



AHEAD AND BEYOND

HONG FOK CORPORATION LIMITED

ANNUAL REPORT 2017

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Concourse Skyline

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 2017 ("FY 2017").

REVIEW OF FY2017

In the fourth quarter of 2017, the Group was proud to open the doors to its hotel, YOTEL Singapore Orchard Road ("YOTEL"). Together with contributions from the sales of residential units of Concourse Skyline, the Group posted revenue of approximately \$70 million for FY2017, as compared to approximately \$58 million for 2016.

During the year, the Group recorded a gain from the disposal of subsidiaries of approximately \$9 million. More significantly, the Group also recorded a higher gain on revaluation of its investment properties, resulting in the Group posting a profit of approximately \$223 million in FY2017, as compared to a profit of approximately \$82 million in 2016. Consequently, the Group's profit attributable to owners of the Company was approximately \$178 million for FY2017.

PROSPECTS FOR FY2018

In the recent Singapore Budget 2018, the Government increased the Buyers' Stamp Duty by 1%, from 3% to 4%, for homes valued above \$1 million. The Government has stated that this marginal increase is part of its progressive tax system for generating revenue and the measure is widely seen as not intended to be a property cooling measure. On balance, this incrementally higher stamp duty seems unlikely to significantly impact the Singapore residential property market.

With properties prices rebounding after a sustained bear market, the boost in market sentiment points to a likely recovery of the residential property market in Singapore. These market conditions should support sales of the Group's Concourse Skyline.

On the hospitality front, statistics from the Singapore Tourist Board ("STB") showed that Singapore hit a record high in tourist arrivals and spending, having received 17 million visitors for FY2017. Similarly, tourist receipts rose 3.9% to \$26.8 billion for the year.

For 2018, the STB expects further growth for the tourism sector, forecasting visitor arrivals to grow 1% to 4% to be in the range of 17.6 million to 18.1 million, while tourist receipts are expected to grow between 1% and 3%.

The Group is encouraged by the performance so far of YOTEL, which the Group believes represents a unique product offering in the market. The Group is therefore exploring other possible investment or business opportunities in the real estate market.

APPRECIATION

On behalf of the Board, we would like to thank our tenants, customers, bankers, business associates and shareholders for their continued support for the Group. We would also like to thank our fellow Directors for their valuable contributions and the management and staff of the Group for their commitment, hard work and dedication to the Group's success.

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 46 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 33 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 38 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 was an independent director and non-executive chairman of Sapphire Corporation Limited until 2017. 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 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 34 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 and the Council of the Law Society of Singapore. He was the non-executive chairman of Nobel Design Holdings Ltd, which was delisted from the SGX in 2017. He is the lead independent director of Yoma Strategic Holdings Ltd, Global Investments Limited and AEM Holdings Ltd and is an independent director of Best World International Limited and 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 and chairs the Corporate Practice Committee of the Law Society of Singapore. 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 28 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 39 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 37 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 37 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 35 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 in Singapore as well as properties of Warranty Management Pte Ltd's clients. He holds an 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 23 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 17 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 13 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

Mr Yap Wee Kee

Partner-in-charge

Year of Appointment : 2017

REGISTRARS

B.A.C.S. Private Limited

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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



YOTEL Singapore Orchard Road

PROPERTY SUMMARY

Property	Description	Lot Nos.	Stage of Completion/ Expected Date of Completion	Existing Use	Approximate		Percentage Owned (%)	Tenure of Land
					Site Area (m ²)	Gross Floor Area (m ²)		
INVESTMENT PROPERTIES								
International Building at Orchard Road, Singapore	A 12-storey commercial building	956X of Town Subdivision 25	Completed	Offices/Shops/Restaurants	2,066	15,011 ⁽¹⁾	100	Freehold
YOTEL Singapore Orchard Road at Orchard Road, Singapore	A 30-storey 610-room hotel	956X of Town Subdivision 25	Completed	Hotel	2,158	15,745	100	Freehold
362 and 364 Orchard Road at Orchard Road, Singapore	A single storey commercial block	1719L of Town Subdivision 25	Completed	Commercial	832	278	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 14-storey (including a basement) private residential building	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 14-storey (including a lower ground floor) private residential building	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
Upper Roof and Parking Spaces of THE ICON at 38 Conduit Road, Hong Kong	Upper roof and parking spaces of a 23-storey residential building	Inland Lot No. 1253	Completed	Vacant ⁽³⁾	–	47 ⁽³⁾	42	999 years lease from 25/6/1861
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	114 strata units of Parent Lot No. 1110V of Town Subdivision 13	Completed	Residential	8,662	18,288 ⁽²⁾	100	99 years lease from 13/3/2008
Jewel of Balmoral at Balmoral Park, Singapore	A 10-storey residential development	1 strata unit, U2179A of Town Subdivision 26	Completed	Residential	–	76 ⁽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.
(3) This relates to the upper roof of THE ICON.

SUMMARY OF THE GROUP

SUMMARY OF THE RESULTS OF THE GROUP

For the last 5 financial years are as follows:

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
Revenue	69,975	58,436	60,500	97,191	235,374
Profit before share of results of associate and joint venture	227,767	83,280	200,570	70,027	350,079
Share of results of associate and joint venture, net of tax	-	-	(1)	#	-
Profit before tax	227,767	83,280	200,569	70,027	350,079
Tax expense	(4,449)	(1,330)	(1,330)	(5,951)	(6,090)
Profit for the year	223,318	81,950	199,239	64,076	343,989
Profit attributable to:					
Owners of the Company	178,070	72,986	167,003	48,090	300,530
Non-controlling interests	45,248	8,964	32,236	15,986	43,459
Profit for the year	223,318	81,950	199,239	64,076	343,989
Dividend	6,930	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:

	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000
Property, plant and equipment	2,188	2,102	2,424	2,131	624
Associate and joint venture	#	#	#	#	-
Investment properties	2,823,134	2,562,574	2,390,839	2,193,456	2,096,825
Other non-current assets	8,370	6,925	4,381	5,677	896
Current assets	298,252	327,724	414,997	420,542	501,136
Total Assets	3,131,944	2,899,325	2,812,641	2,621,806	2,599,481
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	1,624,755	1,468,056	1,398,069	1,235,928	1,189,987
	1,710,393	1,553,694	1,483,707	1,321,566	1,275,625
Non-controlling interests	539,373	518,676	500,987	476,260	451,335
Total Equity	2,249,766	2,072,370	1,984,694	1,797,826	1,726,960
Non-current liabilities	632,660	743,772	752,088	667,214	341,798
Current liabilities	249,518	83,183	75,859	156,766	530,723
Total Liabilities	882,178	826,955	827,947	823,980	872,521
Total Equity and Liabilities	3,131,944	2,899,325	2,812,641	2,621,806	2,599,481

For comparative purposes, the figures for the financial year 2013 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

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Concourse Skyline

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2017

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.

The Board’s role is to:

- (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
- (c) review management performance;
- (d) identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- (e) set the Company’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

All Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

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 FY2017 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 21. 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, *inter alia*, material acquisitions and disposal of assets amounting to 5% or more of the relative figures set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) for transactions that are not in the ordinary course of business, share issuances (including stock options or other equity awards), dividends and returns of capital to shareholders.

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 FY2017 on the latest changes to the financial reporting standards. In addition, another briefing session was conducted for the Board on the proposed changes to the 2012 Code. Various Directors attended seminars and courses organised by the Singapore Institute of Directors (“SID”) and other professional organisations, including SID Directors’ Conference on Sustainability, ACRA-SGX-SID Audit Committee Seminar 2017, SID Remuneration Committee Chairman Conversation, and Exclusive Breakfast Briefing for executive compensation organised by Willis Towers Watson.

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

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2017

Board Composition and Guidance (Principle 2 of the Code)

During FY2017, 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 the Company's case, the Managing Director) is the same person.

The Code further requires the independence of any Director who has served on the Board beyond nine years to be rigorously reviewed. None of the current independent Directors has served on the Board for more than nine 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 a Board Diversity Policy to set out its approach to achieve diversity on the Board. In terms of the Board's composition, the Company seeks to have a Board that comprises directors who as a group provide an appropriate balance and have diversity from a number of aspects, including gender, age, professional experience, skills and knowledge. Further details of the Board Diversity Policy are available on the Company's website.

In terms of gender diversity, the Company has one female Director on the Board. The female gender therefore represents approximately 17% of the total Board membership. In terms of Board independence, there are three non-executive independent Directors out of a total of six Directors, hence the independent Directors represent 50% of the total Board membership. In terms of age diversity, two Directors are between the ages of 50 to 59, representing approximately 33% of the total Board membership, and four Directors are between the ages of 60 to 69, representing approximately 67% of the total Board membership.

During FY2017, the non-executive independent 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 FY2017, the non-executive independent Directors met 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. As the same persons are the chairmen and the managing directors, the division of responsibilities between the chairmen and the managing directors is not applicable to the Company.

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.

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. Mr Chow Yew Hon, as the lead independent Director, is available to shareholders where they have concerns and for which contact through the normal channels of the Joint Chairmen, the Joint Managing Directors or the chief financial officer (or equivalent) has failed to resolve or is inappropriate.

During FY2017, led by the lead independent Director, the independent Directors met, without the presence of the other Directors, and the lead independent Director provided feedback to the Joint Chairmen after such meetings.

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2017

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 22.

The members of the nominating committee (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 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 commitments¹;
- (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;
 - (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 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 FY2017.

As at 31 December 2017, there is no alternate director on the Board.

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.

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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 SID 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 Lim Jun Xiong Steven and Mr Chan Pengee, Adrian, who will be retiring by rotation at the forthcoming annual general meeting under Regulation 104 of the Company's Constitution. Mr Lim Jun Xiong Steven and Mr Chan Pengee, Adrian 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.

The role of the Company Secretary is clearly defined which includes, *inter alia*, ensuring that board procedures are followed and that applicable rules and regulations are complied with.

Under the direction of the Joint Chairmen, the Company Secretary ensures good information flows within the Board and its Board Committees and between management and non-executive Directors.

During FY2017, the Company Secretary attended all meetings of the Board.

The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

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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 personnel²;
- (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 members³ 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 FY2017, 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 FY2017. 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.

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.

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.

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The level and mix of the executive Directors' remuneration in bands of \$250,000 for FY2017 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 %
\$3,500,000 to \$3,749,999					
Ms Cheong Hooi Kheng ⁽¹⁾	38	–	59	3	100
\$3,750,000 to \$4,999,999					
–	–	–	–	–	–
\$5,000,000 to \$5,249,999					
Mr Cheong Sim Eng ⁽¹⁾	40	–	55	5	100
Mr Cheong Pin Chuan ⁽¹⁾	25	–	62	13	100

Name of Non-Executive Director	Salary \$	Fees \$	Bonus \$	Other Benefits ⁴ \$
Mr Chow Yew Hon	–	91,500	–	–
Mr Lim Jun Xiong Steven	–	84,000	–	–
Mr Chan Pengee, Adrian	–	81,500	–	–

⁽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 FY2017 is as follows:

Type of Appointment	Fee Per Annum (\$)
Board of Directors	
Basic retainer	37,000
Lead Independent Director	10,000
Audit and Risk Management Committee	
Chairman	26,000
Member	13,000
Nominating Committee	
Chairman	21,000
Member	10,500
Remuneration Committee	
Chairman	21,000
Member	10,500

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

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The level and mix of the remuneration of the key management personnel who are not Directors or the CEO (or equivalent) for FY2017 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)	74	–	20	6	100
Vice President (Accounts and Finance)/Company Secretary	73	–	26	1	100
Vice President (Marketing)	71	–	25	4	100
Director – Business Development of Hong Fok Land International Limited (“HFLIL”) ⁶	61	–	8	31	100
\$500,000 to \$749,999					
Director – Project Management of HFLIL ⁶	44	–	4	52	100
Director – Business Development of HFLIL ⁶	49	–	4	47	100
\$750,000 to \$999,999					
–	–	–	–	–	–
\$1,000,000 to \$1,249,999					
Vice President (Administration and Personnel) and Senior Manager of HFLIL ⁶	83	–	14	3	100

The aggregate amount of the total remuneration paid to the above eight key management personnel was approximately \$3,912,000.

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 FY2017. 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 FY2017, 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 (instead of in incremental bands of \$50,000).

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) Accountability for Accurate Information

The Board's responsibility to provide a balanced and understandable assessment of the Company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).

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 FY2017 for accounting purposes.

CORPORATE GOVERNANCE STATEMENT

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Compliance with Legislative and Regulatory Requirements

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the SGX-ST, for instance, by establishing written policies where appropriate.

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.

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 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 auditors, and approving the remuneration and terms of engagement of the external auditors;
- (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;

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- (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 transactions⁷;
- (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 auditors. The internal audit was carried out in accordance with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors, which is a standard set by nationally or internationally recognised professional bodies.

The internal audit process includes, *inter alia*, the identification of key risk areas and a consideration of the controls managing such risks.

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.

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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 FY2017, 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 oversees management in the design, implementation and monitoring of the risk management and internal controls system and 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, and risk management systems.

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 FY2017, 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 supplied 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 Board, with the concurrence of the Audit and Risk Management Committee 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. No whistle blowing report was received in FY2017. The details of the Whistle-Blowing Policy are available on the Company's website.

The Company has 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.

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The Audit and Risk Management Committee performs the functions specified in Section 201B of the Companies Act, Chapter 50 (the “Act”), the Listing Manual of the SGX-ST and the Code. The Audit and Risk Management Committee met seven times during FY2017. The Audit and Risk Management Committee also meets with 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.

No former partner or director of the Company’s existing auditing firm or auditing corporation is a member of the Audit and Risk Management Committee.

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

The Company is committed to treating all shareholders fairly and equitably, and would recognise, protect and facilitate the exercise of shareholders’ rights, and continually review and update such governance arrangements. 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. Where there is inadvertent disclosure made to a select group, the Company will make the same disclosure publicly to all others as promptly as possible.

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 apprised 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, and would also be informed of the rules, including voting procedures that govern general meetings of shareholders. Voting in absentia by mail, facsimile or email, is currently not permitted by the Company’s Constitution, as this requires careful consideration of various factors, including the integrity of information and authentication of the identity of shareholders. 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 Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. 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, which would be provided to shareholders upon their request made in accordance with the Act.

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 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 FY2017, there were no interested person transactions (excluding transactions less than \$100,000) entered into by the Group. The Company does not have a shareholders’ mandate for interested person transactions (“IPTs”) pursuant to Rule 920 of the Listing Manual of the SGX-ST.

The Company has 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.

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MATERIAL CONTRACTS

Save for the interested person transactions disclosed in Note 31 (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 (or equivalent), 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 and one month before the announcement of the Company's full year financial statements (if required to announce quarterly financial statements). 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 FY2017, 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, the BCA Green Mark Gold Plus award for International Building and the BCA Green Mark Gold award for YOTEL Singapore Orchard Road.

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

DIRECTORS' ATTENDANCE AT BOARD, AUDIT AND RISK MANAGEMENT COMMITTEE, NOMINATING COMMITTEE AND REMUNERATION COMMITTEE MEETINGS FOR FY2017

	Board		Audit and Risk Management Committee	
	No. of Meetings ⁽¹⁾	Attendance	No. of Meetings ⁽¹⁾	Attendance
Executive Directors				
Mr Cheong Pin Chuan ⁽²⁾	4	4	N.A.	N.A.
Mr Cheong Sim Eng	4	4	N.A.	N.A.
Ms Cheong Hooi Kheng	4	4	N.A.	N.A.
Independent and Non-Executive Directors				
Mr Chow Yew Hon	4	4	7	7
Mr Lim Jun Xiong Steven	4	4	7	7
Mr Chan Pengee, Adrian	4	4	7	7
	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 FY2017. 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

CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2017

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	68	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	57	Bachelor of Arts	Joint Chairman of the Board	14 May 1990	28 April 2017
Ms Cheong Hooi Kheng	65	Bachelor of Science Master of Business Administration	–	1 March 1989	28 April 2017
Mr Chow Yew Hon	67	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	62	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	53	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

SUSTAINABILITY REPORT

Year Ended 31 December 2017

ABOUT THIS REPORT

This is the inaugural sustainability report for Hong Fok Corporation Limited (the “Company”) and its subsidiaries (the “Group”). This report has been prepared in compliance with the requirements of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Rules 711A and 711B, references the Global Reporting Initiative (“GRI”) Standards (2016) and was developed with the consideration of the GRI Reporting Principles.

In defining the scope of the data disclosed in our report, we have determined to focus on the sustainability performance for Singapore properties in which we have a 100 percent effective interest and operational control for our first report. Therefore, operational data included in this report refers to our retail and office assets, namely International Building, The Concourse and Concourse Skyline. Our human resources data includes employees in Singapore only. Performance data disclosed is for the period from 1 January to 31 December 2017.

We welcome all feedback to help us improve our sustainability practices. Please send your comments or feedback to fax no. 6293 8689.

SUSTAINABILITY AT THE GROUP

Environmental, social and governance (“ESG”) issues, synonymous with sustainability, are not new concepts in the real estate industry. The Singapore Sustainable Blueprint exemplifies our national vision towards a sustainable Singapore. In 2016, Singapore ratified the Paris Agreement, committing to reduce emissions intensity by 36%, from 2005 levels, by 2030. The 3rd Green Building Masterplan, by Singapore’s Building and Construction Authority (“BCA”), maps out a holistic strategy to accelerate the ‘greening’ of buildings to achieve the national target of 80 percent green buildings by 2030. These developments have, time and again, reinforced the increasing importance of sustainable business practices alongside greater stakeholder interest.

At the Group, we recognise how sustainability works hand-in-hand with our responsibility towards delivering our services to the highest standards and in responsible and sustainable ways and we continue to strengthen our commitment to sustainable buildings. We have demonstrated this commitment through achieving BCA Green Mark Platinum for our own head office, The Concourse. Encouraging and helping our tenants to improve their environmental performance with the Green Tenant Guide, also demonstrates our desire to take sustainability one step further.

However, sustainability is not just about green buildings. In our developments, notably our current development at YOTEL Singapore Orchard Road, we acknowledge that, as main contractors, we have ultimate responsibility for the safety on site. We are pleased to report that none of the Companies’ employees have been involved in safety incidents, and any accidents on site concerning our sub-contractors have been dealt with efficiently and effectively. We work closely with our sub-contractors and other business partners to ensure safe work practices are followed at all times.

We continue to build on and improve our safety performance and have recently set up a Steering Committee and Task Force for sustainability to drive improvements in this area. We look forward to continuing to identify opportunities for sustainability within our activities.

BOARD STATEMENT

It is with pleasure that we present the Group’s inaugural sustainability report. This report encapsulates our commitment to grow sustainably as a forward-looking corporate entity.

Our Sustainability Report adheres to the SGX-ST Listing Rules – Sustainability Reporting Guide and references the internationally recognised GRI Standards (2016).

We believe that it is important for us to focus on the areas that are in line with our business strategy, whilst considering areas of critical risks and untapped opportunities. The Board oversaw a materiality assessment that was conducted to identify where to concentrate our sustainability efforts in high impact areas which support our business strategy. In addition, we have set out how we manage our impacts in these areas as well as our performance and targets for the upcoming year.

We invite you to learn more about our journey and the measures we have taken to make us more resilient in the future, so as to continue to create value for the Group and our stakeholders.

SUSTAINABILITY REPORT

Year Ended 31 December 2017

STAKEHOLDER ENGAGEMENT

Our business operations affect, and are affected, by a diverse group of stakeholders – both internal and external. At the Group, we recognise that effective collaboration with our key stakeholders is crucial in aligning our business decisions with their needs and concerns. We thus proactively engage stakeholders through various channels to identify and understand issues pertinent to them. We also strive to maintain regular two-way communication to foster accountability and transparency. The Group's approach towards stakeholder engagement is summarised below:





Key Stakeholders	Engagement Methods	Frequency
Investors	Timely updates of financial results and announcements, business developments, press releases, and other relevant disclosures via SGXNet and website	Throughout the year
	Annual General Meeting	Annually
Tenants	Conduct surveys to gather feedback on various issues	Annually
	Established channels of communication for tenant and property-related issues	Throughout the year
Employees	Training and development programmes	Throughout the year
	Career development performance appraisals	Annually
Government and Regulators	Meetings and dialogue sessions	On an as-needed basis
	Membership in industry associations such as the Real Estate Developers' Association of Singapore and the Orchard Road Business Association	Throughout the year
Sub-contractors and other service providers	Regular dialogue sessions with service providers, property managers and sub-contractors	Throughout the year

MATERIALITY ASSESSMENT

During the year, the Group initiated a materiality assessment exercise, which took reference from the GRI Standards (2016) Materiality Principle. The objective of the exercise was to identify, prioritise and validate ESG factors that are significant to business operations and of interest to key stakeholders. Facilitated by an independent consultant, participants responded to an online questionnaire and participated in a workshop that required them to consider the following:

- global and local emerging sustainability trends;
- main topics and future challenges for the real estate sector, as identified by peers;
- sustainability reporting frameworks and relevant sector-specific guidance; and
- insights gained from regular day-to-day interactions with external stakeholders.

The following focus areas and material factors were identified to be material to the Group. These were validated by the Board and will be the focus of this inaugural sustainability report.

Sustainability Categories	Material Factors	Read more in our:
 Environmental Responsibility	<ul style="list-style-type: none"> • Energy and Emissions • Water 	<ul style="list-style-type: none"> • Sustainability Report, pages 25 and 26
 Talent Retention	<ul style="list-style-type: none"> • Training and Education • Diversity and Equal Opportunity 	<ul style="list-style-type: none"> • Sustainability Report, page 27
 Health and Safety	<ul style="list-style-type: none"> • Occupational Health & Safety • Customer Health & Safety 	<ul style="list-style-type: none"> • Sustainability Report, page 28
 Regulatory Compliance	<ul style="list-style-type: none"> • Anti-corruption • Compliance with Laws and Regulations 	<ul style="list-style-type: none"> • Sustainability Report, page 29 • Corporate Governance Report, page 17

SUSTAINABILITY REPORT

Year Ended 31 December 2017

ENVIRONMENTAL RESPONSIBILITY

Performance
Energy and emissions <ul style="list-style-type: none">116 kWh of energy used per m² of Gross Floor Area in 2017
Water <ul style="list-style-type: none">2.65 m³ of water used per m² of Gross Floor Area in 2017
Targets
Energy and emissions <ul style="list-style-type: none">Maintain and achieve BCA Green Mark on all existing and new properties respectivelyMaintain energy and Green House Gas ("GHG") emissions intensity levels within a 5% range from the baseline of 2017 in the next year
Water <ul style="list-style-type: none">Maintain water intensity levels within a 5% range from the baseline of 2017 in the next year

The Group acknowledges that climate change, global warming and water scarcity are high on the sustainability agenda. As our business operations contribute to these phenomenon, we endeavour to do our part to minimise our ecological footprint whilst managing our business obligations.

The Group strives to meet SGX-ST's sustainability reporting requirements and has formalised an Environmental Policy to advocate and communicate sustainable environmental practices within the organisation. Besides steering environmental stewardship, the policy demonstrates top management's commitment towards the adoption of environmental best practices and safeguard compliance with all relevant environmental legislation. Also, the policy is communicated to all employees and subcontractors who work for the Group.

As a testament to our commitment to set green standards across all our properties, our properties have been awarded the following green awards and recognition:

- BCA Green Mark Platinum (The Concourse)
- BCA Green Mark Gold Plus (International Building)
- National Parks Board's Skyrise Greenery Incentive Scheme (The Concourse)

In line with evolving business practices and stakeholder sentiments, the real estate sector has seen a shift towards sustainable or green buildings in efforts to ensure environmental sustainability. The Group is committed to this endeavour and targets to achieve the BCA Green Mark Certification for all new developments in Singapore.

As landlords and hotel owner, we consider our role to be to encourage our tenants, guests and visitors to follow environmental best practice, as well as provide the facilities in order for them to do so. At the Group, we track and monitor our energy and water consumption patterns to identify where improvements can be made, as well as to keep various stakeholders updated on our progress. Each quarter, we promptly report our total energy usage to BCA as part of the Building Energy Submission Scheme. We have adopted the Energy Efficiency Index ("EEI") to benchmark our energy use and we report water consumption to Public Utilities Board ("PUB") as part of the Water Efficiency Management Plan. Monthly tracking of waste, and collection and recycling of paper, plastic, can and glass, at our properties are also conducted.

Our energy consumption and intensity have increased 51% from 6,916 MWh in 2016 to 10,418 MWh in 2017 and 77 kWh/m² in 2016 to 116 kWh/m² in 2017 respectively. This is due to the development of YOTEL Singapore Orchard Road. Likewise, GHG emissions and intensity have also increased from 2,980,950 tonnes of CO₂e in 2016 to 4,417,169 tonnes of CO₂e in 2017 and 33 tonnes of CO₂e/m² in 2016 to 49 tonnes of CO₂e/m² in 2017 respectively. Water consumption has seen an increase of 112% from 112,425 m³ in 2016 to 238,030 m³ in 2017 and the intensity has risen from 1.25 m³/m² in 2016 to 2.65 m³/m² in 2017. This can also be attributed to the YOTEL project. We are happy to disclose that our recycling collection has increased by 67% from 2016 to 2017.

SUSTAINABILITY REPORT

Year Ended 31 December 2017

ENVIRONMENTAL RESPONSIBILITY AT THE CONCOURSE

The Concourse exemplifies the Group's commitment to building an environmentally sustainable business and delivering long-term value to its stakeholders. The property was designed to incorporate a range of innovative solutions that conserve energy and water, and reduce carbon dioxide emissions, thereby minimising the environmental impact of the building. This has earned The Concourse the coveted Green Mark Platinum certification by the BCA.

Energy Efficiency Features

- Energy efficient lighting system such as the T5 fluorescent lighting and LED lights in all common areas
- Motion sensors in lavatories and stairwells
- Energy-efficient chiller plant and auto tube cleaning system, air handling system ("AHU") and mechanical ventilation system ("MVS")
- Variable voltage variable frequency lifts and escalators which are also equipped with sleep mode feature
- Automatic temperature controls
- Energy monitoring and sub-metering for all major equipment
- Upgraded building management system ("BMS") has advanced features for energy monitoring and controls

Water Efficiency Features

- Water fittings are certified under the PUB's "Excellent" Water Efficiency Labelling Scheme ("WELS") rating including the implementation of a controlled valve system and dual capacity flushing cistern
- Regular maintenance and replacement of faulty taps and valves to prevent water wastage
- Water sub-meters have been installed to monitor usage, track leakages and is connected to the BMS
- Condensate water from the AHU is used for the cooling tower
- Certified PUB Water Efficient Building in 2011

Waste Management Features

- Recycling facilities and infrastructure (e.g. bin centre and compactor) in place for sorting of recyclable waste such as paper, plastics and cans
- Recycle bins are placed on each floor of the building
- Office tenants are provided with additional recycling bins for paper
- Awareness and education initiatives to encourage 3Rs – reduce, reuse, recycle

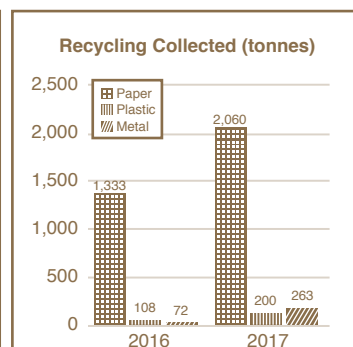
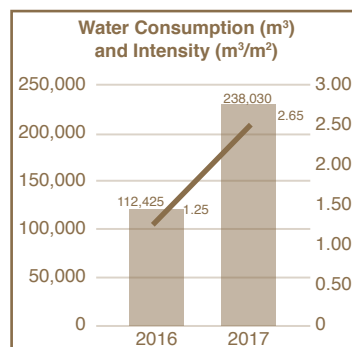
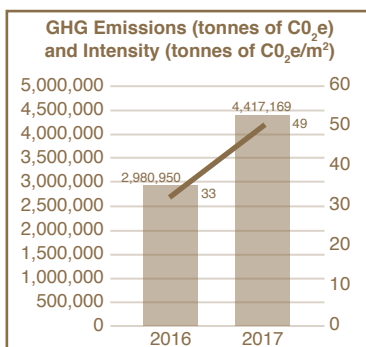
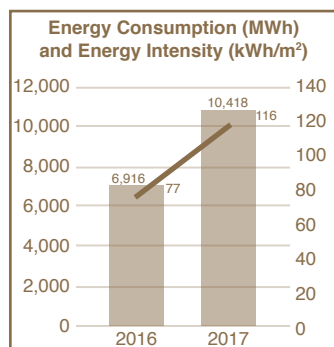
Operations, Maintenance and Management Features

- Carbon monoxide sensors have been installed in carparks
- Provision of green carpark lots at each carpark level
- Refrigerant leak detection system has been installed

Green Tenant Guide

The Concourse Green Tenant Guide communicates our mission to adopt environmentally sustainable business practices. We recognise that environmental responsibility is everyone's responsibility. This tenant guide is a representation of the Group's commitment towards working with our business partners in this endeavour.

The tenant guide provides guidance and encourages tenants to adopt green fittings for their premises. This includes energy and water saving measures, such as eco-efficient light fixtures and air-conditioning units as well as WELS rating water fixtures. The guide also encourages the use of green materials for interiors and provides a list of recognised green vendors for their engagement.



Graph legend – Bar charts refer to consumption, line graphs refer to intensity.

Note to graphs – increase in energy and water intensity from 2016 to 2017 is due to new construction work of YOTEL Singapore Orchard Road.

SUSTAINABILITY REPORT

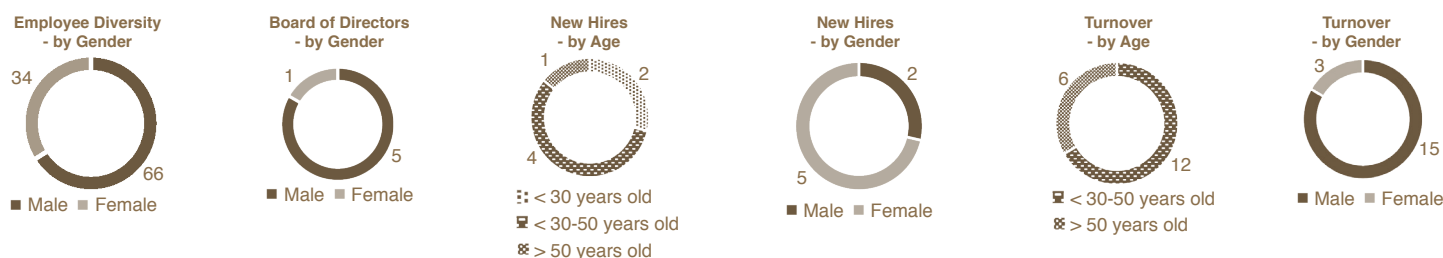
Year Ended 31 December 2017

TALENT RETENTION

Performance
<p>Training and Education</p> <ul style="list-style-type: none"> • 100 staff in Singapore with a turnover rate of 18% in 2017 • Eligible employees exposed to a range of training programmes • 100% (of our employees) received an annual performance review. <p>Diversity and Equal Opportunity</p> <ul style="list-style-type: none"> • 34% female staff base
Target
<p>Training and Education</p> <ul style="list-style-type: none"> • Conduct annual performance appraisals for all employees <p>Diversity and Equal Opportunity</p> <ul style="list-style-type: none"> • Continue to provide fair and competitive remuneration based on merit

Note - Data is as of 31 December 2017 and includes permanent Singapore based staff from Yat Yuen Hong Company Limited, Maincon (Building) Pte Ltd, Warranty Management Pte Ltd, Hong Fok Commercial Pte Ltd and Hong Fok Land Ltd only. Short-term staff contracted for development projects are excluded to give a more meaningful turnover rate.

At the Group, we believe that a business is only as successful as its people. The quality of our employees and their commitment to us are thus critical in ensuring our sustained long-term growth. Our Singapore based permanent employees consist of staff employed in the head office and on development projects as well as drivers and technicians. We also take on project staff during our development projects on a contract basis. Data disclosed here includes our permanent employees in Singapore only.



Note - Data includes permanent Singapore based staff from Yat Yuen Hong Company Limited, Maincon (Building) Pte Ltd, Warranty Management Pte Ltd, Hong Fok Commercial Pte Ltd and Hong Fok Land Ltd.

DIVERSITY AND EQUAL OPPORTUNITY

We strive to nurture an environment where our employees feel valued and respected. At the Group, we employ human resource policies, which are grounded on equal opportunity and are geared towards creating a transparent, non-discriminatory and inclusive working environment that drives employee well-being and satisfaction. The Group's Handbook and Terms and Conditions of Employment are also a manifestation of the policies, and provide employees with general guidelines about our policies, procedures and practices, terms and conditions, as well as the competitive compensation and benefits package available to them. We base all employment decisions on merit and do not subscribe to a mandatory retirement policy, continuing to employ individuals over the national retirement age.

TRAINING AND EDUCATION

A skilled and adaptable workforce is crucial to our success, amidst the rapidly evolving business landscape and stakeholder expectations. As we navigate through an increasingly challenging environment, employee development remains a key priority. Employees are thus encouraged to upgrade their knowledge and skillset by attending relevant workshops, seminars and courses to enhance areas that are both beneficial for their personal development and, at the same time, enhance their work and performance. Employees with mandatory certifications and licenses are required to attend re-certification courses as and when required. Heads of departments will monitor such cases. In addition, they are also required to monitor the training hours and are in charge of the learning and development progress of employees under their care. Employees with voluntary certification are encouraged to monitor their own training and development requirements. These employees can put up requests for relevant training and development programmes, subject to approval by their respective heads of department. Each year, all our employees also undergo a performance review session with their immediate superiors to monitor their progress and reward their achievements.

EMPLOYEE WELL-BEING

We believe that an engaged, healthy and happy employee contributes to a progressive and productive work force. We organise a range of activities and events for our employees to foster a collaborative and cohesive team. In 2017, we organised an annual employee appreciation dinner to value and recognise our employees for their contributions to the Group. We also distributed boxes of mooncakes to our employees during the Mid-Autumn Festival.

SUSTAINABILITY REPORT

Year Ended 31 December 2017

HEALTH AND SAFETY

Performance	2017
Occupational Health and Safety	
• Accident frequency rate	7.97
• Accident severity rate	387
Customer Health and Safety	
• Incidents of non-compliance with health and safety regulation	0
Target	
Occupational Health and Safety	
• Zero workplace accidents resulting in a fatality or permanent injury	
Customer Health and Safety	
• Zero incidents of non-compliance with health and safety regulations	

Note - Data includes short-term contracted staff under Maincon (Building) Pte Ltd as we are responsible for their safety on site.

Health and safety for us covers two areas. The first area is the health and safety of our employees, which includes office staff, technicians, drivers and project staff. We instil a safety culture in our employees with regular safety updates and training, particularly for higher risk staff such as technicians and project staff. As the main contractor on our development projects, we are responsible for the safety on site and take this role very seriously. We have a Workplace Safety and Health Committee that meets regularly and includes representatives from contractors, to discuss policies, practices and performance on safety on project sites. Fortnightly site meetings are also held with project consultants to discuss health and safety issues including environmental matters such as mosquito breeding and noise pollution. We provide hospitalisation benefits to our employees who are involved in workplace accidents.

Health and Safety Training on Site

As the main contractor, health and safety is one of our responsibilities, and training in this subject is a key component of this.

In the last year, we have supported our staff to attend the following trainings:

- Graduate certificate in workplace safety and health
- Traffic controller course
- Fall protection equipment inspector
- Man-hole worker training
- Forklift operator

The second area is ensuring the safety of tenants and visitors at our properties. We comply with all health and safety laws and regulations including those set out by the BCA and the Fire Safety and Shelter Department. Standard operating procedures, which are included in the tenant handbook, fire safety handbook and contracts with service providers, have also been put in place to readily respond to emergencies.

In addition to the presence of a safety manager in all properties, we have made it mandatory for all tenants to appoint a fire warden. The responsibilities of the safety manager includes conducting bi-annual spot checks, ensuring that all hazards are well signposted as well as ensuring that elevators and escalators undergo regular monthly maintenance. Business continuity measures, including bi-annual fire and safety drills, are also in place at properties. This includes the installation of CCTV cameras and around-the-clock security team who conduct regular rounds and spot checks.

We have developed a reporting protocol for incidents reported by employees, tenants or visitors to allow for timely investigation and execution of preventative and corrective actions. An annual occupancy survey is distributed to tenants to assess our responsiveness to tenant issues, as well as frequency and quality of in-house maintenance team.

We are pleased to disclose that there have been no fatalities involving our employees in Singapore. We have seen an injury rate of 7.97 injuries per million man hours and severity rate of 387 man-days lost per million man-hours worked within our project workforce. These have been restricted to minor injuries on our YOTEL Singapore Orchard Road project site and we continue to do our best to improve safety at work. We have had no incidents of non-compliance with health and safety law resulting in a fine or penalty.

SUSTAINABILITY REPORT

Year Ended 31 December 2017

REGULATORY COMPLIANCE

Performance
Anti-Corruption <ul style="list-style-type: none">• Zero confirmed incidents of corruption in FY2017
Compliance with Laws and Regulations <ul style="list-style-type: none">• Zero incidents of non-compliance with laws and regulations resulting in significant fines (above \$10,000) in FY2017
Target
Anti-Corruption <ul style="list-style-type: none">• Achieve zero incidents of non-compliance with anti-corruption laws and regulations
Compliance with Laws and Regulations <ul style="list-style-type: none">• Achieve zero incidents of non-compliance with all relevant laws and regulations

The Group has a zero-tolerance approach towards corrupt business practices and regulatory non-compliance. We remain steadfast in our commitment to maintain high standards of corporate governance – comprising anti-corruption, fraud prevention and compliance practices, which safeguard the interests of our stakeholders.

ANTI-CORRUPTION

The Group takes corruption and fraud very seriously. Our Code of Conduct sets out the general principles and standards of behaviour that are expected from employees, amongst others. Employees are also required to adhere to the following corporate policies and standard operating procedures to guide the conduct of our employees:

- Anti-Corruption and Anti-Money Laundering
- Conflict of Interests and Interested Person Transaction
- Whistle-Blowing

All new hires will have to go through an induction programme to familiarise themselves with our Code of Conduct, policies and standard operating procedures. Employees are also informed of the grievance mechanisms made available to them, which include feedback channels, anonymous hotlines and whistle-blowing channels, which provide a transparent channel for employees to report concerns about possible fraud, improprieties in financial reporting and other matters.

COMPLIANCE WITH LAWS AND REGULATIONS

At the Group, we pride ourselves on good corporate governance practices, which include abiding by all applicable laws and regulations. We adhere to the Code of Corporate Governance 2012, listing rules and regulations of the SGX-ST, the Securities and Futures Act, as well as all other applicable laws and regulations.

Our properties are subject to environmental laws and regulations, including the Building Control (Environmental Sustainability) Regulations administered by the BCA, as well as the Energy Conservation Act and Environment Protection and Management Act governed by the National Environment Agency. Property Managers conduct regular checks within the buildings and ensure compliance with reporting requirements pertaining to the submission of environmental data. Properties are also subject to periodic environmental audits by the local authorities.

To ensure that employees are kept abreast with the dynamic regulatory landscape, we regularly review the updates we receive from regulatory websites, our secretarial firm, and financial auditor. These updates are forwarded to key management personnel and associated employees as and when necessary. In order to ensure compliance, we monitor our activities and their associated performance on a regular basis.

DIRECTORS' STATEMENT

Year Ended 31 December 2017

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 2017.

In our opinion:

- (a) the financial statements set out on pages 37 to 88 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance 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	13,368,728	15,052,528
– deemed interests	147,653,053	147,653,053
Mr Cheong Sim Eng		
– direct interest held	104,692,756	107,745,456
– deemed interests	50,789,778	50,989,778
Ms Cheong Hooi Kheng		
– direct interest held	14,181,080	14,181,080
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

DIRECTORS' STATEMENT

Year Ended 31 December 2017

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 2018.

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.

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.

DIRECTORS' STATEMENT

Year Ended 31 December 2017

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

29 March 2018

INDEPENDENT AUDITORS' REPORT

Year Ended 31 December 2017

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 2017, 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 37 to 88.

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 2017 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 (\$732,000,000) **(Refer to Note 2.4, Note 3.3, Note 3.5 and Note 8 to the Financial Statements)**

Risk:

The Group's hotel development was completed during the year and commenced operations in October 2017. The hotel is managed by a reputable third-party hotel operator and the Group classified the hotel as an investment property.

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

Our response:

Management assessed that the exposure to operating risks has been substantially passed on to the third-party hotel operator and that the Group's business model with respect to the hotel is to lease the property to a third-party hotel operator for rental income. We challenged management's assessment on the various criteria used to determine the classification of the property by reading the key terms of the hotel management agreement between the Group and the hotel operator, and making enquiries with management of their business plans.

We challenged the key assumptions used to project the net operating cash flows generated from the property by comparing to the comparable data to determine the Group's exposure to operating risks at the inception of the lease with the hotel operator.

Our findings:

We found that the classification of the hotel as an investment property is appropriate.

INDEPENDENT AUDITORS' REPORT

Year Ended 31 December 2017

Valuation of Investment Properties (\$2,823,134,000)

(Refer to Note 2.4, Note 3.5 and Note 8 to the Financial Statements)

Risk:

The Group has a portfolio of investment properties located in Singapore and Hong Kong. Investment properties represent the single largest category of assets on the statement of financial position at \$2,823,134,000 as at 31 December 2017.

These investment properties are stated at fair value, determined based on independent external valuation. The audit of the valuation of investment properties is considered a key audit matter because it involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. Any changes in the assumptions will have an impact on the valuation.

Our response:

We evaluated the competence, capabilities and objectivity of the independent external valuers and held discussions with the valuers to understand their valuation methodologies and assumptions used.

We considered the valuation methodologies used against those applied by other valuers for similar property type. We challenged the key assumptions applied by comparing them against market comparable, historical data and available industry data, taking into consideration comparability and market factors.

Our findings:

The valuers are members of generally-recognised professional body for valuers and have considered their own independence in carrying out their work. The approach to the methodologies is consistent with market practices and the key assumptions in the valuation are supported by market data.

Valuation of Development Properties (\$236,482,000)

(Refer to Note 2.4, Note 3.8 and Note 11 to the Financial Statements)

Risk:

As at 31 December 2017, the Group has development properties for sale which are located in Singapore. These properties are stated at the lower of cost and net realisable value ("NRV"). The determination of the estimated NRV of the development properties is critically dependent upon the Group's expectation of the future selling prices.

Our response:

Where an independent external valuer was engaged, our procedures included assessment of the competence, capabilities and objectivity of the independent external valuers. We considered the valuation methodology used against those applied by other valuers for similar property type. 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 by comparing them to the recent transacted prices for the relevant property or prices of comparable properties in the same vicinity.

Our findings:

The valuers are members of generally-recognised professional body for valuers and have considered their own independence in carrying out their work. We found that the assumptions applied in the determination of NRV of the development properties to be within the range of available industry data.

INDEPENDENT AUDITORS' REPORT

Year Ended 31 December 2017

Other Information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

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

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

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

Responsibilities of 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

INDEPENDENT AUDITORS' REPORT

Year Ended 31 December 2017

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company 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 Mr Yap Wee Kee.

KPMG LLP

Public Accountants and
Chartered Accountants

Singapore

29 March 2018

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2017

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current Assets					
Property, plant and equipment	4	2,188	2,102	–	–
Subsidiaries	5	–	–	853,107	233,106
Associate and joint venture	7	#	#	–	–
Investment properties	8	2,823,134	2,562,574	–	–
Other assets	9	175	187	–	–
Pledged bank deposits	14	7,550	6,499	–	–
Deferred tax assets	10	645	239	–	–
		2,833,692	2,571,601	853,107	233,106
Current Assets					
Other assets	9	1,781	354	–	–
Current tax assets		133	145	–	–
Development properties	11	236,482	245,179	–	–
Trade and other receivables	12	9,220	4,676	29	26
Amounts due from subsidiaries	13	–	–	491,605	269,713
Cash and cash equivalents	14	50,636	77,370	747	1,936
		298,252	327,724	492,381	271,675
Total Assets		3,131,944	2,899,325	1,345,488	504,781
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	1,624,755	1,468,056	678,654	72,182
		1,710,393	1,553,694	865,342	258,870
Non-controlling interests	6	539,373	518,676	–	–
Total Equity		2,249,766	2,072,370	865,342	258,870
Non-current Liabilities					
Loans and borrowings	17	620,586	729,478	119,805	219,276
Trade and other payables	18	11,685	13,821	–	–
Deferred tax liabilities	10	389	473	–	–
		632,660	743,772	119,805	219,276
Current Liabilities					
Loans and borrowings	17	178,177	5,230	99,979	–
Trade and other payables	18	65,393	74,514	4,747	4,638
Amounts due to subsidiaries	13	–	–	255,615	21,997
Current tax liabilities		5,948	3,439	–	–
		249,518	83,183	360,341	26,635
Total Liabilities		882,178	826,955	480,146	245,911
Total Equity and Liabilities		3,131,944	2,899,325	1,345,488	504,781

Amount less than \$1,000

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

STATEMENTS OF COMPREHENSIVE INCOME

Year Ended 31 December 2017

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue	20	69,975	58,436	620,100	–
Other income	21	422	578	–	–
		70,397	59,014	620,100	–
Commitment fee on unutilised bank facilities		(1,646)	(1,433)	–	–
Cost of sales of development properties		(9,030)	(1,514)	–	–
Depreciation of property, plant and equipment	4	(516)	(712)	–	–
Employee benefit expenses	24	(22,567)	(21,310)	–	–
Gain on disposal of subsidiaries	35	8,982	–	–	–
Gain on revaluation of investment properties	8	233,509	97,606	–	–
Maintenance expenses		(8,552)	(7,684)	–	–
Operating lease expenses		(1,142)	(1,135)	–	–
Professional fees		(2,125)	(3,605)	(439)	(326)
Property tax		(6,002)	(5,685)	–	–
Rental commission		(2,015)	(647)	–	–
Other expenses		(7,341)	(3,442)	(2,864)	34
		251,952	109,453	616,797	(292)
Finance income	22	565	762	1	129
Finance expense	22	(24,750)	(26,935)	(1,620)	(2,830)
Net finance expense	22	(24,185)	(26,173)	(1,619)	(2,701)
Profit/(Loss) before tax	23	227,767	83,280	615,178	(2,993)
Tax expense	25	(4,449)	(1,330)	–	–
Profit/(Loss) for the year		223,318	81,950	615,178	(2,993)
Profit/(Loss) attributable to:					
Owners of the Company		178,070	72,986	615,178	(2,993)
Non-controlling interests	6	45,248	8,964	–	–
Profit/(Loss) for the year		223,318	81,950	615,178	(2,993)
Earnings per share (cents):					
Basic	27	25.69	10.53		
Diluted	27	25.69	10.53		

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

STATEMENTS OF COMPREHENSIVE INCOME

Year Ended 31 December 2017

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Profit/(Loss) for the year		223,318	81,950	615,178	(2,993)
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to Profit or Loss:					
Exchange differences on translation of financial statements of foreign subsidiaries		(36,547)	9,633	–	–
Exchange differences on monetary items forming part of net investments in foreign subsidiaries		(2,461)	672	–	–
Other comprehensive income for the year, net of tax*		(39,008)	10,305	–	–
Total comprehensive income for the year		184,310	92,255	615,178	(2,993)
Total comprehensive income attributable to:					
Owners of the Company		163,622	76,816	615,178	(2,993)
Non-controlling interests	6	20,688	15,439	–	–
Total comprehensive income for the year		184,310	92,255	615,178	(2,993)

* 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 2017

Group	Note	Attributable to Owners of the Company					Total \$'000	Non- controlling Interests \$'000	Total Equity \$'000
		Share Capital \$'000	Capital and Other Reserves \$'000	Treasury Shares \$'000	Translation Reserves \$'000	Retained Profit \$'000			
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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2017

Group	Note	Attributable to Owners of the Company					Total \$'000	Non- controlling Interests \$'000	Total Equity \$'000
		Share Capital \$'000	Capital and Other Reserves \$'000	Treasury Shares \$'000	Translation Reserves \$'000	Retained Profit \$'000			
At 1 January 2017		186,688	2,472	(101,050)	(26,774)	1,492,358	1,553,694	518,676	2,072,370
Total comprehensive income for the year									
Profit for the year		-	-	-	-	178,070	178,070	45,248	223,318
Other comprehensive income									
Exchange differences on translation of financial statements of foreign subsidiaries		-	(9)	-	(11,978)	-	(11,987)	(24,560)	(36,547)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries		-	-	-	(2,461)	-	(2,461)	-	(2,461)
Total other comprehensive income, net of tax		-	(9)	-	(14,439)	-	(14,448)	(24,560)	(39,008)
Total comprehensive income for the year		-	(9)	-	(14,439)	178,070	163,622	20,688	184,310
Transactions with Owners, recorded directly in Equity									
Contributions by and Distributions to Owners									
Imputed interest on the bonds issued by a subsidiary	16	-	7	-	-	-	7	9	16
Dividend paid	26	-	-	-	-	(6,930)	(6,930)	-	(6,930)
Total Contributions by and Distributions to Owners		-	7	-	-	(6,930)	(6,923)	9	(6,914)
Total Transactions with Owners		-	7	-	-	(6,930)	(6,923)	9	(6,914)
At 31 December 2017		186,688	2,470	(101,050)	(41,213)	1,663,498	1,710,393	539,373	2,249,766

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2017

Company	Note	Share Capital \$'000	Retained Profit \$'000	Total \$'000
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				
<i>Distributions to Owners</i>				
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
At 1 January 2017		186,688	72,182	258,870
Profit and total comprehensive income for the year		–	615,178	615,178
Transactions with Owners, recorded directly in Equity				
<i>Distributions to Owners</i>				
Dividend paid	26	–	(8,706)	(8,706)
Total Transactions with Owners		–	(8,706)	(8,706)
At 31 December 2017		186,688	678,654	865,342

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 December 2017

	Note	2017 \$'000	2016 \$'000
Cash Flows From Operating Activities			
Profit before tax		227,767	83,280
Adjustments for:			
Depreciation of property, plant and equipment	4	516	712
Gain on disposal of subsidiaries	35	(8,982)	–
Gain on revaluation of investment properties	8	(233,509)	(97,606)
(Gain)/Loss on disposal of property, plant and equipment	23	(10)	19
Loss on disposal of other assets	23	–	81
(Impairment loss written back)/Impairment loss on trade and other receivables, net	23	(32)	31
Impairment loss on other assets	23	25	–
Changes in fair value of held for trading equity securities	23	(93)	(32)
Finance income	22	(565)	(762)
Finance expense	22	24,750	26,935
		9,867	12,658
Changes in working capital:			
Development properties		8,697	1,432
Trade and other receivables		91	(1,349)
Trade and other payables		(5,986)	6,768
Cash generated from operations		12,669	19,509
Tax paid		(2,758)	(1,479)
Tax refund		334	1,210
Net Cash From Operating Activities		10,245	19,240
Cash Flows From Investing Activities			
Capital expenditure on investment properties		(60,588)	(62,498)
Increase in restricted cash		(11)	–
Proceeds from disposal of property, plant and equipment		47	2
Proceeds from disposal of other assets		–	160
Purchase of property, plant and equipment		(631)	(406)
Purchase of other assets		(1,377)	(1)
Interest received		584	767
Disposal of subsidiaries, net of cash	35	(18)	–
Net Cash Used In Investing Activities		(61,994)	(61,976)
Cash Flows From Financing Activities			
Increase in pledged bank deposits		(1,338)	(2,276)
Interest paid		(22,098)	(21,024)
Dividend paid		(6,930)	(6,930)
Payment of finance lease liabilities		(17)	(27)
Payment of transaction costs on loans and borrowings		(11,595)	–
Repayments of loans and borrowings		(304,356)	(59,673)
Proceeds from loans and borrowings		377,482	44,038
Net Cash From/(Used In) Financing Activities		31,148	(45,892)
Net Decrease in Cash and Cash Equivalents		(20,601)	(88,628)
Cash and cash equivalents at beginning of the year		77,370	163,759
Effect of exchange rate fluctuations on cash held		(6,144)	2,239
Cash and Cash Equivalents at End of the Year	14	50,625	77,370

Significant Non-cash Transactions

During the financial year, the Group purchased property, plant and equipment of approximately \$671,000 (2016: \$406,000), of which \$40,000 (2016: \$Nil) was acquired under finance lease arrangements.

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 March 2018.

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 and investment holding and management.

The financial statements of the Group as at and for the year ended 31 December 2017 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

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 29 – fair value of assets and liabilities

2.5 Changes in Accounting Policies

(i) Revised Standards

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- *Disclosure Initiative* (Amendments to FRS 7);
- *Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments to FRS 12); and
- *Clarification of the scope of FRS 112* (Improvements to FRSs 2016).

Other than the amendments to FRS 7, the adoption of these amendments did not have any impact on the current or prior period and is not likely to affect future periods.

Disclosure Initiative (Amendments to FRS 7)

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financial activities for the year ended 31 December 2017. Comparative information has not been presented (see Note 17).

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group entities, except as explained in Note 2.5, which addresses changes in accounting policies.

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, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

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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.

NOTES TO THE FINANCIAL STATEMENTS

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3.2 Foreign Currency

(i) 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).

(ii) 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, which includes capitalised borrowing costs, 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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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:

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 statements 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 financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them 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, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

NOTES TO THE FINANCIAL STATEMENTS

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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. Directly 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.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment loss.

Held-to-maturity financial assets comprise debt securities.

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 and restricted cash 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 financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

(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 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.

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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, deferred tax assets 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.

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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.

Contingent rents are recognised in profit or loss when they are earned.

(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 Income*

Property management 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

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 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

4 PROPERTY, PLANT AND EQUIPMENT

Group	Plant and Equipment \$'000	Office Equipment and Furniture \$'000	Motor Vehicles \$'000	Total \$'000
Cost				
At 1 January 2016	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	<u>1,275</u>	<u>4,565</u>	<u>2,248</u>	<u>8,088</u>
At 1 January 2017	1,275	4,565	2,248	8,088
Additions	6	184	481	671
Disposals	(32)	(62)	(240)	(334)
Translation differences	–	(142)	(57)	(199)
At 31 December 2017	<u>1,249</u>	<u>4,545</u>	<u>2,432</u>	<u>8,226</u>
Accumulated Depreciation				
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	<u>1,237</u>	<u>3,786</u>	<u>963</u>	<u>5,986</u>
At 1 January 2017	1,237	3,786	963	5,986
Depreciation for the year	11	304	201	516
Disposals	(12)	(51)	(234)	(297)
Translation differences	–	(129)	(38)	(167)
At 31 December 2017	<u>1,236</u>	<u>3,910</u>	<u>892</u>	<u>6,038</u>
Carrying Amounts				
At 1 January 2016	36	931	1,457	2,424
At 31 December 2016	<u>38</u>	<u>779</u>	<u>1,285</u>	<u>2,102</u>
At 31 December 2017	<u>13</u>	<u>635</u>	<u>1,540</u>	<u>2,188</u>

Assets Held under Finance Lease

The carrying amount of property, plant and equipment under finance lease (see Note 17) is as follows:

Group	2017 \$'000	2016 \$'000
Motor vehicle	<u>131</u>	–

The finance lease is secured by the motor vehicle.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

5 SUBSIDIARIES

Company	2017 \$'000	2016 \$'000
Equity investment at cost	203,431	183,431
Impairment loss	(115)	(115)
	203,316	183,316
Financial guarantees	25,439	25,439
	228,755	208,755
Amounts due from subsidiaries	632,671	32,670
Impairment loss	(8,319)	(8,319)
	624,352	24,351
	853,107	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 investment in subsidiaries were as follows:

Company	2017 \$'000	2016 \$'000
At 1 January and 31 December	(8,434)	(8,434)

As at 31 December 2017, the recoverable amount of its investment in subsidiaries 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 equity investment reasonably approximates the fair value. No additional impairment loss were recognised in 2017 and 2016.

Details of the subsidiaries are as follows:

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Ownership Interest Held by the Group	
		2017 %	2016 %
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	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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

Name of Subsidiary	Principal Place of Business/Country of Incorporation	Ownership Interest Held by the Group	
		2017 %	2016 %
Highfeature.com Co Pte Ltd (now known as Cocre8 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
Winfoong Land Limited	Hong Kong	42.33	42.33
Asian Vision Limited	Hong Kong	42.33	42.33
King Dynasty Limited	Hong Kong/British Virgin Islands	42.33	–
U-Kwong Holdings Limited	Hong Kong/British Virgin Islands	–	42.33
Hammerman Assets Limited	Hong Kong/British Virgin Islands	–	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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

6 NON-CONTROLLING INTERESTS

The following subsidiaries have material NCI:

Name of Subsidiary	Place of Business	Country of Incorporation	Ownership Interest Held by Non-controlling Interests	
			2017 %	2016 %
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
2017			
Non-current assets	633,229		
Current assets	26,985		
Non-current liabilities	(90,779)		
Current liabilities	(10,003)		
Net assets	559,432		
Net assets attributable to NCI	322,624	216,749	539,373
Revenue	5,492		
Profit	25,499		
Other comprehensive income	52,854		
Total comprehensive income	78,353		
Attributable to NCI:			
- Profit	14,705	30,543	45,248
- Other comprehensive income	30,481	(55,041)	(24,560)
- Total comprehensive income	45,186	(24,498)	20,688
Cash flows used in operating activities	(5,403)		
Cash flows used in investing activities	(13,901)		
Cash flows used in financing activities (dividends to NCI: \$Nil)	(2,410)		
Net decrease in cash and cash equivalents	(21,714)		

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

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		

7 ASSOCIATE AND JOINT VENTURE

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Interest in associate	-	-	-	2,000
Impairment loss	-	-	-	(2,000)
Interest in joint venture	#	#	-	-
Impairment loss	-	-	-	-
Amount due from associate	-	-	-	2,002
Impairment loss	-	-	-	(2,002)
	-	-	-	-
	#	#	-	-

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.

During the year ended 31 December 2017, the associate was dissolved voluntarily.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

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

Company	2017 \$'000	2016 \$'000
At 1 January	(4,002)	(4,099)
Impairment loss written back	–	97
Dissolution of associate	4,002	–
At 31 December	–	(4,002)

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	Note	2017 \$'000	2016 \$'000
At 1 January		2,562,574	2,390,839
Acquisition of subsidiary	36	2,277	–
Additions arising from subsequent expenditure recognised in carrying amount		62,914	63,932
Changes in fair value		233,509	97,606
Translation differences		(38,140)	10,197
At 31 December		2,823,134	2,562,574

Investment properties comprise freehold land and buildings that include a hotel property and commercial properties, and leasehold land and buildings that include commercial properties, residential properties and parking spaces.

The hotel property is managed by a third-party hotel operator for a period of fifteen years with option to renew.

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

During the year, the development was completed for the hotel property and commercial properties that was under development as at 31 December 2016. Accordingly, the fair value of the properties as at 31 December 2017 are based on the sales comparison method (2016: residual value method) (see Note (ii) below).

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

During the year, interest expense capitalised as cost of investment properties amounted to approximately \$617,000 (2016: \$1,434,000) (see Note 22). The interest expense has been capitalised at rates ranging from approximately 2.4% to 2.5% (2016: 2.3% to 2.9%) per annum.

Security

The Group's investment properties with a carrying value of approximately \$2,804,325,000 (2016: \$2,547,774,000) are mortgaged for credit facilities granted to the Group (see Note 17).

Classification of Investment Property

The hotel development was completed during the year and commenced operations in October 2017. The hotel is managed by a reputable third-party hotel operator and is classified as an investment property.

Judgement is required in assessing whether the relevant hotel asset 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

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
2017				
Leasehold properties	–	18,750	1,697,344	1,716,094
Freehold properties	–	–	1,107,040	1,107,040
	–	18,750	2,804,384	2,823,134
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

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:

	2017 \$'000	2016 \$'000
At 1 January	2,544,294	2,372,109
Acquisition of subsidiary	2,277	–
Additions arising from subsequent expenditure recognised in carrying amount	62,914	63,932
Changes in fair value		
- net gain included in "Gain on revaluation of investment properties"	233,039	98,056
Translation differences	(38,140)	10,197
At 31 December	2,804,384	2,544,294

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		Inter-relationship between Key Inputs and Fair Value Measurement
	Singapore	Hong Kong	
<p>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</p>	<p>Leasehold Properties: Prices per square feet ("psf"): \$1,800 to \$5,600 (2016: \$1,800 to \$4,300)</p> <p>Freehold Properties: Prices psf: \$2,400 to \$12,000 (2016: \$2,200 to \$6,200) Price per room: \$1,200,000 (2016: Not applicable)</p>	<p>Leasehold Properties: Prices psf: \$4,278 to \$5,133 (2016: \$4,478 to \$5,225) Prices per parking space: \$34,220 to \$342,200 (2016: Not applicable)</p>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> price per square feet was higher (lower).

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

Valuation Techniques	Key Inputs		Inter-relationship between Key Inputs and Fair Value Measurement
	Singapore	Hong Kong	
<p>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</p>	<p>Leasehold Properties: Vacancy allowance: 5% (2016: 5%) Capitalisation rate: 3.2% (2016: 3.2%)</p> <p>Freehold Properties: Vacancy allowance: 5% to 20% (2016: 7%) Capitalisation rate: 3.25% to 6% (2016: 3.5%)</p>	Not applicable	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> vacancy allowance was lower (higher); or capitalisation rate was lower (higher).
<p>2016 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</p>	<p>Freehold Properties: Gross development value: \$693 million Estimated total cost of development: \$143 million Cost of works done: \$98.3 million</p>	Not applicable	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> gross development value was higher (lower); or estimated total cost of development was lower (higher).

9 OTHER ASSETS

Group	2017 \$'000	2016 \$'000
Non-current		
Club membership	175	187
Current		
Quoted debt securities, held-to-maturity	1,340	–
Quoted equity securities, held for trading	92	84
Unquoted equity securities, held for trading	349	270
	1,781	354

Movements of the club membership are set out as follows:

	2017 \$'000	2016 \$'000
Cost		
At 1 January	390	388
Additions	20	–
Exchange translation difference	(7)	2
At 31 December	403	390
Accumulated Impairment		
At 1 January	203	203
Impairment loss	25	–
At 31 December	228	203
Carrying Amount		
At 1 January	187	185
At 31 December	175	187

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

During the year, an impairment loss of approximately \$25,000 (2016: \$Nil) was recognised based on the recoverable amount of the club membership.

10 DEFERRED TAX ASSETS AND LIABILITIES

Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Investment properties	–	–	(1,192)	(1,138)
Tax losses carry-forward	1,448	904	–	–
Deferred tax assets/(liabilities)	1,448	904	(1,192)	(1,138)
Set off of tax	(803)	(665)	803	665
Net deferred tax assets/(liabilities)	645	239	(389)	(473)

Movements in Deferred Tax Balances

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

Group	Recognised in Profit			Recognised in Profit			
	At 1/1/2016 \$'000	or Loss (Note 25) \$'000	Translation Differences \$'000	At 31/12/2016 \$'000	or Loss (Note 25) \$'000	Translation Differences \$'000	At 31/12/2017 \$'000
Investment properties	(1,039)	(71)	(28)	(1,138)	(154)	100	(1,192)
Tax losses carry-forward	–	863	41	904	638	(94)	1,448
	(1,039)	792	13	(234)	484	6	256

Unrecognised Deferred Tax Assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

Group	2017 \$'000	2016 \$'000
Deductible temporary differences	11,657	11,753
Unutilised tax losses	126,677	129,067
	138,334	140,820

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.

11 DEVELOPMENT PROPERTIES

Group	2017 \$'000	2016 \$'000
Completed properties	236,482	245,179

Development properties with a carrying amount of approximately \$235,242,000 (2016: \$240,679,000) are mortgaged for credit facilities granted to the Group (see Note 17).

In assessing the 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

12 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables	1,963	1,722	–	–
Impairment loss	(85)	(341)	–	–
	1,878	1,381	–	–
Other receivables	1,172	1,417	–	–
Deposits	485	465	5	5
	3,535	3,263	5	5
Prepayments and others	5,685	1,413	24	21
	9,220	4,676	29	26

Included in the trade receivables is an amount due from the hotel operator of approximately \$942,000 (2016: \$Nil).

Included in the prepayments is transaction costs of approximately \$4,455,000 (2016: \$Nil) relating to new loan facilities in January 2018.

The Group's and the Company's exposure to credit risk and impairment loss related to trade and other receivables are disclosed in Note 28.

13 AMOUNTS DUE FROM/TO SUBSIDIARIES

Company	2017 \$'000	2016 \$'000
Amounts due from subsidiaries:		
- Interest free	285,109	91,706
- Interest bearing	207,195	178,706
Impairment loss	(699)	(699)
	491,605	269,713
Amounts due to subsidiaries:		
- Interest free	255,615	21,997

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 31). The effective interest rate is approximately 4.75% (2016: 4.75%) per annum at reporting date.

14 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash at banks and in hand	3,930	4,224	747	1,936
Deposits	54,256	79,645	–	–
Cash and cash equivalents	58,186	83,869	747	1,936
Less: Pledged bank deposits (non-current)	(7,550)	(6,499)	–	–
Cash and cash equivalents (current)	50,636	77,370	747	1,936
Less: Restricted cash	(11)	–	–	–
Cash and cash equivalents in the consolidated statement of cash flows	50,625	77,370	747	1,936

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

The effective interest rate for the cash at banks and deposits ranged from approximately 0% to 1.45% (2016: 0% to 1.36%) 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	
	2017 No. of Shares '000	2016 No. of Shares '000	2017 No. of Shares '000	2016 No. of Shares '000
Issued and Fully Paid Ordinary Shares, with no Par Value, excluding Treasury Shares				
At 1 January	693,023	630,021	870,612	791,466
Bonus issue	–	63,002	–	79,146
At 31 December	693,023	693,023	870,612	870,612

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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Capital reserves	2,470	2,472	–	–
Translation reserves	(41,213)	(26,774)	–	–
Retained profit	1,663,498	1,492,358	678,654	72,182
	1,624,755	1,468,056	678,654	72,182

Capital reserves comprise the following items:

- 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
- 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

17 LOANS AND BORROWINGS

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current Liabilities					
Singapore dollar secured bank loans	a	448,246	449,960	–	–
Singapore dollar unsecured fixed rate notes	b	120,000	220,000	120,000	220,000
Hong Kong dollar secured bank loans	a	17,110	18,660	–	–
Hong Kong dollar unsecured bonds	d	42,262	44,038	–	–
Finance lease liabilities		3	–	–	–
Unamortised transaction cost		(6,119)	(1,401)	(195)	(724)
Unamortised imputed interest on unsecured bonds		(916)	(1,779)	–	–
		620,586	729,478	119,805	219,276
Current Liabilities					
Singapore dollar secured bank loans	a,c	78,140	5,120	–	–
Singapore dollar unsecured fixed rate notes	b	100,000	–	100,000	–
Hong Kong dollar unsecured bank loan	c	38	110	–	–
Finance lease liabilities		20	–	–	–
Unamortised transaction cost		(21)	–	(21)	–
		178,177	5,230	99,979	–
Total loans and borrowings		798,763	734,708	219,784	219,276

(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 \$2,804,325,000 as at 31 December 2017 (2016: \$2,547,774,000) (see Note 8);
- (ii) mortgages on development properties with carrying values of approximately \$235,242,000 as at 31 December 2017 (2016: \$240,679,000) (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 28); and
- (iv) charges over certain of the Group's bank deposits of approximately \$7,550,000 (2016: \$6,499,000) (see Note 14).

(b) The Company has a \$600 million Multicurrency Debt Issuance Programme. As at 31 December 2017, the Company has outstanding (i) \$100 million, 5 year unsecured fixed rate notes due in January 2018 and (ii) \$120 million, 6 year unsecured fixed rate notes due in March 2019. These fixed rate notes, bearing 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 \$219,784,000 (2016: \$219,276,000) as at 31 December 2017.

- (c) Bank loans of approximately \$4,678,000 (2016: \$5,230,000) 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) As at 31 December 2017, a subsidiary of the Company issued bonds amounting to HK\$437,000,000 (approximately \$74,771,000) (2016: HK\$426,000,000 (approximately \$79,492,000)), of which HK\$190,000,000 (approximately \$32,509,000) (2016: 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.

On 9 March 2018, the maturity date of the unsecured bonds has been extended from 9 March 2019 to 9 March 2021. The fixed interest rate of 2.75% per annum payable annually in arrears for these bonds remain unchanged.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

Terms and Debt Repayment Schedule

	Currency	Nominal Interest Rate Per Annum	Year of Maturity	Carrying Amount \$'000
Group				
2017				
Secured bank loans	SGD	1.37% - 2.41%	2022	442,322
Secured bank loans	SGD	2.15% - 3.07%	2018	73,500
Secured bank loan	SGD	1.96% - 2.38%	180 equal monthly instalments commencing on Oct 2012	4,640
Secured bank loans	HKD	2.06% - 2.89%	2021	17,110
Unsecured fixed rate notes	SGD	4.75%	2018 - 2019	219,784
Unsecured bank loan	HKD	5.00%	2018	38
Unsecured bonds	HKD	2.75%	2019	41,346
Finance lease liabilities	SGD	2.78%	2019	23
				798,763
2016				
Secured bank loans	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	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
Company				
2017				
Unsecured fixed rate notes	SGD	4.75%	2018 - 2019	219,784
2016				
Unsecured fixed rate notes	SGD	4.75%	2018 - 2019	219,276

Finance Lease Liabilities

Finance lease liabilities are repayable as follows:

Group	Principal \$'000	Interest \$'000	Payments \$'000
2017			
Within one year	20	1	21
After 1 year but within 5 years	3	#	3
	23	1	24

Amount less than \$1,000

The finance lease is secured by the motor vehicle (see Note 4).

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

Reconciliation of Movements of (Assets)/Liabilities to Cash Flows Arising from Financing Activities

	Assets			Liabilities				Total \$'000
	Prepayment \$'000	Pledged Bank Deposits \$'000	Interest Payables \$'000	Bank Loans \$'000	Fixed Rate Notes \$'000	Bonds \$'000	Finance Lease Liabilities \$'000	
At 1 January 2017	–	(6,499)	4,690	473,173	219,276	42,259	–	732,899
Changes from financing cash flows								
Increase in pledged bank deposits	–	(1,338)	–	–	–	–	–	(1,338)
Interest paid	–	–	–	(10,471)	(10,450)	(1,176)	(1)	(22,098)
Payment of finance lease liabilities	–	–	–	–	–	–	(17)	(17)
Payment of transaction costs on loans and borrowings	(4,455)	–	–	(7,140)	–	–	–	(11,595)
Repayments of loans and borrowings	–	–	–	(304,356)	–	–	–	(304,356)
Proceeds from loans and borrowings	–	–	–	375,600	–	1,882	–	377,482
Total changes from financing cash flows	(4,455)	(1,338)	–	53,633	(10,450)	706	(18)	38,078
The effect of changes in foreign exchange rates	–	287	(78)	(1,560)	–	(3,455)	–	(4,806)
Other changes								
New finance leases	–	–	–	–	–	–	40	40
Interest expense capitalised	–	–	–	617	–	–	–	617
Imputed interest on the bonds issued by a subsidiary	–	–	–	–	–	(16)	–	(16)
Increase in interest payables	–	–	192	(116)	–	(76)	–	–
Finance expense	–	–	–	11,863	10,958	1,928	1	24,750
Total other changes	–	–	192	12,364	10,958	1,836	41	25,391
At 31 December 2017	(4,455)	(7,550)	4,804	537,610	219,784	41,346	23	791,562

18 TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current					
Trade payables		–	2,091	–	–
Provision for other long-term employee benefits	19	11,685	11,730	–	–
		11,685	13,821	–	–
Current					
Trade payables		10,708	15,191	–	–
Accrued operating expenses		9,044	9,168	3,948	3,894
Accrued development expenditure		18,456	15,575	–	–
Provision for bonus		9,126	6,512	–	–
Deferred consideration received in advance		–	9,000	–	–
Tenancy and other deposits		14,017	15,184	–	–
Unclaimed dividends		601	544	601	544
Other payables		3,441	3,340	198	200
		65,393	74,514	4,747	4,638

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

Trade payables include retention sum of approximately \$8,009,000 (2016: \$7,340,000) relating to development of properties.

Deferred Consideration Received in Advance

On 6 June 2014, the Group, through its subsidiary, Hammerman Assets Limited (“HAL”), entered into a sale and purchase agreement with an independent third party to dispose of 100% equity interests in Wellpool International Limited. 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.

During the year ended 31 December 2017, the Group disposed 100% equity interest in HAL and the deferred consideration received in advance was derecognised based on the terms and conditions set out in the sale and purchase agreement for the disposal of subsidiaries where the buyer does not have any recourse and rights to claw back any tax from the Group (see Note 35).

19 OTHER LONG-TERM EMPLOYEE BENEFITS

Group	Note	2017 \$'000	2016 \$'000
Liability for other long-term employee benefits	18	11,685	11,730

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	2017 \$'000	2016 \$'000
Present value of obligation:			
At 1 January		11,730	11,324
(Provision written back)/Provision	24	(43)	457
Benefits paid		(2)	(51)
At 31 December		11,685	11,730

The interest rate used to discount estimated cash flows at the reporting date is 1.6% to 2.4% (2016: 1.1% to 2.7%).

The weighted average number of service years provided by the employees at the end of the reporting period is approximately 18.2 years (2016: 16.1 years).

20 REVENUE

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Gross dividend income from:				
- subsidiary	–	–	620,100	–
- quoted investment	2	2	–	–
Gross rental income from:				
- investment properties	41,086	39,964	–	–
- development properties	5,151	4,970	–	–
Maintenance fee, hiring charges and car park income	10,522	9,898	–	–
Property management income	2,086	1,522	–	–
Sale of completed development properties	11,128	2,080	–	–
	69,975	58,436	620,100	–

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

21 OTHER INCOME

Group	2017 \$'000	2016 \$'000
Compensation/Forfeiture income	4	72
Gain on disposal of property, plant and equipment	10	–
Attendance and processing fees	64	62
Government grants/schemes	136	198
License fees and other charges	78	120
Others	130	126
	422	578

22 NET FINANCE EXPENSE

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Interest income on:					
- late payments		96	80	–	–
- cash and cash equivalents		469	682	1	129
Finance income		565	762	1	129
Interest expense on:					
- bank loans, fixed rate notes and unsecured bonds		22,212	21,407	1,112	2,323
- finance lease liabilities		1	#	–	–
Amortisation of transaction costs previously capitalised		2,401	6,415	508	507
Amortisation of imputed interest on unsecured bonds		753	547	–	–
		25,367	28,369	1,620	2,830
Interest expense capitalised in investment properties under development	8	(617)	(1,434)	–	–
Finance expense		24,750	26,935	1,620	2,830
Net finance expense recognised in profit or loss		(24,185)	(26,173)	(1,619)	(2,701)

Amount less than \$1,000

23 PROFIT/(LOSS) BEFORE TAX

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Audit fees paid to:				
- Auditors of the Company	277	206	162	99
- Other auditors	147	139	–	–
Non-audit fees paid to:				
- Auditors of the Company	83	61	25	16
- Other auditors	59	76	56	57
Bad debts (recovered)/written off, net	(80)	#	–	–
Changes in fair value of held for trading equity securities	(93)	(32)	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Direct operating expenses arising from investment properties:					
- that generated rental income		16,254	13,706	-	-
- that did not generate rental income		288	252	-	-
Directors' fees		358	302	257	245
Exchange (gain)/loss, net		(181)	56	2,256	(513)
(Impairment loss written back)/Impairment loss on trade and other receivables, net		(32)	31	-	-
Impairment loss written back on investment in associate	7	-	-	-	(97)
Impairment loss on other assets	9	25	-	-	-
Loss on disposal of other assets		-	81	-	-
(Gain)/Loss on disposal of property, plant and equipment		(10)	19	-	-

Amount less than \$1,000

24 EMPLOYEE BENEFIT EXPENSES

Group	Note	2017 \$'000	2016 \$'000
Salaries and wages		22,693	21,152
Contributions to defined contribution plans		1,235	1,135
Other long-term employee benefits	19	(43)	457
Others		1,724	1,608
		25,609	24,352
Employee benefit expenses capitalised in investment properties under development		(3,042)	(3,042)
		22,567	21,310

25 TAX EXPENSE

	Note	Group		Company	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current Tax Expense					
Current year		4,956	3,056	-	-
Adjustments in prior years		(23)	(934)	-	-
		4,933	2,122	-	-
Deferred Tax Expense					
Current year	10	(484)	(792)	-	-
		4,449	1,330	-	-

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Reconciliation of Effective Tax Rate				
Profit/(Loss) before tax	227,767	83,280	615,178	(2,993)
Tax using the Singapore tax rate at 17% (2016: 17%)	38,720	14,158	104,580	(509)
Effect of tax rates in foreign jurisdictions	(130)	5	–	–
Tax exempt income	(39,715)	(17,017)	(105,417)	(126)
Non-deductible expenses	5,405	4,577	837	635
Deferred tax assets not recognised	584	1,189	–	–
Tax incentives	(132)	(354)	–	–
Utilisation of previously unrecognised tax losses	(281)	(298)	–	–
Adjustments in prior years	(23)	(934)	–	–
Others	21	4	–	–
	4,449	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:

	2017 \$'000	2016 \$'000
Company		
Paid to Owners of the Company		
First and final dividend of 1.0 cent (2016: 1.0 cent) per ordinary share	8,706	8,706
Group		
Paid to Owners of the Company	8,706	8,706
Dividend paid to subsidiary	(1,776)	(1,776)
	6,930	6,930

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:

	2017 \$'000	2016 \$'000
Company		
First and final dividend of 1.0 cent (2016: 1.0 cent) per ordinary share	8,706	8,706

27 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 31 December 2017 was based on the consolidated profit attributable to ordinary shareholders of approximately \$178,070,000 (2016: \$72,986,000); and the weighted average number of ordinary shares outstanding of approximately 693,023,000 (2016: 693,023,000), calculated as follows:

Weighted Average Number of Ordinary Shares

	Note	2017 '000	2016 '000
Group			
Issued ordinary shares at 1 January		870,612	791,466
Effect of bonus issue		–	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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

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.

28 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. Except for rental deposits and bankers' guarantees received for its lease arrangements as lessor, 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 approximately \$1,095,896,000 (2016: \$969,710,000). 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	2017 \$'000	2016 \$'000
Within 1 year	370,750	5,750
After 1 year but within 5 years	725,146	963,960
	1,095,896	969,710

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 and bankers' guarantees are received for the Group's lease arrangements as lessor 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

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				
2017				
Within 1 month	2,999	1,305	1,694	–
1 month to 3 months	152	152	–	–
3 months to 12 months	89	89	–	–
More than 12 months	380	295	–	85
	3,620	1,841	1,694	85
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
Company				
2017				
Within 1 month	5	–	5	–
2016				
Within 1 month	5	–	5	–

[#] Exclude prepayments and others.

The amounts due from subsidiaries are repayable on demand and not impaired except for an amount of approximately \$699,000 (2016: \$699,000) which is individually impaired.

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

Group	2017 \$'000	2016 \$'000
At 1 January	341	310
Impairment loss recognised	–	48
Impairment loss written back	(32)	(17)
Impairment loss written off	(224)	–
At 31 December	85	341

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 and bankers' guarantees held by the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

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:

	Carrying Amount \$'000	Contractual Cash Outflows \$'000	Cash Outflows -----		
			Within 1 Year \$'000	After 1 Year but Within 5 Years \$'000	After 5 Years \$'000
Group					
2017					
Non-derivative Financial Liabilities					
Loans and borrowings	798,763	(859,739)	(196,430)	(663,309)	–
Trade and other payables*	65,393	(65,393)	(56,355)	(8,897)	(141)
	864,156	(925,132)	(252,785)	(672,206)	(141)
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)
Company					
2017					
Non-derivative Financial Liabilities					
Loans and borrowings	219,784	(227,249)	(105,999)	(121,250)	–
Trade and other payables	4,747	(4,747)	(4,747)	–	–
Amounts due to subsidiaries	255,615	(255,615)	(255,615)	–	–
Recognised financial liabilities	480,146	(487,611)	(366,361)	(121,250)	–
Financial guarantees	–	(521,969)	(521,969)	–	–
	480,146	(1,009,580)	(888,330)	(121,250)	–
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)	–

* 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

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	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Fixed Rate Instruments				
Quoted debt securities, held-to-maturity	1,340	–	–	–
Deposits	54,256	79,645	–	–
Amounts due from subsidiaries	–	–	207,195	178,706
Loans and borrowings	(262,323)	(264,148)	(220,000)	(220,000)
	(206,727)	(184,503)	(12,805)	(41,294)
Variable Rate Instruments				
Loans and borrowings	(543,496)	(473,740)	–	–

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 2017 by approximately \$5,095,000 (2016: \$4,573,000). 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 2016.

Foreign Currency Risk

As at the reporting date, the Group is exposed to foreign currency risk on the short term deposits that are denominated in United States dollar.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

Exposure to Foreign Currency Risk

The summary of quantitative data about the Group's and Company's exposure to foreign currency risk as reported to the management of the Group is as follows:

	Currency	Group \$'000	Company \$'000
2017			
Deposits	USD	20,933	–
Amounts due from subsidiaries	HKD	–	24,903
		20,933	24,903
2016			
Deposits	USD	22,358	–
Amounts due from subsidiaries	HKD	–	27,163
		22,358	27,163

Sensitivity Analysis – Foreign Currency Risk

A reasonably possible strengthening (weakening) of the Singapore dollar, as indicated below, against the USD and HKD at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	Profit or Loss \$'000	Equity \$'000	Profit or Loss \$'000	Equity \$'000
2017				
USD (10% strengthening)	(2,093)	–	–	–
HKD (10% strengthening)	–	–	(2,490)	–
USD (10% weakening)	2,093	–	–	–
HKD (10% weakening)	–	–	2,490	–
2016				
USD (10% strengthening)	(2,236)	–	–	–
HKD (10% strengthening)	–	–	(2,716)	–
USD (10% weakening)	2,236	–	–	–
HKD (10% weakening)	–	–	2,716	–

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

29 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.

Group	Note	Carrying Amount					Fair Value			
		Loans and Receivables \$'000	Held-to-maturity \$'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
2017										
Financial Assets										
Measured at Fair Value										
Quoted equity securities, held for trading	9	–	–	92	–	92	92	–	–	92
Unquoted equity securities, held for trading	9	–	–	349	–	349	–	349	–	349
		–	–	441	–	441				
Financial Assets Not Measured at Fair Value										
Quoted debt securities, held-to-maturity	9	–	1,340	–	–	1,340	1,340	–	–	1,340
Trade and other receivables [#]	12	3,535	–	–	–	3,535				
Cash and cash equivalents	14	50,625	–	–	–	50,625				
		54,160	1,340	–	–	55,500				
Financial Liabilities Not Measured at Fair Value										
Loans and borrowings	17	–	–	–	(798,763)	(798,763)	–	(814,275)	–	(814,275)
Trade and other payables*	18	–	–	–	(65,393)	(65,393)				
		–	–	–	(864,156)	(864,156)				
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)				
		–	–	–	(811,313)	(811,313)				

[#] Exclude prepayments and others.

* Exclude provision for other long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

Company	Note	Carrying Amount			Fair Value			
		Loans and Receivables \$'000	Other Financial Liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2017								
Financial Assets Not Measured at Fair Value								
Trade and other receivables [#]	12	5	–	5				
Amounts due from subsidiaries	13	491,605	–	491,605				
Cash and cash equivalents	14	747	–	747				
		<u>492,357</u>	<u>–</u>	<u>492,357</u>				
Financial Liabilities Not Measured at Fair Value								
Amounts due to subsidiaries	13	–	(255,615)	(255,615)				
Loans and borrowings	17	–	(219,784)	(219,784)	–	(223,363)	–	(223,363)
Trade and other payables	18	–	(4,747)	(4,747)				
		<u>–</u>	<u>(480,146)</u>	<u>(480,146)</u>				
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				
		<u>271,654</u>	<u>–</u>	<u>271,654</u>				
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)				
		<u>–</u>	<u>(245,911)</u>	<u>(245,911)</u>				

[#] 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 Unquoted 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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

Financial instruments not measured at fair value

Type	Valuation Techniques
Group and Company Other financial liabilities*	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

* 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 2017 and 2016.

30 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.

	2017 \$'000	2016 \$'000
Gross loans and borrowings	805,819	737,888
Pledged bank deposits	(7,550)	(6,499)
Cash and cash equivalents	(50,636)	(77,370)
Net debt	747,633	654,019
Total equity	2,249,766	2,072,370
Net debt to equity ratio	0.33	0.32

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.

31 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:

	2017 \$'000	2016 \$'000
Group		
Rental income and management fee from key management personnel	480	485
Contract services provided to key management personnel	103	234
Company		
Interest expense allocated to subsidiaries	9,338	8,156

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

Key Management Personnel Remuneration

Key management personnel remuneration is as follows:

Group	2017 \$'000	2016 \$'000
Short-term employee benefits	17,424	15,498
Post-employment benefits	122	125
Other long-term employee benefits	63	305
	17,609	15,928

32 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* – sale of residential units and development of properties
- *Property management* – provides maintenance and management services

Other operations include investment holding, investment trading and dormant companies. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2017 or 2016.

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.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly gain on disposal of subsidiaries, current tax and deferred tax expense, current tax assets and liabilities, and deferred tax assets and liabilities. Segment revenue, expense and results include transfers between business segments. These transfers are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

Information about Reportable Segments Business Segments

Group	Property Investment \$'000	Property Development and Construction \$'000	Property Management \$'000	Other Operations \$'000	Total \$'000
2017					
External revenue	49,192	18,695	2,086	2	69,975
Inter-segment revenue	213	44,001	455	1,767	46,436
Finance income	129	7	–	429	565
Finance expense	(19,478)	(3,652)	–	(1,620)	(24,750)
Reportable segment profit/(loss) before tax	225,186	1,492	(167)	(7,726)	218,785
Gain on disposal of subsidiaries					8,982
Other material non-cash items:					
- Depreciation and amortisation	(1,921)	(422)	(13)	(1,314)	(3,670)
- Gain on revaluation of investment properties	233,509	–	–	–	233,509
- Impairment loss written back on trade and other receivables, net	32	–	–	–	32
- Impairment loss on other assets	–	–	–	(25)	(25)
- Changes in fair value of held for trading equity securities	–	–	–	93	93
Reportable segment assets	2,839,114	240,405	732	50,915	3,131,166
Capital expenditure:					
- Investment properties	65,191	–	–	–	65,191
- Property, plant and equipment	222	104	120	225	671
Reportable segment liabilities	625,947	176,276	659	72,959	875,841
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
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, 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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

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

Group	2017 \$'000	2016 \$'000
Revenue		
Total revenue for reportable segments	114,642	117,254
Revenue for other operations	1,769	1,831
Elimination of inter-segment revenue	(46,436)	(60,649)
	<u>69,975</u>	<u>58,436</u>
Profit or Loss		
Total profit for reportable segments	226,511	94,619
Loss for other operations	(7,726)	(11,339)
	<u>218,785</u>	<u>83,280</u>
Other unallocated profit or loss items	8,982	–
	<u>227,767</u>	<u>83,280</u>
Assets		
Total assets for reportable segments	3,080,251	2,821,887
Assets for other operations	50,915	77,054
Deferred tax assets	645	239
Current tax assets	133	145
	<u>3,131,944</u>	<u>2,899,325</u>
Liabilities		
Total liabilities for reportable segments	802,882	719,195
Liabilities for other operations	72,959	103,848
Deferred tax liabilities	389	473
Current tax liabilities	5,948	3,439
	<u>882,178</u>	<u>826,955</u>

Other Material Items

Group	Reportable Segments \$'000	Other Operations \$'000	Total \$'000
2017			
Finance income	136	429	565
Finance expense	(23,130)	(1,620)	(24,750)
Depreciation and amortisation	(2,356)	(1,314)	(3,670)
Gain on revaluation of investment properties	233,509	–	233,509
Impairment loss written back on trade and other receivables, net	32	–	32
Impairment loss on other assets	–	(25)	(25)
Changes in fair value of held for trading equity securities	–	93	93
Capital expenditure:			
- Investment properties	65,191	–	65,191
- Property, plant and equipment	446	225	671
	<u>446</u>	<u>225</u>	<u>671</u>

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

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, 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

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
2017			
External revenue	67,004	2,971	69,975
Non-current assets [^]	2,368,897	456,600	2,825,497
2016			
External revenue	55,491	2,945	58,436
Non-current assets [^]	2,117,149	447,714	2,564,863

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

33 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	2017 \$'000	2016 \$'000
Within 1 year	607	1,194
After 1 year but within 5 years	163	486
	770	1,680

Leases as Lessor

The Group leases out its investment and development properties. The leases typically run for an initial period of one to four years, with an option to renew the lease when all terms are renegotiated. No contingent rental was received in 2017 and 2016.

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

Group	2017 \$'000	2016 \$'000
Within 1 year	52,577	45,823
After 1 year but within 5 years	99,848	58,580
After 5 years	120,120	295
	<u>272,545</u>	<u>104,698</u>

34 COMMITMENTS

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

Group	2017 \$'000	2016 \$'000
Contracted for:		
- construction cost of investment properties	1,167	32,038
- improvement works to investment properties	2,216	15,978
	<u>3,383</u>	<u>48,016</u>

35 DISPOSAL OF SUBSIDIARIES

On 16 May 2017, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interests in U-Kwong Holdings Limited together with the assignment of amount due from a fellow subsidiary of approximately HK\$1,227,000 (approximately \$221,000) for a total cash consideration of HK\$1. The disposal was completed on the same date.

Name of Subsidiary	Date of Disposal	Effective Interest Disposed
U-Kwong Holdings Limited and its wholly owned subsidiary: Hammerman Assets Limited	16 May 2017	42.33%

Effect of Disposal

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

Group	\$'000
Amount due from a fellow subsidiary	221
Cash and cash equivalents	18
Trade and other payables	(9,000)
Net liabilities disposed of	(8,761)
Gain on disposal of subsidiaries	8,982
Assignment of amount due from a fellow subsidiary	(221)
Sale consideration	#
Cash and cash equivalents disposed of	(18)
Disposal of subsidiaries, net of cash	<u>(18)</u>

Amount less than \$1,000

During the period from 1 January 2017 to 16 May 2017, the subsidiaries had no material contribution to the Group's cash flows and profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

36 ACQUISITION OF SUBSIDIARY

On 16 May 2017, the Group acquired all the issued shares of the following subsidiary for a total consideration of HK\$12,655,000 (approximately \$2,279,000). The Group's intention was to acquire the investment property and the Group did not take over any management or operational process from the vendor. The acquisition was accounted for as an acquisition of asset and was out of scope of FRS 103 *Business Combination*.

Name of Subsidiary	Date of Acquisition	Effective Interest Acquired
King Dynasty Limited	16 May 2017	42.33%

Effect of Acquisition

The net assets of the subsidiary acquired are provided below:

Group	\$'000
Investment property	2,277
Trade and other receivables	2
Net identifiable assets acquired and total consideration	<u>2,279</u>

37 FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AND ADOPTION OF NEW STANDARDS Applicable to 2018 Financial Statements

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with the SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements.

Summary of Quantitative Impact

The Group is currently finalising the transition adjustments. The transition is not expected to have a significant impact on the Group's financial position as at 31 December 2017 and 1 January 2018, and the Group's financial performance for the year ended 31 December 2017.

SFRS(I) 1

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

(i) Foreign currency translation reserve ("FCTR")

The Group considers that restating FCTR to comply with current SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

The Group plans to elect the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassify the cumulative FCTR of approximately \$26,774,000 as at 1 January 2017 determined in accordance with FRS at that date to retained profit. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

The Group expects the cumulative FCTR to increase by approximately \$26,774,000 and retained profit to decrease by the same amount as at 31 December 2017. FCTR and retained profit are included in "reserves" in the consolidated statement of financial position.

SFRS(I) 15

SFRS(I) 15 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.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statements will be restated.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The Group expects no significant changes to the recognition criteria, quantum and timing of its existing revenue sources and contracts with customers.

SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

NOTES TO THE FINANCIAL STATEMENTS

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Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below.

- The Group plans to take advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.
- The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018.
 - The determination of the business model within which a financial asset is held.
 - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
 - The designation of an investment in equity instruments that is not held for trading as at fair value through other comprehensive income (“FVOCI”).
 - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss (“FVTPL”).

The expected impact on adoption of SFRS(I) 9 are described below. The information below reflects the Group’s expectation of the implications arising from changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

(ii) Classification

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9.

Held-to-maturity financial assets and loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under SFRS(I) 9. Financial assets that are currently classified as held for trading, and 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 SFRS(I) 9.

(iii) Impairment

SFRS(I) 9 replaces the current “incurred loss” model with a forward-looking expected credit loss (“ECL”) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

Under SFRS(I) 9, loss allowances of the Group will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables and any contract assets arising from the application of SFRS(I) 15. The Group and Company do not expect a significant change to the impairment of their financial assets as at 1 January 2018.

The Group is currently finalising the testing of its expected credit loss model and the quantum of the final transition adjustments may be different upon finalisation.

Applicable to Financial Statements for the Year 2019 and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 Financial Statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)

Mandatory Effective Date Deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2017

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 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.

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under SFRS(I) 16. The Group has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements (see Note 33).

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

The Group as Lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The operating lease commitments on an undiscounted basis amount to approximately 0.02% of the consolidated total assets and 0.09% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

The Group as Lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

STATEMENT OF SHAREHOLDINGS

As At 26 March 2018

No. of Shares	:	870,612,140 Shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 Vote Per Share
No. of Treasury Shares	:	Nil (0%)
No. of Subsidiary Holdings ¹	:	Nil (0%)

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	85	1.58	3,473	0.00
100 - 1,000	254	4.72	118,381	0.01
1,001 - 10,000	2,685	49.86	14,853,175	1.71
10,001 - 1,000,000	2,318	43.04	114,773,329	13.18
1,000,001 and above	43	0.80	740,863,782	85.10
	5,385	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	54,625,328	6.27
5 Citibank Nominees Singapore Pte Ltd	46,432,643	5.33
6 United Overseas Bank Nominees Pte Ltd	35,347,648	4.06
7 Maybank Kim Eng Securities Pte Ltd	23,073,686	2.65
8 UOB Nominees (2006) Pte Ltd	17,055,280	1.96
9 Raffles Nominees (Pte) Ltd	16,417,145	1.89
10 OCBC Securities Private Ltd	16,019,506	1.84
11 Goodyear Realty Co Pte Ltd	14,215,758	1.63
12 Cheong Lay Kheng	14,113,000	1.62
13 CGS-CIMB Securities (Singapore) Pte Ltd	14,000,854	1.61
14 DBS Nominees Pte Ltd	13,982,938	1.61
15 Morph Investments Ltd	11,390,000	1.31
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	7,649,798	0.88
20 Cheong Puay Kheng	7,578,200	0.87
	692,485,344	79.54

Based on the information available to the Company, as at 26 March 2018, approximately 29.25% 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.

¹ The term "Subsidiary Holdings" shall have the same meaning ascribed to it in the Listing Manual, and is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

STATEMENT OF SHAREHOLDINGS

As At 26 March 2018

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	107,745,456	50,989,778 ^(a)
3 Cheong Pin Chuan	15,052,528	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 late 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 Fiftieth Annual General Meeting (“AGM”) of **HONG FOK CORPORATION LIMITED** will be held at Empress Ballroom 4 & 5, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on Monday, 30 April 2018 at 11.00 a.m. 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 2017 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 2017 (2016: 1 cent). **(Resolution 2)**
- 3 To approve the payment of Directors’ fees of \$267,500 for the financial year ending 31 December 2018, to be paid quarterly in arrears. (2017: \$257,000) [See Explanatory Note (i)] **(Resolution 3)**
- 4 To re-elect Mr Lim Jun Xiong Steven as Director retiring under Regulation 104 of the Constitution of the Company. [See Explanatory Note (ii)] **(Resolution 4)**
- 5 To re-elect Mr Chan Pengee, Adrian as Director retiring under Regulation 104 of the Constitution of the Company. [See Explanatory Note (iii)] **(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 and subsidiary holdings 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 and subsidiary holdings of the Company, and for the purpose of this Resolution, the percentage of the total number of issued shares excluding treasury shares and subsidiary holdings of the Company shall be based on the Company’s total number of issued shares excluding treasury shares and subsidiary holdings of the Company 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, and in this Resolution, “subsidiary holdings” has the meaning given to it in the Listing Manual of the SGX-ST.” [See Explanatory Note (iv)] **(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 and subsidiary holdings 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 2018 to shareholders of the Company (being an addendum to the Annual Report of the Company for the year ended 31 December 2017)) in accordance with the Guidelines and this mandate shall, unless revoked or

NOTICE OF ANNUAL GENERAL MEETING

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, and in this Resolution, “subsidiary holdings” has the meaning given to it in the Listing Manual of the SGX-ST.” [See Explanatory Note (v)] **(Resolution 8)**

BY ORDER OF THE BOARD

LO SWEE OI
KOH CHAY TIANG
Company Secretaries

Singapore
13 April 2018

Notes:

- (a) The Chairman of this AGM will be exercising his right under Regulation 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 2018. 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) Mr Lim Jun Xiong Steven, upon re-election as Director, shall remain as the Chairman of the Audit and Risk Management Committee and a Member of the Nominating Committee and Remuneration Committee. He is considered as an Independent Director for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
- (iii) Mr Chan Pengee, Adrian, upon re-election as Director, shall remain as the Chairman of the Nominating Committee and a Member of the Audit and Risk Management Committee and Remuneration Committee. He is considered as an Independent Director for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
- (iv) 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.
- (v) 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, 29 April 2016 and 28 April 2017 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 2018 to shareholders of the Company (being an addendum to the Annual Report of the Company for the year ended 31 December 2017), 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 2018.

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, (iii) agrees to having the personal data of the member and/or his proxy(ies)/representative(s) together with any questions raised or motions proposed/seconded recorded for record keeping purpose (including the use of sound recording made by the Company, and (iv) 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 30 April 2018, the Share Transfer Books and Register of Members of the Company will be closed on 10 May 2018 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 10 May 2018 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 10 May 2018 will be entitled to such Proposed Dividend.

The Proposed Dividend, if approved at the Annual General Meeting to be held on 30 April 2018, will be paid on 25 May 2018.

BY ORDER OF THE BOARD

LO SWEE OI
KOH CHAY TIANG
Company Secretaries

Singapore
13 April 2018

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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 Empress Ballroom 4 & 5, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558 on **Monday, 30 April 2018 at 11.00 a.m.** and at any adjournment thereof. 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 \$267,500 for the financial year ending 31 December 2018		
4	Re-election of Mr Lim Jun Xiong Steven as Director retiring under Regulation 104		
5	Re-election of Mr Chan Pengee, Adrian as Director retiring under Regulation 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 _____ 2018

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.

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- 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 2018.

Fold along this line



**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.

Fold along this line. Glue and seal firmly.



