Revenue	8,396	1,057		
Profit/(Loss)	24,790	(1,987)		
Other comprehensive income	(26,702)	285		
Total comprehensive income	(1,912)	(1,702)		
Attributable to NCI:				
- Profit/(Loss)	14,296	(1,017)	18,957	32,236
- Other comprehensive income	(15,399)	146	34,850	19,597
- **Total comprehensive income**	(1,103)	(871)	53,807	51,833
Cash flows used in operating activities	(3,119)	(2,144)		
Cash flows from investing activities	43,355	6		
Cash flows (used in)/from financing activities (dividends to NCI: $Nil)	(2,278)	85		
Net increase/(decrease) in cash and cash equivalents	37,958	(2,053)		

^ *Winfoong International Limited was listed on The Stock Exchange of Hong Kong Limited and on 18 September 2015, the Group disposed of its shares of Winfoong International Limited to a third party (see Note 36).*

7 ASSOCIATE AND JOINT VENTURE

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Interest in associate	–	–	**2,000**	2,000
Impairment loss	–	–	**(2,000)**	(2,000)
	–	–	–	–
Interest in joint venture	#	#	–	–
Impairment loss	–	–	–	–
	#	#	–	–
Amount due from associate	–	–	**2,002**	2,099
Impairment loss	–	–	**(2,002)**	(2,099)
	–	–	–	–
	#	#	–	–

Amount less than $1,000

The amount due from an associate is unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As the amount is, in substance, a part of the Company's net investment in the associate, it is stated at cost less accumulated impairment loss and presented together with the Company's equity investment in the associate.

The movements in impairment loss on investment in associate were as follows:

Company	2016 $'000	2015 $'000
At 1 January	**(4,099)**	(3,959)
Impairment loss during the year	**–**	(140)
Impairment loss written back	**97**	–
At 31 December	**(4,002)**	(4,099)

The summarised financial information of the associate and joint venture has not been presented as the carrying amounts are not significant to the consolidated financial statements.

8 INVESTMENT PROPERTIES

Group	2016 $'000	2015 $'000
At 1 January	**2,390,839**	2,193,456
Additions arising from subsequent expenditure recognised in carrying amount	**63,932**	32,928
Changes in fair value	**97,606**	136,358
Translation differences	**10,197**	28,097
At 31 December	**2,562,574**	2,390,839

Investment properties comprise commercial and residential properties, freehold land and buildings under development and leasehold land and buildings.

Completed investment properties are commercial and residential properties that are mainly leased to external customers. Each of the leases contains an initial non-cancellable period of usually one to five years. Subsequent renewals are negotiated with the lessee.

Changes in fair value are recognised as gain or loss in profit or loss. All gain or loss are unrealised.

The carrying amount of investment properties of the Group under operating leases as at 31 December 2016 is approximately $1,773,332,000 (2015: $1,921,138,000).

During the year, interest expense capitalised as cost of investment properties amounted to approximately $1,434,000 (2015: $1,529,000) (see Note 22). The interest expense has been capitalised at rates ranging from approximately 2.3% to 2.9% (2015: 2.3% to 2.9%) per annum.

Security
The Group's investment properties with a carrying value of approximately $2,547,774,000 (2015: $2,375,141,000) are mortgaged for credit facilities granted to the Group (see Note 17).

Classification of Investment Property
A subsidiary of the Company has appointed a hotel manager for its hotel which is currently under construction.

Judgement is required in assessing whether the relevant future hotel asset arising from the hotel development is owner-occupied or not, for the purposes of assessing whether FRS 40 *Investment Property* is applicable and whether therefore, accounting for the relevant hotel as investment property is appropriate for the purposes of the Group's financial statements. The classification of a property as owner-occupied property or investment property is a matter of judgement, involving consideration of various factors such as, the length of the agreement involved, the powers of intervention and level of influence on financial and operating decisions held by the Group, and the Group's exposure to the variations in the net cash flows generated from the property.

The relevant hotel property continues to be classified as an investment property based on management's assessment of the above factors.

Measurement of Fair Value

(i) Fair value hierarchy

The fair value information of investment properties are set out as follows:

Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2016				
Leasehold properties	**–**	**18,280**	**1,668,154**	**1,686,434**
Freehold properties	**–**	**–**	**876,140**	**876,140**
	–	**18,280**	**2,544,294**	**2,562,574**
2015				
Leasehold properties	–	18,730	1,591,789	1,610,519
Freehold properties	–	–	780,320	780,320
	–	18,730	2,372,109	2,390,839

The fair values of investment properties were determined by external, independent valuers, having the appropriate recognised professional qualifications and recent experience in the locations and categories of the properties being valued. The independent valuers provide the fair values of the Group's investment properties portfolio at least annually.

(ii) Level 3 fair value

The following table shows a reconciliation of the Group's investment properties from the beginning balance to the ending balance for fair value measurements in Level 3 of the fair value hierarchy:

	2016 $'000	2015 $'000
At 1 January	**2,372,109**	2,173,965
Additions arising from subsequent expenditure recognised in carrying amount	**63,932**	32,928
Changes in fair value		
- net gain included in "Gain on revaluation of investment properties"	**98,056**	137,119
Translation differences	**10,197**	28,097
At 31 December	**2,544,294**	2,372,109

The following table shows the Group's valuation techniques used in measuring the fair values of investment properties, as well as the significant inputs used.

Valuation Techniques	Key Inputs – Singapore	Key Inputs – Hong Kong	Inter-relationship between Key Inputs and Fair Value Measurement
Sales Comparison Method: The market comparable approach involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties	***Leasehold Properties:*** Prices per square feet ("psf"): $1,800 to $4,300 (2015: $1,750 to $4,430) ***Freehold Properties:*** Prices psf: $2,200 to $6,200 (2015: $2,300 to $6,500)	***Leasehold Properties:*** Prices per square feet: $4,478 to $5,225 (2015: $4,195 to $4,560)	The estimated fair value would increase (decrease) if: • price per square feet was higher (lower) for higher quality buildings and lease terms.

Valuation Techniques	Key Inputs		Inter-relationship between Key Inputs and Fair Value Measurement
	Singapore	Hong Kong	
Investment Method: The investment approach is based on the income method which takes into consideration the estimated net rent (using the current and projected average rental rates and occupancy), and a capitalisation rate applicable to the nature and type of investment properties in question	***Leasehold Properties:*** Vacancy allowance: 5% (2015: 5%) Capitalisation rate: 3.75% (2015: 4%) ***Freehold Properties:*** Vacancy allowance: 7% (2015: 3%) Capitalisation rate: 3.5% (2015: 3.5%)	Not applicable	The estimated fair value would increase (decrease) if: • vacancy allowance was lower (higher); or • capitalisation rate was lower (higher).
Residual Value Method: The value of the investment property is arrived at by deducting the estimated cost to complete as of valuation date and other relevant costs from the gross development value of the proposed development assuming satisfactory completion and accounting for developers profit	***Freehold Properties:*** Gross development value: $693 million (2015: $698 million) Estimated total cost of development: $143 million (2015: $141 million) Cost of works done: $98.3 million (2015: $35.7 million)	Not applicable	The estimated fair value would increase (decrease) if: • gross development value was higher (lower); or • estimated total cost of development was lower (higher).

9 OTHER ASSETS

Group	2016 $'000	2015 $'000
Non-current		
Club membership	**187**	185
Current		
Quoted equity securities, held for trading	**84**	311
Unquoted equity securities, held for trading	**270**	248
	354	559

Movements of the club membership are set out as follows:

	2016 $'000	2015 $'000
Cost		
At 1 January	**388**	383
Exchange translation difference	**2**	5
At 31 December	**390**	388
Accumulated Impairment		
At 1 January	**203**	175
Impairment loss	**–**	28
At 31 December	**203**	203
Carrying Amount		
At 1 January	**185**	208
At 31 December	**187**	185

During the year, an impairment loss amounting to approximately $Nil (2015: $28,000) was made to adjust the carrying value of club membership to its recoverable amount.

10 DEFERRED TAX ASSETS AND LIABILITIES

Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2016 $'000	Assets 2015 $'000	Liabilities 2016 $'000	Liabilities 2015 $'000
Investment properties	–	–	(1,138)	(1,039)
Tax losses carry-forward	904	–	–	–
Deferred tax assets/(liabilities)	904	–	(1,138)	(1,039)
Set off of tax	(665)	–	665	–
Net deferred tax assets/(liabilities)	239	–	(473)	(1,039)

Movement in Deferred Tax Balances

Movements in deferred tax balances of the Group during the year are as follows:

Group	At 1/1/2015 $'000	Recognised in Profit or Loss (Note 25) $'000	Translation Differences $'000	At 31/12/2015 $'000	Recognised in Profit or Loss (Note 25) $'000	Translation Differences $'000	At 31/12/2016 $'000
Investment properties	(917)	(56)	(66)	(1,039)	(71)	(28)	(1,138)
Tax losses carry-forward	–	–	–	–	863	41	904
	(917)	(56)	(66)	(1,039)	792	13	(234)

Unrecognised Deferred Tax Assets

Deferred tax assets have not been recognised in respect of the following items:

Group	2016 $'000	2015 $'000
Deductible temporary differences	11,885	11,463
Unutilised tax losses	136,507	128,989
	148,392	140,452

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefit therefrom.

11 DEVELOPMENT PROPERTIES

Group	2016 $'000	2015 $'000
Completed properties	**245,179**	246,611

Development properties with a carrying amount of approximately $240,679,000 (2015: $242,111,000) are mortgaged for credit facilities granted to the Group (see Note 17).

In assessing for net realisable value of the completed property units, management takes into account the recent transaction prices of similar or comparable properties for completed units. Market conditions may, however, change, which may affect the future selling prices on the remaining unsold residential units of the development properties and accordingly, the carrying value of development properties for sale may be subject to adjustments in future periods.

12 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade receivables	**1,722**	1,630	**–**	–
Impairment loss	**(341)**	(310)	**–**	–
	1,381	1,320	**–**	–
Other receivables	**1,417**	302	**–**	19
Deposits	**465**	548	**5**	6
	3,263	2,170	**5**	25
Prepayments and others	**1,413**	1,556	**21**	14
	4,676	3,726	**26**	39

The Group's and the Company's exposure to credit risk and impairment loss related to trade and other receivables are disclosed in Note 29.

13 AMOUNTS DUE FROM/TO SUBSIDIARIES

Company	2016 $'000	2015 $'000
Amounts due from subsidiaries:		
- Interest free	**91,706**	91,085
- Interest bearing	**178,706**	159,350
Impairment loss	**(699)**	(699)
	269,713	249,736
Amounts due to subsidiaries:		
- Interest free	**21,997**	21,999

Except as stated below, the amounts due from/to subsidiaries are non-trade in nature, unsecured and repayable on demand.

Interest incurred by the Company on borrowings is charged to the respective subsidiaries based on their utilisation of funds (see Note 32). The effective interest rate is approximately 4.75% (2015: 4.75%) per annum at reporting date. The interest rates reprice within six months of the reporting date.

14 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Cash at banks and in hand	**4,224**	16,781	**1,936**	11,294
Deposits	**79,645**	151,174	**–**	22,000
Cash and cash equivalents	**83,869**	167,955	**1,936**	33,294
Less: Pledged bank deposits (non-current)	**(6,499)**	(4,196)	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows (current)	**77,370**	163,759	**1,936**	33,294

The effective interest rate for the cash at banks and fixed deposits ranged from approximately 0% to 1.36% (2015: 0% to 1.12%) per annum. These interest rates reprice within six months of the reporting date.

Pledged bank deposits represent bank balances of certain subsidiaries pledged as security for credit facilities (see Note 17).

15 SHARE CAPITAL

	Group		Company	
	2016	**2015**	**2016**	**2015**
	No. of Shares	**No. of Shares**	**No. of Shares**	**No. of Shares**
	'000	**'000**	**'000**	**'000**
Issued and Fully Paid Ordinary Shares, with no Par Value, excluding Treasury Shares				
At 1 January	**630,021**	630,021	**791,466**	791,466
Bonus issue	**63,002**	–	**79,146**	–
At 31 December	**693,023**	630,021	**870,612**	791,466

On 21 April 2016, approximately 79,146,000 fully paid ordinary shares were issued to existing shareholders as bonus shares, in the proportion of one share for every ten shares held. The bonus shares were issued and allotted at no consideration without capitalisation of the Company's reserves.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

16 RESERVES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Capital reserves	**2,472**	2,371	**–**	–
Translation reserves	**(26,774)**	(30,604)	**–**	–
Retained profit	**1,492,358**	1,426,302	**72,182**	83,881
	1,468,056	1,398,069	**72,182**	83,881

Capital reserves comprise the following items:

(a) difference between the fair value of the net assets and the purchase consideration in respect of the subsidiaries acquired prior to 1 January 2001; and

(b) imputed interest on the bonds issued by a subsidiary and subscribed by non-controlling interests.

The translation reserves comprise foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company and the foreign currency differences on monetary items which form part of the Company's net investment in foreign subsidiaries.

17 LOANS AND BORROWINGS

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current Liabilities					
Singapore dollar secured floating rate loans from financial institutions	a	**393,960**	395,000	**–**	–
Singapore dollar secured bank loan	a	**56,000**	56,000	**–**	–
Singapore dollar unsecured fixed rate notes issued by the Company	b	**220,000**	220,000	**220,000**	220,000
Hong Kong dollar secured bank loans	a	**18,660**	75,021	**–**	–
Hong Kong dollar unsecured bonds	d	**44,038**	–	**–**	–
Unamortised transaction cost		**(1,401)**	(7,816)	**(724)**	(1,231)
Unamortised imputed interest on unsecured bonds		**(1,779)**	–	**–**	–
		729,478	738,205	**219,276**	218,769
Current Liabilities					
Singapore dollar secured bank loan	a, c	**5,120**	5,599	**–**	–
Hong Kong dollar unsecured bank loan	c	**110**	171	**–**	–
Finance lease liabilities		**–**	28	**–**	–
		5,230	5,798	**–**	–
Total loans and borrowings		**734,708**	744,003	**219,276**	218,769

(a) Certain loans of the Group are secured by:

(i) mortgages on and assignment of rental income from investment properties with carrying values of approximately $2,547,774,000 as at 31 December 2016 (2015: $2,375,141,000) (see Note 8);

(ii) mortgages on development properties with carrying values of approximately $240,679,000 as at 31 December 2016 (2015: $242,111,000) (see Note 11) and assignment of the rights, titles and interest in the tenancy agreements, sale and purchase agreements and insurances from the development properties;

(iii) guarantees by the Company and/or its subsidiaries (see Note 29); and

(iv) charges over certain of the Group's bank deposits of approximately $6,499,000 (2015: $4,196,000) (see Note 14).

(b) The Company has a "$600 million Multicurrency Debt Issuance Programme". As at 31 December 2016, the Company issued $100 million, 5 year unsecured fixed rate notes due in January 2018 and $120 million, 6 year unsecured fixed rate notes due in March 2019. These fixed rate notes, bear interest rate of 4.75% per annum payable semi-annually in arrears, are listed on the SGX-ST.

The fixed rate notes have carrying amounts at amortised cost of approximately $219,276,000 (2015: $218,769,000) as at 31 December 2016.

(c) These loans contain a repayment on demand clause and are therefore classified under current liabilities although they are expected to be repaid in accordance with the scheduled repayment dates.

(d) During the year, a subsidiary of the Company issued bonds amounting to HK$426,000,000 (approximately $79,492,000), of which HK$190,000,000 (approximately $35,454,000) was subscribed by another subsidiary of the Company. The bonds are non-convertible, unsecured, bear a fixed interest rate of 2.75% per annum payable annually in arrears and will mature on 9 March 2019. The subsidiary may redeem whole or part of principal amount and interest at any time prior to the maturity date by giving the holder not less than 10 days' prior written notice.

Terms and Debt Repayment Schedule

	Currency	Nominal Interest Rate Per Annum	Year of Maturity	Carrying Amount $'000
Group				
2016				
Secured floating rate loans from financial institutions	SGD	1.42% - 2.79%	2019	**393,960**
Secured bank loan	SGD	2.32% - 2.86%	2018	**55,323**
Secured bank loan	SGD	1.87% - 2.38%	180 equal monthly instalments commencing on Oct 2012	**5,120**
Secured bank loans	HKD	1.91% - 2.45%	2020	**18,660**
Unsecured fixed rate notes issued by the Company	SGD	4.75%	2018 - 2019	**219,276**
Unsecured bank loan	HKD	5.00%	2018	**110**
Unsecured bonds	HKD	2.75%	2019	**42,259**
				734,708
2015				
Secured floating rate loans from financial institutions	SGD	1.50% - 2.79%	2019	390,308
Secured bank loan	SGD	2.28% - 2.86%	2018	54,107
Secured bank loan	SGD	1.64% - 2.27%	180 equal monthly instalments commencing on Oct 2012	5,599
Secured bank loans	HKD	1.11% - 1.96%	2020	75,021
Unsecured fixed rate notes issued by the Company	SGD	4.75%	2018 - 2019	218,769
Unsecured bank loan	HKD	5.00%	2018	171
Finance lease liabilities	SGD	4.18%	2016	28
				744,003
Company				
2016				
Unsecured fixed rate notes issued	SGD	4.75%	2018 - 2019	**219,276**
2015				
Unsecured fixed rate notes issued	SGD	4.75%	2018 - 2019	218,769

Finance Lease Liabilities

Finance lease liabilities are repayable as follows:

Group	Principal $'000	Interest $'000	Payments $'000
2016			
Within one year	–	–	–
2015			
Within one year	28	#	28

Amount less than $1,000

18 TRADE AND OTHER PAYABLES

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current					
Trade payables		**2,091**	1,520	**–**	–
Provision for other long-term employee benefits	19	**11,730**	11,324	**–**	–
		13,821	12,844	**–**	–
Current					
Trade payables		**15,191**	11,129	**–**	–
Accrued operating expenses		**9,168**	7,538	**3,894**	4,144
Accrued development expenditure		**15,575**	12,032	**–**	–
Provision for bonus		**6,512**	10,540	**–**	–
Deferred consideration received in advance		**9,000**	9,000	**–**	–
Tenancy and other deposits		**15,184**	14,374	**–**	–
Unclaimed dividends		**544**	484	**544**	484
Other payables		**3,340**	3,173	**200**	210
		74,514	68,270	**4,638**	4,838

Trade payables include retention sum of approximately $7,340,000 (2015: $7,768,000) relating to development of properties.

Deferred Consideration Received in Advance

On 6 June 2014, the Group entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interests in Wellpool International Limited together with assignment of the amount due to the Group's fellow subsidiary of approximately $9,468,000 at a total cash consideration of RMB170,000,000 (approximately $33,865,000). Wellpool International Limited and its non wholly owned subsidiary with 92% equity interest namely Jiangmen Tangquan Real Estate Company Limited are principally engaged in property development. The disposal was completed on the same date.

Included in the transaction is a deferred consideration received in advance, which relates to the estimated tax exposure on the gain on disposal of the subsidiaries, which the Group may be subjected to in accordance with the terms in the sale and purchase agreement. In determining the amount of tax exposure, the Group assessed many factors, including interpretation of the relevant tax law and current information available. This assessment relies on estimates and certain assumptions. The ultimate tax impact may change due to new information becoming available and agreement with the relevant tax authorities.

19 OTHER LONG-TERM EMPLOYEE BENEFITS

Group	Note	2016 $'000	2015 $'000
Liability for other long-term employee benefits	18	**11,730**	11,324

The Group's net obligation in respect of other long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods.

Movements in the net obligation recognised in the statement of financial position during the year are as follows:

Group	Note	2016 $'000	2015 $'000
Present value of obligation:			
At 1 January		**11,324**	4,010
Provision during the year	24	**457**	7,344
Benefits paid		**(51)**	(30)
At 31 December		**11,730**	11,324

The interest rate used to discount estimated cash flows at the reporting date is 1.1% to 2.7% (2015: 1.0% to 3.0%).

The weighted average number of service years provided by the employees at the end of the reporting period is approximately 16.1 years (2015: 16.0 years).

20 REVENUE

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Gross dividend income from:				
- subsidiary	**–**	–	**–**	15,900
- quoted investment	**2**	6	**–**	–
Gross rental income from				
- investment properties	**39,964**	42,201	**–**	–
- development properties	**4,970**	4,067	**–**	–
Maintenance fee, hiring charges and car park income	**9,898**	9,791	**–**	–
Property management and horticultural services income	**1,522**	2,835	**–**	–
Sale of completed development properties	**2,080**	1,600	**–**	–
	58,436	60,500	**–**	15,900

21 OTHER INCOME

Group	2016 $'000	2015 $'000
Compensation/Forfeiture income	**72**	74
Gain on disposal of property, plant and equipment	**–**	62
Attendance and processing fees	**62**	65
Government grants/schemes	**198**	140
License fees and other charges	**120**	120
Others	**126**	72
	578	533

22 NET FINANCE EXPENSE

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Interest income on:					
- late payments		**80**	67	**–**	–
- cash and cash equivalents		**682**	736	**129**	225
Finance income		**762**	803	**129**	225
Interest expense on:					
- bank loans, fixed rate notes and unsecured bonds		**21,407**	21,238	**2,323**	2,166
- finance lease liabilities		**#**	#	**–**	–
Amortisation of transaction costs previously capitalised		**6,415**	1,445	**507**	507
Amortisation of imputed interest on unsecured bonds		**547**	–	**–**	–
		28,369	22,683	**2,830**	2,673
Interest expense capitalised in investment properties	8	**(1,434)**	(1,529)	**–**	–
Finance expense		**26,935**	21,154	**2,830**	2,673
Net finance expense recognised in profit or loss		**(26,173)**	(20,351)	**(2,701)**	(2,448)

\# Amount less than $1,000

23 PROFIT/(LOSS) BEFORE TAX

The following items have been included in arriving at profit/(loss) before tax:

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Audit fees paid to:					
- Auditors of the Company		**206**	282	**99**	160
- Other auditors		**139**	217	**–**	–
Non-audit fees paid to:					
- Auditors of the Company		**61**	38	**16**	2
- Other auditors		**76**	126	**57**	111
Bad debts written off, net		**#**	#	**–**	–
Changes in fair value of held for trading equity securities		**(32)**	16	**–**	–
Direct operating expenses arising from investment properties:					
- that generated rental income		**13,706**	15,412	**–**	–
- that did not generate rental income		**252**	265	**–**	–
Directors' fees		**302**	349	**245**	252
Exchange loss/(gain), net		**56**	(94)	**(513)**	(2,375)
Impairment loss on trade and other receivables and club membership, net		**31**	229	**–**	–
(Impairment loss written back)/Impairment loss on investment in associate	7	**–**	–	**(97)**	140
Impairment loss written back on investment in subsidiaries, net	5	**–**	–	**–**	(25,298)
Loss on disposal of other assets		**81**	5	**–**	–
Loss/(Gain) on disposal of property, plant and equipment		**19**	(62)	**–**	–

\# Amount less than $1,000

24 EMPLOYEE BENEFIT EXPENSES

Group	Note	2016 $'000	2015 $'000
Salaries and wages		**21,152**	24,897
Contributions to defined contribution plans		**1,135**	1,019
Other long-term employee benefits	19	**457**	7,344
Others		**1,608**	1,221
		24,352	34,481
Employee benefit expenses capitalised in investment properties		**(3,042)**	(2,580)
		21,310	31,901

25 TAX EXPENSE

	Note	Group		Company	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current Tax Expense					
Current year		**3,056**	1,620	**–**	–
Adjustments in prior years		**(934)**	(346)	**–**	–
		2,122	1,274	**–**	–
Deferred Tax Expense					
Current year	10	**(792)**	56	**–**	–
		1,330	1,330	**–**	–
Reconciliation of Effective Tax Rate					
Profit/(Loss) before tax		**83,280**	200,569	**(2,993)**	40,091
Tax using the Singapore tax rate at 17% (2015: 17%)		**14,158**	34,097	**(509)**	6,815
Effect of tax rates in foreign jurisdictions		**5**	(388)	**–**	–
Tax exempt income		**(17,017)**	(37,691)	**(126)**	(7,446)
Non-deductible expenses		**4,577**	3,424	**635**	631
Deferred tax assets not recognised		**1,189**	2,601	**–**	–
Tax incentives		**(354)**	(228)	**–**	–
Utilisation of previously unrecognised tax losses		**(298)**	(145)	**–**	–
Adjustments in prior years		**(934)**	(346)	**–**	–
Others		**4**	6	**–**	–
		1,330	1,330	**–**	–

26 DIVIDEND

A first and final tax exempt (one-tier) dividend in respect of the previous financial year was paid by the Company and the Group as follows:

	2016 $'000	2015 $'000
Company		
Paid to Owners of the Company		
First and final dividend of 1.0 cent (2015: first and final dividend of 1.0 cent and special dividend of 1.0 cent) per ordinary share	**8,706**	15,829

	2016 $'000	2015 $'000
Group		
Paid to Owners of the Company	**8,706**	15,829
Dividend paid to subsidiary	**(1,776)**	(3,228)
	6,930	12,601

Subsequent to the reporting date, the following tax exempt (one-tier) dividend was proposed by the Directors. This exempt (one-tier) dividend has not been provided for:

Company	2016 $'000	2015 $'000
First and final dividend of 1.0 cent (2015: 1.0 cent) per ordinary share	**8,706**	8,706

27 CHANGES IN INTEREST IN A SUBSIDIARY

During the year ended 31 December 2015, the Company's wholly owned subsidiary Hong Fok Enterprises Limited acquired an aggregate of 3,917,000 ordinary shares of Hong Fok Land International Limited ("HFLIL") at a consideration of HK$2,086,978 (approximately $379,000). Following the acquisition, the Company's aggregate interest (held through its wholly owned subsidiaries) in the shares of HFLIL increased from approximately 42.07% to 42.33%.

The Group recognised a decrease in NCI of approximately $1,208,000 and an increase in retained profit of approximately $827,000 in 2015 as a result of the above change.

The following summarises the effect of changes in the Group's ownership interests in HFLIL in 2015:

	Hong Fok Land International Limited $'000
2015	
Group's ownership interest at 1 January	184,434
Effect of increase in Group's ownership interest	1,208
Share of comprehensive income	17,611
Translation differences	5,973
Group's ownership interest at 31 December	209,226

28 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 31 December 2016 was based on the consolidated profit attributable to ordinary shareholders of approximately $72,986,000 (2015: $167,003,000); and the weighted average number of ordinary shares outstanding of approximately 693,023,000 (2015: 693,023,000), calculated as follows:

Weighted Average Number of Ordinary Shares

Group	Note	2016 '000	2015 '000
Issued ordinary shares at 1 January		**791,466**	791,466
Effect of bonus issue		**79,146**	79,146
Effect of ordinary shares held by an investee		**(177,589)**	(177,589)
Weighted average number of ordinary shares during the year	15	**693,023**	693,023

For comparative purposes, the number of ordinary shares as at 31 December 2015 was adjusted to include the issue of one bonus share for every ten existing ordinary shares held, for the calculation of basic and diluted earnings per share, as though the bonus issue had taken place in 2015.

The weighted average number of ordinary shares detailed above is used for both the basic and diluted earnings per share as there are no dilutive potential ordinary shares.

29 FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

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

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's other investments, trade and other receivables and cash and cash equivalents.

The carrying amounts of financial assets in the statements of financial position represent the Group's and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of their financial assets.

Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries.

Intra-group financial guarantees comprise guarantees given by the Company to financial institutions in respect of credit facilities granted to subsidiaries. The maximum exposure of the Company is $969,710,000 (2015: $970,750,000). At the end of reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantees. The periods in which the financial guarantees expire are as follows:

Company	2016 $'000	2015 $'000
Within 1 year	**5,750**	5,750
After 1 year but within 5 years	**963,960**	965,000
	969,710	970,750

Trade and Other Receivables

Risk management policy

Concentration of credit risk relating to trade and other receivables is limited due to the Group's many varied customers. These customers are individuals and corporations, both local and multinational with different business activities. The Group's historical experience in the collection of trade receivables falls within the recorded allowances. Rental deposits are received where appropriate, to reduce credit risk.

Due to these factors, management believes that no additional credit risk beyond amounts provided for impairment loss is inherent in the Group's trade receivables.

Impairment loss
The ageing of trade and other receivables# at the reporting date was:

	Total $'000	Past Due but Not Impaired $'000	Neither Past Due Nor Impaired $'000	Individually Impaired $'000
Group				
2016				
Within 1 month	**2,284**	**350**	**1,932**	**2**
1 month to 3 months	**174**	**172**	**–**	**2**
3 months to 12 months	**202**	**152**	**–**	**50**
More than 12 months	**944**	**657**	**–**	**287**
	3,604	**1,331**	**1,932**	**341**
2015				
Within 1 month	1,236	282	952	2
1 month to 3 months	190	152	–	38
3 months to 12 months	525	360	–	165
More than 12 months	529	424	–	105
	2,480	1,218	952	310
Company				
2016				
Within 1 month	**5**	**–**	**5**	**–**
2015				
Within 1 month	25	–	25	–

Exclude prepayments and others.

The amounts due from subsidiaries are repayable on demand and not impaired except for an amount of approximately $699,000 (2015: $699,000) which is individually impaired.

The changes in impairment loss in respect of trade receivables during the year were as follows:

Group	2016 $'000	2015 $'000
At 1 January	**310**	109
Impairment loss recognised	**48**	205
Impairment loss written back	**(17)**	(4)
At 31 December	**341**	310

Based on historical default rates, the Group believes that no impairment loss is necessary in respect of trade receivables past due up to 30 days. Trade and other receivables comprise customers that have a good credit history with the Group. For receivables aged greater than one month and are past due, amounts are deemed to be not impaired if fully covered by deposits held by the Group.

Cash and Cash Equivalents
The Group's and the Company's cash and cash equivalents at reporting date represent their maximum credit exposures on these assets. The cash and cash equivalents are placed with regulated financial institutions.

Liquidity Risk

Risk Management Policy

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Exposure to Liquidity Risk

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

			------------ Cash Outflows ------------		
	Carrying Amount $'000	Contractual Cash Outflows $'000	Within 1 Year $'000	After 1 Year but Within 5 Years $'000	After 5 Years $'000
Group					
2016					
Non-derivative Financial Liabilities					
Loans and borrowings	**734,708**	**(777,881)**	**(24,820)**	**(753,061)**	**–**
Trade and other payables*	**76,605**	**(76,605)**	**(66,263)**	**(10,059)**	**(283)**
	811,313	**(854,486)**	**(91,083)**	**(763,120)**	**(283)**
2015					
Non-derivative Financial Liabilities					
Loans and borrowings	744,003	(828,831)	(30,380)	(798,451)	–
Trade and other payables*	69,790	(69,790)	(51,182)	(17,759)	(849)
	813,793	(898,621)	(81,562)	(816,210)	(849)
Company					
2016					
Non-derivative Financial Liabilities					
Loans and borrowings	**219,276**	**(237,699)**	**(10,450)**	**(227,249)**	**–**
Trade and other payables	**4,638**	**(4,638)**	**(4,638)**	**–**	**–**
Amounts due to subsidiaries	**21,997**	**(21,997)**	**(21,997)**	**–**	**–**
Recognised financial liabilities	**245,911**	**(264,334)**	**(37,085)**	**(227,249)**	**–**
Financial guarantees	**–**	**(450,116)**	**(450,116)**	**–**	**–**
	245,911	**(714,450)**	**(487,201)**	**(227,249)**	**–**
2015					
Non-derivative Financial Liabilities					
Loans and borrowings	218,769	(248,177)	(10,478)	(237,699)	–
Trade and other payables	4,838	(4,838)	(4,838)	–	–
Amounts due to subsidiaries	21,999	(21,999)	(21,999)	–	–
Recognised financial liabilities	245,606	(275,014)	(37,315)	(237,699)	–
Financial guarantees	–	(451,156)	(451,156)	–	–
	245,606	(726,170)	(488,471)	(237,699)	–

* *Exclude provision for other long-term employee benefits.*

The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

Market Risk
Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest Rate Risk
Risk Management Policy
The Group's and the Company's exposure to changes in interest rates relates primarily to loans and borrowings, fixed deposits placed with financial institutions and amounts due from subsidiaries. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which interest income and expense could be impacted from an adverse movement in interest rates.

Exposure to Interest Rate Risk
At the reporting date, the interest rate profile of the Group's and the Company's interest bearing financial instruments, was as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Fixed Rate Instruments				
Deposits	**79,645**	151,174	**–**	22,000
Amounts due from subsidiaries	**–**	–	**178,706**	159,350
Loans and borrowings	**(264,148)**	(220,199)	**(220,000)**	(220,000)
	(184,503)	(69,025)	**(41,294)**	(38,650)
Variable Rate Instruments				
Loans and borrowings	**(473,740)**	(531,620)	**–**	–

Fair Value Sensitivity Analysis for Fixed Rate Instruments
The Group and the Company do not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect the profit or loss.

Cash Flow Sensitivity Analysis for Variable Rate Instruments
An increase/decrease of 100 basis points in interest rates on loans and borrowings, would decrease/increase the Group's profit before tax for 2016 by approximately $4,573,000 (2015: $4,913,000). There is no effect to equity. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

Foreign Currency Risk
As at the reporting date, the Group is not exposed to foreign currency risk that arises from financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured.

The Company is exposed to foreign currency risk on amounts due from subsidiaries and associates (mainly non-trade) that are denominated in Hong Kong dollar. The exposure to foreign currency risk amounts to approximately $27,163,000 (2015: $28,656,000) at the reporting date.

Exposure to currency risk is monitored on an ongoing basis and the Group and the Company endeavour to keep the net exposure at an acceptable level.

Sensitivity Analysis – Foreign Currency Risk
A 10% strengthening/weakening of the Singapore dollar against the Hong Kong dollar at the reporting date would decrease/increase the Company's profit before tax for 2016 by approximately $2,716,000 (2015: $2,866,000). There is no effect to equity. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015.

Equity Price Risk
The Group has investments in quoted equity securities and is exposed to equity price risk. These securities are listed on the SGX-ST and the Stock Exchange of Hong Kong Limited.

The Group has no significant exposure to equity price risk at the reporting date.

30 FAIR VALUE OF ASSETS AND LIABILITIES

Accounting Classification and Fair Values

The carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying Amount				Fair Value			
Group	**Note**	**Loans and Receivables $'000**	**Held for Trading $'000**	**Other Financial Liabilities Within the Scope of FRS 39 $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
2016									
Financial Assets Measured at Fair Value									
Quoted equity securities, held for trading	9	**–**	**84**	**–**	**84**	**84**	**–**	**–**	**84**
Unquoted equity securities, held for trading	9	**–**	**270**	**–**	**270**	**–**	**–**	**270**	**270**
		–	**354**	**–**	**354**				
Financial Assets Not Measured at Fair Value									
Trade and other receivables#	12	**3,263**	**–**	**–**	**3,263**				
Cash and cash equivalents	14	**77,370**	**–**	**–**	**77,370**				
		80,633	**–**	**–**	**80,633**				
Financial Liabilities Not Measured at Fair Value									
Loans and borrowings	17	**–**	**–**	**(734,708)**	**(734,708)**	**–**	**(751,554)**	**–**	**(751,554)**
Trade and other payables**	18	**–**	**–**	**(76,605)**	**(76,605)**	**–**	**(76,203)**	**–**	**(76,203)**
		–	**–**	**(811,313)**	**(811,313)**				
2015									
Financial Assets Measured at Fair Value									
Quoted equity securities, held for trading	9	–	311	–	311	311	–	–	311
Unquoted equity securities, held for trading	9	–	248	–	248	–	–	248	248
		–	559	–	559				
Financial Assets Not Measured at Fair Value									
Trade and other receivables#	12	2,170	–	–	2,170				
Cash and cash equivalents	14	163,759	–	–	163,759				
		165,929	–	–	165,929				
Financial Liabilities Not Measured at Fair Value									
Loans and borrowings*	17	–	–	(743,975)	(743,975)	–	(784,543)	–	(784,543)
Trade and other payables**	18	–	–	(69,790)	(69,790)	–	(69,060)	–	(69,060)
		–	–	(813,765)	(813,765)				

\# *Exclude prepayments and others.*
* *Exclude finance lease liabilities.*
** *Exclude provision for other long-term employee benefits.*

Company	Note	Carrying Amount: Loans and Receivables $'000	Carrying Amount: Other Financial Liabilities $'000	Carrying Amount: Total $'000	Fair Value: Level 1 $'000	Fair Value: Level 2 $'000	Fair Value: Level 3 $'000	Fair Value: Total $'000
2016								
Financial Assets Not Measured at Fair Value								
Trade and other receivables#	12	**5**	**–**	**5**				
Amounts due from subsidiaries	13	**269,713**	**–**	**269,713**				
Cash and cash equivalents	14	**1,936**	**–**	**1,936**				
		271,654	**–**	**271,654**				
Financial Liabilities Not Measured at Fair Value								
Amounts due to subsidiaries	13	**–**	**(21,997)**	**(21,997)**				
Loans and borrowings	17	**–**	**(219,276)**	**(219,276)**	**–**	**(230,497)**	**–**	**(230,497)**
Trade and other payables	18	**–**	**(4,638)**	**(4,638)**				
		–	**(245,911)**	**(245,911)**				
2015								
Financial Assets Not Measured at Fair Value								
Trade and other receivables#	12	25	–	25				
Amounts due from subsidiaries	13	249,736	–	249,736				
Cash and cash equivalents	14	33,294	–	33,294				
		283,055	–	283,055				
Financial Liabilities Not Measured at Fair Value								
Amounts due to subsidiaries	13	–	(21,999)	(21,999)				
Loans and borrowings	17	–	(218,769)	(218,769)	–	(237,084)	–	(237,084)
Trade and other payables	18	–	(4,838)	(4,838)				
		–	(245,606)	(245,606)				

Exclude prepayments and others.

Valuation Techniques and Significant Inputs

The following table shows the valuation techniques used in measuring Level 2 fair values, as well as the significant inputs used.

Financial instruments measured at fair value

Type	Valuation Techniques	Significant Inputs	Inter-relationship between Key Inputs and Fair Value Measurement
Group			
Equity securities	***Market Comparison Technique:*** The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee and the expected earnings before income tax, depreciation and amortisation ("EBITDA") of the investee. The estimate is adjusted for the effect of the non-marketability of the equity securities.	Not applicable	Not applicable

Financial instruments not measured at fair value

Type	Valuation Techniques	Significant Inputs
Group and Company		
Other financial liabilities*	***Discounted cash flows***	Not applicable

* *Other financial liabilities include loans and borrowings and trade and other payables.*

Transfer between Level 1 and 2
There were no transfer between Level 1 and 2 in 2016 and 2015.

31 CAPITAL MANAGEMENT

The Group's primary objective in capital management is to maintain a strong capital base so as to maintain investor, creditor and market confidence, to continue to maintain the future development and growth of the business.

The Group monitors capital using a net debt equity ratio, which is adjusted net debt divided by total equity. For this purpose, adjusted net debt is defined as total loans and borrowings less cash and cash equivalents. Total equity includes equity attributable to equity holders of the Company.

The Group also monitors capital using a net debt to equity ratio, which is defined as net debt divided by total equity.

	2016 $'000	**2015 $'000**
Gross loans and borrowings	**737,888**	751,819
Pledged bank deposits	**(6,499)**	(4,196)
Cash and cash equivalents	**(77,370)**	(163,759)
Net debt	**654,019**	583,864
Total equity	**2,072,370**	1,984,694
Net debt to equity ratio	**0.32**	0.29

The Company seeks shareholders' approval annually to renew its share purchase mandate which authorises the Directors of the Company to make purchases of the Company's shares on the market subject to terms and conditions stated in the share purchase mandate. There were no changes in the Group's approach to capital management during the financial year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

32 RELATED PARTIES

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

	2016 $'000	**2015 $'000**
Group		
Rental income and management fee from key management personnel	**485**	655
Contract services provided to key management personnel	**234**	105
Company		
Interest expense allocated to subsidiaries	**8,156**	8,284

Key Management Personnel Remuneration
Key management personnel remuneration is as follows:

Group	2016 $'000	2015 $'000
Short-term employee benefits	**15,498**	19,053
Post-employment benefits	**125**	106
Other long-term employee benefits	**305**	6,818
	15,928	25,977

In addition to the related party information disclosed elsewhere in the financial statements, in the financial year ended 31 December 2015,

(a) progress instalments of approximately $442,000 were received for all units of Concourse Skyline sold to Directors and associates of the Group in previous years; and

(b) rental deposits of approximately $28,000 were refunded to a Director and his immediate family members.

33 SEGMENT REPORTING

The Group has 3 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. For each of the strategic business units, the Company's Board of Directors reviews internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments:
- *Property investment* – includes investments in investment properties
- *Property development and construction* – develops retail and residential units, including the sale of residential units, and construction of a hotel
- *Property management* – provides maintenance and management services

Other operations include investment holding, investment trading, horticultural services and dormant companies. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2016 or 2015.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/(loss) before tax, as included in the internal management reports that are reviewed by the Company's Board of Directors. Segment profit/(loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about Reportable Segments
Business Segments

Group	Property Investment $'000	Property Development and Construction $'000	Property Management $'000	Other Operations $'000	Total $'000
2016					
External revenue	**47,564**	**9,348**	**1,522**	**2**	**58,436**
Inter-segment revenue	**213**	**58,209**	**398**	**1,829**	**60,649**
Finance income	**128**	**164**	**–**	**470**	**762**
Finance expense	**(21,353)**	**(1,310)**	**–**	**(4,272)**	**(26,935)**
Reportable segment profit/(loss) before tax	**93,820**	**1,277**	**(478)**	**(11,339)**	**83,280**
Share of results of associate and joint venture, net of tax					**#**
Other material non-cash items:					
- Depreciation and amortisation	**(5,368)**	**(1,199)**	**(13)**	**(1,094)**	**(7,674)**
- Gain on revaluation of investment properties	**97,606**	**–**	**–**	**–**	**97,606**
- Impairment loss on trade and other receivables and club membership, net	**(31)**	**–**	**–**	**–**	**(31)**
- Changes in fair value of held for trading equity securities	**–**	**–**	**–**	**32**	**32**
Reportable segment assets	**2,575,117**	**246,274**	**496**	**77,054**	**2,898,941**
Capital expenditure:					
- Investment properties	**63,932**	**–**	**–**	**–**	**63,932**
- Property, plant and equipment	**284**	**118**	**4**	**–**	**406**
Reportable segment liabilities	**675,687**	**43,133**	**375**	**103,848**	**823,043**
2015					
External revenue	50,241	7,418	2,419	422	60,500
Inter-segment revenue	213	29,232	497	19,237	49,179
Finance income	177	299	–	327	803
Finance expense	(16,909)	(1,143)	–	(3,102)	(21,154)
Reportable segment profit/(loss) before tax	130,093	(2,504)	(435)	(8,506)	118,648
Gain on disposal of subsidiaries					81,922
Share of results of associate and joint venture, net of tax					(1)
Other material non-cash items:					
- Depreciation and amortisation	(926)	(408)	(15)	(568)	(1,917)
- Gain on revaluation of investment properties	136,358	–	–	–	136,358
- Impairment loss on trade and other receivables and club membership, net	(229)	–	–	–	(229)
- Changes in fair value of held for trading equity securities	–	–	–	(16)	(16)
Reportable segment assets	2,401,875	278,029	573	131,822	2,812,299
Capital expenditure:					
- Investment properties	32,928	–	–	–	32,928
- Property, plant and equipment	378	468	5	26	877
Reportable segment liabilities	709,995	42,613	443	72,066	825,117

\# Amount less than $1,000

Reconciliations of Reportable Segment Revenue, Profit or Loss, Assets and Liabilities and Other Material Items

Group	2016 $'000	2015 $'000
Revenue		
Total revenue for reportable segments	**117,254**	90,020
Revenue for other operations	**1,831**	19,659
Elimination of inter-segment revenue	**(60,649)**	(49,179)
	58,436	60,500
Profit or Loss		
Total profit for reportable segments	**94,619**	127,154
Loss for other operations	**(11,339)**	(8,506)
	83,280	118,648
Other unallocated profit or loss items	**–**	81,922
Share of results of associate and joint venture, net of tax	**–**	(1)
	83,280	200,569
Assets		
Total assets for reportable segments	**2,821,887**	2,680,477
Assets for other operations	**77,054**	131,822
Deferred tax assets	**239**	–
Current tax assets	**145**	342
	2,899,325	2,812,641
Liabilities		
Total liabilities for reportable segments	**719,195**	753,051
Liabilities for other operations	**103,848**	72,066
Deferred tax liabilities	**473**	1,039
Current tax liabilities	**3,439**	1,791
	826,955	827,947

Other Material Items

Group	Reportable Segments $'000	Other Operations $'000	Total $'000
2016			
Finance income	**292**	**470**	**762**
Finance expense	**(22,663)**	**(4,272)**	**(26,935)**
Depreciation and amortisation	**(6,580)**	**(1,094)**	**(7,674)**
Gain on revaluation of investment properties	**97,606**	**–**	**97,606**
Impairment loss on trade and other receivables and club membership, net	**(31)**	**–**	**(31)**
Changes in fair value of held for trading equity securities	**–**	**32**	**32**
Capital expenditure:			
- Investment properties	**63,932**	**–**	**63,932**
- Property, plant and equipment	**406**	**–**	**406**

Group	Reportable Segments $'000	Other Operations $'000	Total $'000
2015			
Finance income	476	327	803
Finance expense	(18,052)	(3,102)	(21,154)
Depreciation and amortisation	(1,349)	(568)	(1,917)
Gain on revaluation of investment properties	136,358	–	136,358
Impairment loss on trade and other receivables and club membership, net	(229)	–	(229)
Changes in fair value of held for trading equity securities	–	(16)	(16)
Capital expenditure:			
- Investment properties	32,928	–	32,928
- Property, plant and equipment	851	26	877

Geographical Segments

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

Group	Singapore $'000	Hong Kong $'000	Total $'000
2016			
External revenue	**55,491**	**2,945**	**58,436**
Non-current assets^	**2,117,149**	**447,714**	**2,564,863**
2015			
External revenue	54,971	5,529	60,500
Non-current assets^	1,965,584	427,864	2,393,448

^ *Non-current assets consist of property, plant and equipment, associate and joint venture, investment properties and other assets (club membership).*

34 OPERATING LEASES

Leases as Lessee

The Group leases staff accommodation space, office equipment and cranes under non-cancellable operating lease agreements. The leases typically run for an initial period of one to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

At 31 December, the total future minimum lease payments under non-cancellable operating leases in respect of properties and equipment are payable as follows:

Group	2016 $'000	2015 $'000
Within 1 year	**1,194**	1,577
After 1 year but within 5 years	**486**	1,463
	1,680	3,040

Leases as Lessor

The Group leases out its investment and development properties. The leases typically run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

Non-cancellable operating lease rentals receivable as at 31 December are as follows:

Group	2016 $'000	2015 $'000
Within 1 year	**45,823**	48,359
After 1 year but within 5 years	**58,580**	44,267
After 5 years	**295**	566
	104,698	93,192

35 COMMITMENTS

As at 31 December, the Group's capital commitments outstanding but not provided for in the consolidated financial statements were as follows:

Group	2016 $'000	2015 $'000
Contracted for:		
- construction cost of investment properties	**32,038**	82,710
- improvement works to investment properties	**15,978**	4,004
	48,016	86,714

36 DISPOSAL OF SUBSIDIARIES

On 18 September 2015, the Group entered into a share transfer agreement with an independent third party to dispose of approximately 49% equity interests in Winfoong International Limited and its subsidiaries at a total cash consideration of approximately HK$598,023,000 (approximately $107,764,000). The disposal was completed on the same date.

Name of Subsidiary	Date of Disposal	Effective Interest Disposed
Winfoong International Limited and its subsidiaries	18 September 2015	48.82%

Effect of Disposal

Analysis of assets and liabilities of the subsidiaries disposed were as follows:

Group	$'000
Property, plant and equipment	145
Other assets	1,024
Development properties	44,862
Trade and other receivables	575
Cash and cash equivalents	5,452
Trade and other payables	(1,360)
Net assets disposed of	50,698
Gain on disposal of subsidiaries	81,922
Direct expenses incurred	2,230
Realisation of reserves	(1,139)
Non-controlling interests	(25,947)
Sale consideration	107,764
Cash and cash equivalents disposed of	(5,452)
Disposal of subsidiaries, net of cash	102,312

During the period from 1 January 2015 to 18 September 2015, the subsidiaries had no material contribution to the Group's cash flows. The disposed subsidiaries contributed net loss of approximately $1,987,000 to the Group from 1 January 2015 to the date of disposal.

Statement of Shareholdings

As At 24 March 2017

No. of Shares	:	870,612,140 Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 Vote Per Share
No. of Treasury Shares	:	Nil

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	62	1.13	1,854	0.00
100 - 1,000	237	4.31	109,077	0.01
1,001 - 10,000	2,730	49.65	15,063,568	1.73
10,001 - 10,000,000	2,428	44.15	121,955,563	14.01
10,000,001 and above	42	0.76	733,482,078	84.25
	5,499	100.00	870,612,140	100.00

TOP TWENTY SHAREHOLDERS

	Name of Shareholder	No. of Shares	%
1	Hong Fok Land Holding Limited	177,589,632	20.40
2	Cheong Kim Pong	99,164,099	11.39
3	P.C. Cheong Pte Ltd	95,429,584	10.96
4	Cheong Sim Eng	53,641,948	6.16
5	Citibank Nominees Singapore Pte Ltd	44,453,104	5.11
6	United Overseas Bank Nominees Pte Ltd	35,217,424	4.05
7	Maybank Kim Eng Securities Pte Ltd	23,661,120	2.72
8	UOB Nominees (2006) Pte Ltd	17,055,280	1.96
9	Raffles Nominees (Pte) Ltd	16,096,395	1.85
10	OCBC Securities Private Ltd	15,309,046	1.76
11	Goodyear Realty Co Pte Ltd	14,215,758	1.63
12	Cheong Lay Kheng	14,003,000	1.61
13	DBS Nominees Pte Ltd	13,702,836	1.57
14	CIMB Securities (Singapore) Pte Ltd	13,693,141	1.57
15	Morph Investments Ltd	11,325,000	1.30
16	Cheong Pin Chuan	11,272,078	1.29
17	Khoo Poh Koon	9,014,391	1.04
18	Corporate Development Limited	8,113,776	0.93
19	UOB Kay Hian Pte Ltd	8,085,878	0.93
20	Cheong Puay Kheng	7,578,200	0.87
		688,621,690	79.10

Based on the information available to the Company, as at 24 March 2017, approximately 29.19% of the issued ordinary shares of the Company are held in the hands of the public. Hence, Rule 723 of the Listing Manual of the SGX-ST has accordingly been complied with.

Statement of Shareholdings

As At 24 March 2017

SUBSTANTIAL SHAREHOLDERS

	Name of Substantial Shareholder	No. of Shares Shareholdings in which Substantial Shareholder has a Direct/Beneficial Interest	 Shareholdings in which Substantial Shareholder is Deemed to have an Interest
1	P.C. Cheong Pte Ltd	96,089,584	–
2	Cheong Sim Eng	107,531,056	50,989,778[(a)]
3	Cheong Pin Chuan	14,836,228	147,653,053[(b)]
4	Cheong Kim Pong	99,824,099	42,546,114[(c)]
5	Hong Fok Land Holding Limited	177,589,632[(d)]	–

(a) This represents Cheong Sim Eng's deemed interest in the issued ordinary shares in the capital of the Company ("Shares") held by his wife, Corporate Development Limited ("CDL") and Goodyear Realty Co Pte Ltd ("Goodyear").

(b) This represents Cheong Pin Chuan's deemed interest in the Shares held by his wife, P.C. Cheong Pte Ltd, CDL and Goodyear.

(c) This represents Cheong Kim Pong's deemed interest in the Shares held by his wife and Goodyear.

(d) Hong Fok Land Holding Limited ("HF Land") is wholly owned indirectly by Hong Fok Land International Limited (incorporated in Bermuda) via Hong Fok Land Asia Limited, Hong Fok Land Investment Limited and Wellow Investment Limited. The aforesaid companies are deemed to have an interest in the Shares held by HF Land.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Forty-Ninth Annual General Meeting ("AGM") of **HONG FOK CORPORATION LIMITED** will be held at Room 300-301 Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard Suntec City, Singapore 039593 on Friday, 28 April 2017 at 3.00 p.m. (or as soon thereafter following the conclusion or adjournment of the extraordinary general meeting of the Company to be held at 2.30 p.m. on the same day and at the same place) to transact the following business:

As Ordinary Business

1 To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2016 and the Auditors' Report thereon. **(Resolution 1)**

2 To declare a first and final 1-tier tax exempt dividend at 1 cent per ordinary share for the year ended 31 December 2016 (2015: 1 cent). **(Resolution 2)**

3 To approve the payment of Directors' fees of up to $257,000 for the financial year ending 31 December 2017, to be paid quarterly in arrears. (2016: $245,000) [See Explanatory Note (i)] **(Resolution 3)**

4 To re-elect Mr Cheong Sim Eng as Director retiring under Article 104 of the Constitution of the Company. **(Resolution 4)**

5 To re-elect Ms Cheong Hooi Kheng as Director retiring under Article 104 of the Constitution of the Company. **(Resolution 5)**

6 To re-appoint KPMG LLP, Public Accountants and Chartered Accountants, Singapore, as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

As Special Business

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

7 **General Authority to Allot and Issue New Shares in the Capital of the Company**

"That pursuant to Section 161 of the Companies Act, Chapter 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to issue shares and convertible securities in the capital of the Company, including additional convertible securities issued pursuant to adjustments and new shares arising from the conversion of convertible securities and additional convertible securities (whether by way of rights, bonus or otherwise or in pursuance of any offer, agreement or option made or granted by the Directors during the continuance of this authority which would or might require shares or convertible securities to be issued during the continuance of this authority or thereafter) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit (notwithstanding that such issue of shares pursuant to the offer, agreement or option or the conversion of the convertible securities may occur after the expiration of the authority contained in this Resolution), provided that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares excluding treasury shares of the Company, and provided further that where shareholders of the Company with registered addresses in Singapore are not given an opportunity to participate in the same on a pro-rata basis, then the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to all existing shareholders of the Company must not exceed 15% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this Resolution, the percentage of the total number of issued shares excluding treasury shares shall be based on the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed (after adjusting for (i) new shares arising from the conversion or exercise of convertible securities, (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST and (iii) any subsequent bonus issue, consolidation or subdivision of shares), and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier." [See Explanatory Note (ii)] **(Resolution 7)**

8 **Renewal of the Share Buy-Back Mandate**

"That the Directors of the Company be and are hereby authorised to make purchases from time to time (whether by way of on-market purchases or off-market purchases in accordance with an equal access scheme) of up to 10% of the total number of issued shares excluding treasury shares of the Company as at the date of this Resolution at any price up to but not exceeding the Maximum Price (as defined in the "Guidelines on Share Purchases" (the "Guidelines") set out in the Appendix of the Addendum dated 13 April 2017 to shareholders of the Company (being an addendum to the Annual Report of the Company for the year ended 31 December 2016)) in accordance with the Guidelines and this

mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier."
[See Explanatory Note (iii)] **(Resolution 8)**

BY ORDER OF THE BOARD

LO SWEE OI
KOH CHAY TIANG
Company Secretaries

Singapore
13 April 2017

Notes:

(a) The Chairman of this AGM will be exercising his right under Article 81 of the Company's Constitution to demand a poll in respect of each of the resolutions to be put to the vote of members at the annual general meeting and at any adjournment thereof. Accordingly, each resolution at the annual general meeting will be voted on by way of a poll.

(b) Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50, a member is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. A proxy need not be a member of the Company.

A member of the Company 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 (which number and class of shares shall be specified). In such an event, such member shall submit a list of its proxies together with the information required in the proxy form to the Company.

"Relevant Intermediary" means:

(i) a banking corporation licensed under the Banking Act of Singapore (Chapter 19) or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act of Singapore (Chapter 289), and who holds shares in that capacity; or

(iii) the Central Provident Fund Board established by the Central Provident Fund Act of Singapore (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

(c) Where a member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.

(d) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 300 Beach Road #41-00, The Concourse, Singapore 199555 not less than 48 hours before the time appointed for holding the AGM.

(e) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

Explanatory Notes:

(i) The Ordinary Resolution 3 proposed in item 3 above, if passed, will facilitate the payment of Directors' fees during the financial year in which the fees are incurred, that is during the financial year ending 31 December 2017. In the event that the amount proposed is insufficient, approval will be sought at the next annual general meeting for payments to meet the shortfall.

(ii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the next annual general meeting, to issue shares and convertible securities in the capital of the Company, without seeking any further approval from shareholders in general meeting but within the limitation imposed by the Resolution, for such purposes as the Directors may consider to be in the interests of the Company.

(iii) The Ordinary Resolution 8 proposed in item 8 above relates to the renewal of a mandate approved by shareholders of the Company at previous annual general meetings of the Company held on 30 June 1999, 31 May 2000, 18 May 2001, 20 May 2002, 20 May 2003, 30 April 2004, 22 April 2005, 28 April 2006, 26 April 2007, 25 April 2008, 29 April 2009, 28 April 2010, 28 April 2011, 26 April 2012, 29 April 2013, 30 April 2014, 30 April 2015 and 29 April 2016 authorising the Company to purchase its own shares subject to and in accordance with the "Guidelines on Share Purchases" set out in the Appendix of the Addendum dated 13 April 2017 to shareholders of the Company (being an addendum to the Annual Report of the Company for the year ended 31 December 2016), the Constitution of the Company, the Companies Act, Chapter 50, the Listing Manual of the SGX-ST and such other laws and regulations as may for the time being be applicable. The source of funds to be used for the purchase or acquisition of shares including the amount of financing and its impact on the Company's financial position are set out in Sections 5 and 6 of the Addendum dated 13 April 2017.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Notice of Books Closure

NOTICE IS HEREBY GIVEN THAT, subject to the approval of the shareholders to the first and final dividend of 1 cent per ordinary share (the “Proposed Dividend”) at the Annual General Meeting of **HONG FOK CORPORATION LIMITED** to be held on 28 April 2017, the Share Transfer Books and Register of Members of the Company will be closed on 11 May 2017 at 5.00 p.m. for the purpose of determining shareholders’ entitlements to the Proposed Dividend.

Duly completed registrable transfers received by the Company’s Share Registrars, B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544 up to 5.00 p.m. on 11 May 2017 will be registered to determine Members’ entitlements to such Proposed Dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with the shares as at 5.00 p.m. on 11 May 2017 will be entitled to such Proposed Dividend.

The Proposed Dividend, if approved at the Annual General Meeting to be held on 28 April 2017, will be paid on 26 May 2017.

BY ORDER OF THE BOARD

LO SWEE OI
KOH CHAY TIANG
Company Secretaries

Singapore
13 April 2017

HONG FOK CORPORATION LIMITED
(Company Registration No. 196700468N)
(Incorporated In the Republic of Singapore)

IMPORTANT
1 Pursuant to Section 181(1C) of the Companies Act, Chapter 50, relevant intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2 For investors who have used their CPF monies to buy shares in the Company, 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 them.
3 CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

PROXY FORM
(Please read notes overleaf before completing this Form)

I/We ____ (Name) ____________ (NRIC/Passport/Co. Registration No.)

of ____

being a member/members of **HONG FOK CORPORATION LIMITED** (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Room 300-301 Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard Suntec City, Singapore 039593 on **Friday, 28 April 2017 at 3.00 p.m.** (or as soon thereafter following the conclusion or adjournment of the extraordinary general meeting of the Company to be held at **2.30 p.m.** on the same day and at the same place). I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(*Please indicate your vote "For" or "Against" with an "X" within the box provided.)

No.	Resolutions relating to:	*For	*Against
1	Directors' Statement and Audited Financial Statements		
2	Declaration of First and Final Dividend of 1 cent		
3	To approve the payment of Directors' fees of $257,000 for the financial year ending 31 December 2017		
4	Re-election of Mr Cheong Sim Eng as Director retiring under Article 104		
5	Re-election of Ms Cheong Hooi Kheng as Director retiring under Article 104		
6	Re-appointment of Auditors		
7	Authority to issue Shares and Convertible Securities		
8	Renewal of Share Buy-Back Mandate		

Dated this _______ day of ____________ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder
*Delete where inapplicable

IMPORTANT : PLEASE READ NOTES OVERLEAF

Notes:

1 Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act of Singapore (Chapter 289)), you should insert that number. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy shall be deemed to relate to all the Shares held by you.

2 Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "Act"), a member is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3 Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary, is entitled to appoint more than two (2) proxies to attend and vote at the meeting, but each proxy must be appointed to exercise rights attached to a different Share or Shares held by such member. Where such member appoints more than two (2) proxies, the number and class of Shares held by such member in relation to which each proxy has been appointed shall be specified in the proxy form.

"Relevant Intermediary" means:

(i) a banking corporation licensed under the Banking Act of Singapore (Chapter 19) or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act of Singapore (Chapter 289), and who holds shares in that capacity; or

(iii) the Central Provident Fund Board established by the Central Provident Fund Act of Singapore (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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

5 The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 300 Beach Road #41-00, The Concourse, Singapore 199555 not less than 48 hours before the time appointed for holding the Meeting.

Fold along this line

6 The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

7 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8 Completion and return of this instrument appointing a 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 instrument of proxy, to the Meeting.

9 A corporation that 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 Meeting, in accordance with Section 179 of the Act.

10 The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have Shares against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company. A depositor shall not be regarded as a member of the Company entitled to attend the Meeting and to vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for the Meeting.

11 An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2017.

Fold along this line

Fold along this line. Glue and seal firmly.

Affix
Stamp
Here

The Company Secretary
HONG FOK CORPORATION LIMITED
300 Beach Road #41-00
The Concourse
Singapore 199555

Fold along this line. Glue and seal firmly.

Fold along this line. Glue and seal firmly.

HONG FOK CORPORATION LIMITED
Co. Reg. No. 196700468N

300 Beach Road #41-00
The Concourse
Singapore 199555
Tel: 6292 8181 Fax: 6293 8689