

# HL Global Enterprises Limited

## ANNUAL REPORT 2015





# CONTENTS

Corporate Directory	01
Hospitality Operations	02
Chairman's Statement	04
Board of Directors	06
Key Management Personnel	08
Corporate Governance Report	09
Directors' Statement	26
Independent Auditor's Report	30
Financial Statements	32
Analysis of Shareholdings	113
Notice of Annual General Meeting	117
Proxy Form	

# CORPORATE DIRECTORY

## BOARD OF DIRECTORS

### Chairman

Gan Khai Choon - *Non-executive*

### Lead Independent Director

Michael Yeo Chee Wee

### Non-Executive Directors

Philip Ting Sii Tien

Hoh Weng Ming

Martha Tan Hui Keng - *Independent*

Florence Tay Eng Neo - *Independent*

Loo Hwee Fang - *Independent*

Andrew Goh Kia Teck - *Independent*

## EXECUTIVE COMMITTEE

Gan Khai Choon - *Chairman*

Philip Ting Sii Tien

Andrew Goh Kia Teck

## AUDIT AND RISK COMMITTEE

Michael Yeo Chee Wee - *Chairman*

Martha Tan Hui Keng

Loo Hwee Fang

Andrew Goh Kia Teck

## NOMINATING COMMITTEE

Martha Tan Hui Keng - *Chairman*

Michael Yeo Chee Wee

Loo Hwee Fang

## REMUNERATION COMMITTEE

Michael Yeo Chee Wee - *Chairman*

Martha Tan Hui Keng

Loo Hwee Fang

## HL GLOBAL ENTERPRISES SHARE OPTION SCHEME 2006 COMMITTEE

Michael Yeo Chee Wee - *Chairman*

Martha Tan Hui Keng

Loo Hwee Fang

## SECRETARIES

Nor Aishah Binte Nasit

Yeo Swee Gim, Joanne

## REGISTERED OFFICE

156 Cecil Street, #09-01

Far Eastern Bank Building

Singapore 069544

Tel: (65) 6324 9500

Fax: (65) 6221 4861

## REGISTRARS & TRANSFER OFFICE

KCK CorpServe Pte. Ltd.

333 North Bridge Road

#08-00 KH KEA Building

Singapore 188721

Tel: (65) 6837 2133

Fax: (65) 6339 0218

## AUDITOR

Ernst & Young LLP

Public Accountants and

Chartered Accountants, Singapore

One Raffles Quay

Level 18 North Tower

Singapore 048583

(Partner-in-charge: Chan Yew Kiang,  
appointed from financial year ended  
31 December 2013)

## PRINCIPAL BANKERS

DBS Bank Ltd

HL Bank

The Hongkong and Shanghai

Banking Corporation Limited

United Overseas Bank Limited

## HOSPITALITY OPERATIONS

### Copthorne Hotel Qingdao

**Copthorne Hotel Qingdao** is an international deluxe hotel situated in the middle of Qingdao's central business district and is conveniently located near the most luxurious shopping mall in Qingdao. It is only a 30-minute drive to the airport.

Its 455 guestrooms and suites are contemporary in style and comfortable. The hotel provides an array of

facilities and impeccable services to both business and leisure travellers. It offers a variety of dining experiences and is also equipped with a spectacular lobby lounge, coffee house, Chinese and Japanese restaurants, a large grand ballroom, meeting facilities, a well-equipped fitness centre and an indoor heated swimming pool with sauna facilities.



Copthorne Hotel Qingdao



Elite Residences

### Elite Residences

**Elite Residences** is located in a bustling hub filled with shopping, dining and entertainment options with convenient transportation to Shanghai's central location. It has 106 elegantly designed refurbished apartment units that redefines the concept of luxury living. The building faces Zhongshan Park, offering breathtaking views of the surrounding greenery - a real rarity in Shanghai!

A unique combination of style and functionality characterizes each apartment unit, which is designed in a contemporary style and features the highest quality in fittings and furniture. Residents can enjoy good quality facilities, including a gymnasium, residents' lounge and meeting room.

Elite Residences is the perfect choice for those who appreciate luxury and convenience and are looking for the right blend of urban lifestyle and tranquility.



## HOSPITALITY OPERATIONS



Copthorne Hotel Cameron Highlands

### Copthorne Hotel Cameron Highlands

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

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

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

The hotel's latest addition, the 18 Celsius Café is nestled in the hotel's lobby. The charming new café is a great spot for a light meal, dessert or good cup of coffee or tea.

### Equatorial Hotel Shanghai

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

The 506 guest rooms and suites offer stunning city views, and have been beautifully furnished. The hotel has recently renovated its guestrooms, the brand new Equatorial Room and Grand Room offers glamorous and intelligent features, which ensures a comfortable and relaxing stay.

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



Equatorial Hotel Shanghai

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

## CHAIRMAN'S STATEMENT

The acquisition of the remaining 55% equity interest in Augustland Hotel Sdn Bhd ("AHSB") in July 2014 (the "Acquisition") had boosted the Group's revenue for 2015. The Group consolidated the full year financial results of AHSB in 2015, which was the main reason for the Group's revenue increasing by 34% from \$10 million for 2014 to \$13.4 million for 2015. AHSB owns Copthorne Hotel Cameron Highlands ("CHCH").

### Review of the Group's performance

The Group's hospitality segment achieved higher revenue of \$13.4 million for 2015 compared to \$9.7 million for 2014, representing an increase of 37%. Besides benefiting from the consolidation of the full year financial results of AHSB, Elite Residences Serviced Apartments ("Elite Residences") also contributed about 7% of the Group's increased revenue. However, there was no sale of apartment unit at Equatorial Cameron Highlands for 2015. The Group had reclassified its commercial property at Cameron Highlands to investment property as it is held to earn rentals and it generated revenue of \$81,000 for 2015.

For the year under review, the increase in Group revenue gave rise to a higher Group operating profit before the share of results of associate and joint ventures, other income and finance costs of \$1.5 million *vis-a-vis* \$0.4 million for 2014. This was mainly contributed by the hospitality segment which saw an increase of \$0.6 million in operating profit. In addition, the property development segment reduced its operating loss from \$0.8 million in 2014 to \$0.4 million in 2015, mainly due to the drop in operating costs in 2015.

The Group's share of net loss after tax in associate and joint ventures increased from \$1.4 million in 2014 to \$2.5 million in 2015, mainly due to the highly competitive market and a slowdown of the hospitality business in Qingdao which impacted the performance of Copthorne Hotel Qingdao ("CHQ").

Other income decreased from \$6.8 million for 2014 to \$1.4 million for 2015 mainly due to the gain of \$6.2 million from the Acquisition in 2014. For 2015, other income comprised mainly write-back of allowance for anticipated losses on development properties, licence fee and interest income. During the year under review, the Group's interest expense was \$1.7 million. The Group also recorded a net exchange loss of \$0.4 million which was primarily attributed to the revaluation of net foreign currency monetary assets and liabilities arising from the weakening of the Malaysian Ringgit against the Singapore Dollar and US Dollar, and the strengthening of the Chinese Renminbi against the Singapore Dollar.

For a meaningful comparison, excluding the gain of \$6.2 million from the Acquisition in 2014, the net loss attributable to shareholders of the Company for 2014 was \$2.6 million against a loss of \$2.2 million for 2015.

### Hospitality Operations

The slowdown in the China economy and the austerity measures throughout the country had adversely impacted the operations at CHQ which saw a drop in occupancy rate for 2015 by 3 percentage points to 44.3%. Its average room rate ("ARR") decreased from RMB450 in 2014 to RMB394 in 2015.

Elite Residences had, amid the highly competitive hospitality market in Shanghai, enjoyed an average occupancy rate of 85.8% in 2015, up by 5 percentage points as compared to 2014. It managed to maintain its ARR, which rose slightly from RMB624 in 2014 to RMB627 in 2015.

Despite the tough economy coupled with the implementation of GST in Malaysia, CHCH managed to increase its average occupancy rate by 2 percentage points to 62%. Its ARR increased marginally to RM201 in 2015 from RM199 in 2014.

# CHAIRMAN'S STATEMENT

## Borrowings

The unsecured loan of \$68 million due to Venture Lewis Limited ("Venture Lewis") (a wholly-owned subsidiary of China Yuchai International Limited, a 48.9% deemed substantial shareholder of the Company) will be due on 2 July 2016 (the "2015 Loan"). As announced by the Company on 27 January 2016, the Company had entered into a loan agreement with Venture Lewis to extend the 2015 Loan for another term of one year from 3 July 2016 to 2 July 2017 (the "2016 Loan"). With the exception of a reduction in the interest rate margin from 1% per annum to 0.5% per annum, the principal terms of the 2016 Loan are substantially similar to the 2015 Loan.

## Outlook

In view of the austerity measures in China and the oversupply of hotel rooms, the Group's hospitality operations in Shanghai and Qingdao will continue to be impacted by the challenges faced by the hospitality industry. The Group's hospitality business in Malaysia will likely be affected by the slower growth in Malaysia's economy due to unexpected headwinds which may lead to lower consumer spending.

The Group also continues to be exposed to currency fluctuation risks, as the majority of its assets and operations are located in China and Malaysia.

The Company was placed on the watch-list of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 4 June 2014. Should the Company be unable to meet the requirements of Rule 1314 of the Listing Manual by 3 June 2016, the SGX-ST may either remove the Company from its Official List, or suspend trading of the Company's ordinary shares with a view to removing the Company from the SGX-ST Official List. In the event that the SGX-ST exercises its powers to remove the Company from its Official List at such time, there is no assurance that the Company will be able to offer a reasonable exit alternative.

## Acknowledgement

On behalf of the Board of Directors, I would like to thank our stakeholders, including our investors, suppliers, customers, bankers and business partners for their continuing support. Ms Martha Tan Hui Keng will be retiring from the Board of Directors at this year's annual general meeting. On behalf of the Board and management, I would like to express my sincere appreciation to Ms Tan for her invaluable contributions to the Company over the past 9 years. I would also like to thank my other fellow Directors for their commitment, involvement and contributions and to management and employees of the Group for their commitment and efforts throughout the year.

## Gan Khai Choon

*Chairman*

23 March 2016



## BOARD OF DIRECTORS

### **Gan Khai Choon, Age 69**

Non-Executive and Non-Independent Director

Appointed Chairman of HL Global Enterprises Limited ("HLGE" or the "Company") since 21 September 2007 and last re-elected on 30 April 2013, Mr Gan is also the Chairman of the Executive Committee ("Exco"). He will be seeking re-election as a Director at the 2016 Annual General Meeting ("2016 AGM").

He is also the Managing Director of Hong Leong International (Hong Kong) Limited ("HLHK"), Executive Director of City e-Solutions Limited ("CES"), Non-Executive Director of China Yuchai International Limited ("CYI") and Safety Godown Company Limited. HLHK, CES and CYI are related companies under the Hong Leong Group of companies.

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

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

### **Florence Tay Eng Neo, Age 62**

Non-Executive and Independent Director

First appointed as an Executive Director of the Company on 26 December 2000, Ms Tay became a Non-Executive Director on 31 May 2006. She was last re-elected on 21 April 2015.

Ms Tay has over 30 years of experience in the information technology field. Prior to joining HLGE as its Chief Executive Officer, a position which she relinquished in May 2006, she was Managing Director for Primefield Group of companies, a Director of Radio Corporation of Singapore Pte Ltd (now known as MediaCorp Radio Singapore Pte Ltd) from 1994 to 1999 and the Chairman of Microcomputer Trade Association of Singapore from 1989 to 1992. Currently, Ms Tay also holds the position of Executive Director in Primefield Inc. and XingHe Technologies (Beijing) Co. Ltd; a company focusing on developing Financial Technology (Fintech) products and solutions; and works with domestic banks, China UnionPay, public utilities, telecom companies, as well as global brands and e-commerce merchants.

Ms Tay holds a Bachelor of Arts (Honours) Degree in Political Science from McGill University, Montreal, Canada.

### **Michael Yeo Chee Wee, Age 78**

Non-Executive and Lead Independent Director

Appointed a Director of the Company since 1 January 1985, Mr Yeo was last re-appointed as a Director on 21 April 2015 to hold office until the 2016 AGM pursuant to Section 153(6) which provision has since been repealed, and will be seeking appointment as a Director at the 2016 AGM. Mr Yeo is the Chairman of the Audit and Risk Committee ("ARC"), Remuneration Committee ("RC") and Committee of the HL Global Enterprises Share Option Scheme 2006 ("SOSC") and a member of the Nominating Committee ("NC"). He was appointed as Lead Independent Director of the Company on 2 November 2012.

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

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

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

### **Martha Tan Hui Keng, Age 58**

Non-Executive and Independent Director

Appointed a Director of the Company since 21 September 2007, Ms Tan was last re-elected on 30 April 2013. Ms Tan, who will be retiring at the 2016 AGM, will not be seeking re-election as a Director. Upon her cessation as Director, she will also cease to be the Chairman of the NC and a member of the ARC, RC and SOSC.

Ms Tan is currently an Independent Director of Singapura Finance Ltd. She was an audit partner of KPMG (now known as KPMG LLP) from 1989 to 2005. Ms Tan has more than 25 years of experience in the public accounting field, which includes auditing, taxation, public listings, due diligence, mergers and acquisitions, internal control reviews and general business advisory services.

Ms Tan holds a Degree (Honours) in Accountancy from the University of Singapore and is also a Fellow Member of the Institute of Singapore Chartered Accountants (ISCA).



## BOARD OF DIRECTORS

### **Philip Ting Sii Tien @ Yao Sik Tien, Age 61**

Non-Executive and Non-Independent Director

Appointed a Director of the Company since 6 March 2009 and last re-elected on 21 April 2015, Mr Ting is also a member of the Exco.

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

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

### **Hoh Weng Ming, Age 54**

Non-Executive and Non-Independent Director

Mr Hoh was appointed as a Director of the Company since 16 February 2011 and was last re-elected on 30 April 2014. He will be seeking re-election as a Director at the 2016 AGM.

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

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

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

### **Loo Hwee Fang, Age 41**

Non-Executive and Independent Director

Appointed a Director of the Company since 1 March 2012 and last re-elected on 30 April 2014, Ms Loo also sits on the ARC, NC, RC and SOSC.

Ms Loo is currently the Group General Counsel of Yoma Strategic Holdings Ltd. She was previously with Messrs Lee & Lee where she served as a Partner in the Corporate Department of the firm until March 2013. Ms Loo has extensive legal experience particularly in the area of corporate finance, capital markets and fund management, fund raising, mergers and acquisitions, stock exchange procedures, compliance and corporate governance issues.

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

### **Andrew Goh Kia Teck, Age 66**

Non-Executive and Independent Director

Appointed to the Board as a Director on 1 September 2014 and last re-elected on 21 April 2015, Mr Goh also sits on the Exco and ARC.

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

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

## KEY MANAGEMENT PERSONNEL

### Foo Yang Hym

Ms Foo joined HL Global Enterprises Limited (“HLGE”) in 1984 as an Accountant and became the Group Accountant in 1994 and thereafter, the Financial Controller in 2004. She was re-designated as Senior Vice President (Finance/Administration) in April 2006 and subsequently as Chief Financial Officer of HLGE on 1 September 2015. Prior to joining HLGE, she was an Audit Senior at Deloitte Haskins & Sells (now known as Deloitte & Touche LLP).

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

### Chua Jim Boon

Mr Chua joined HLGE as Chief Operating Officer on 1 December 2008 and was re-designated as General Manager – Malaysia Operations with effect from 1 September 2015. He has more than 20 years of experience in senior executive positions in areas such as operations, consulting and change management, revenue and turnaround management, mergers and acquisitions as well as strategic planning for organisations.

Mr Chua holds a Bachelor of Business Administration Degree from University of Hawaii, Manoa, USA and a Master of Business Administration from Chaminade University of Honolulu, Hawaii, USA. He has also completed the CFO Residential Course conducted by New York University and the Harvard Asean Advanced Senior Management Program at Harvard Business School.

### Yam Kit Sung

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

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

# CORPORATE GOVERNANCE REPORT

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

This report sets out HLGE’s corporate governance practices with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (“2012 Code”). Where the Company’s practices differ from the recommendations under the 2012 Code, the Company’s position in respect of such differences is explained in this report.

## BOARD MATTERS

### Principle 1: The Board’s Conduct of Affairs

#### *Primary Functions of the Board*

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

The Board provides guidance to Management in dealing with the business affairs of the Group and ensure that the interests of the Company and its stakeholders which comprise the Company’s investors, suppliers, customers, bankers and business partners are safeguarded.

Relevant sustainability issues are considered from time to time as part of the Board’s deliberation on the Company’s operations and activities and the Board is continuously looking out for sustainable and viable business opportunities to enhance shareholders value. Efforts are also continuously being made to reduce the Group’s operating expenses and minimise losses. Renovations are being carried out at the Group’s hotels and serviced apartments where necessary with a view to attract guests and boost occupancy rates.

Notwithstanding that the Company is currently not reporting on environmental, social and governance performance, internal efforts are continually being made towards environmental sustainability through the reduction of energy, water and paper consumption in its corporate offices, serviced apartments and hotels.

#### *Independent Judgment*

All Directors are required to objectively discharge their duties and responsibilities in the interests of the Company. Directors who are in any way, directly or indirectly, interested in a transaction or proposed transaction will declare the nature of their interests in accordance with the provisions of the Companies Act, Chapter 50 of Singapore (the “Companies Act”) and also voluntarily abstain from deliberation on the same. The Board has established the Nominating Committee (“NC”) which recommends to the Board, the appointments/re-appointments to the Board and Board Committees and independence of Directors. When assessing the independence of Directors, the NC takes into account the individual Director’s objectivity, independent thinking and judgment.

#### *Delegation by the Board*

The primary functions of the Board are either carried out directly by the Board or through committees established by the Board, namely, the Executive Committee (“Exco”), the Audit and Risk Committee (“ARC”), the NC, the Remuneration Committee (“RC”) and the HL Global Enterprises Share Option Scheme 2006 (“SOS”) Committee (“SOSC”), all collectively referred to hereafter as the Board Committees. Except for the SOSC which purpose is to grant options to eligible participants to subscribe for shares in the Company pursuant to the rules of the SOS, clear written terms of reference for each of the Board Committees set out the authority and duties of the Board Committees and all terms of reference for the Board Committees are approved by



# CORPORATE GOVERNANCE REPORT

the Board. The composition of each Board Committee can be found under the 'Corporate Directory' section in this Annual Report 2015 ("AR"). No option has been granted by the Company since the commencement of the SOS.

The delegation of authority by the Board to the Board Committees enables the Board to achieve operational efficiency by empowering these committees to decide on matters within their respective written terms of reference and/or limits of delegated authority, and yet without abdicating its responsibility. Please refer to sections on Principles 4, 5, 7, 8, 11 and 12 in this report for further information on the activities of the NC, RC and ARC. Information on the activities of the Exco can be found under Principle 1 in this report. Information on the SOSC is set out in the Directors' Statement on pages 27 and 28 and the Financial Statements on page 88 of the AR.

## Board Processes

Board and Board Committee meetings are held regularly, with the Board meeting no less than four times a year. A meeting of the independent Directors, chaired by the Lead Independent Director ("Lead ID") may be held as often as may be warranted by circumstances. The proposed meetings for the Board and all Board Committees except for the Exco for each new calendar year are set out in a schedule of meetings and notified to all Board members before the start of the calendar year. Additional meetings are convened as and when circumstances warrant. Records of all such meetings including discussions on key deliberations and decisions taken are maintained by the Company Secretary. The Company's Constitution (previously known as the Company's Memorandum and Articles of Association) allow for the meetings of its Board and Board Committees to be held *via* teleconferencing and/or videoconferencings. The Board and Board Committees may also make decisions by way of circulating written resolutions.

The attendance of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings during the financial year ended 31 December 2015 ("FY 2015"), are disclosed below. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused only on his or her attendance at meetings of the Board and/or Board Committees. A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Company.

## Directors' Attendance at Board and Board Committee Meetings in 2015

	Board	ARC	NC	RC
<b>Number of Meetings held in 2015:</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>1</b>
<b>Name of Directors</b>	<b>Number of Meetings Attended in 2015</b>			
Gan Khai Choon	4	N.A.	N.A.	N.A.
Philip Ting Sii Tien	4	N.A.	N.A.	N.A.
Hoh Weng Ming	4	N.A.	N.A.	N.A.
Florence Tay Eng Neo	4	N.A.	N.A.	N.A.
Michael Yeo Chee Wee	4	4	1	1
Martha Tan Hui Keng	4	4	1	1
Loo Hwee Fang	4	4	1	1
Andrew Goh Kia Teck	4	4	N.A.	N.A.

The SOSC did not convene any meeting in 2015. Although no formal meetings of the Exco were held in 2015, regular informal discussions were held by its members to discuss, amongst other matters, the Group's operations and potential investment opportunities.

# CORPORATE GOVERNANCE REPORT

## ***Board Approval***

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

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

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

## ***Board Orientation and Training***

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

The Company also conducts a comprehensive induction programme for newly appointed Directors and for existing Directors pursuant to their appointments to any of the Board Committees, which seeks to familiarise Directors with the Group's businesses, board processes, internal controls and governance practices. The induction programme includes meetings with various key executives of the Management and briefings on key areas of the Company's operations.

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

The Directors are also provided with updates and/or briefings from time to time by professional advisers, auditors, Management and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislation, risk management and financial reporting standards. The Directors are regularly kept informed by the Company Secretary of the availability of appropriate courses, conferences and seminars such as those run by the SID and the Directors are encouraged to attend such training at the Company's expense.

# CORPORATE GOVERNANCE REPORT

Four in-house seminars were conducted by invited speakers during 2015, on topics relating to transfer pricing, cyber security and big data analytics for companies, integrating sustainability for greater business value, the financial reporting surveillance program by the Accounting & Corporate Regulatory Authority, tax transparency, and corporate governance updates. An update on the Singapore regulatory environment was also provided to the whole Board by the external auditors at a Board meeting held in 2015. In addition to the training courses/programmes, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Group's operations.

## **Principle 2: Board Composition and Guidance**

### ***Board Independence***

The Board currently comprises eight members, all of whom are non-executive Directors ("NEDs"). The NC has recommended and the Board has determined five of them, being more than half of the Board, to be independent ("5 IDs"), thus providing for a strong and independent element on the Board capable of exercising objective judgment on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision making. The Board concurred with the NC's determination of the independence of the 5 IDs. For purposes of determination of independence, the 5 IDs also provided annual declarations regarding their independence.

When reviewing the independence of the 5 IDs, the NC has considered their other directorships, annual declaration regarding their independence, their ability to avoid any apparent conflicts of interests especially by abstaining from deliberation on such transactions, and their ability to maintain objectivity in their conduct as Directors of the Company. The 5 IDs are Mr Michael Yeo, Ms Florence Tay, Ms Martha Tan, Ms Loo Hwee Fang and Mr Andrew Goh.

In determining the independence of Mr Michael Yeo and Ms Florence Tay who have served on the Board for more than nine years, the NC and the Board have given due consideration to the recommendation under Guideline 2.4 of the 2012 Code that the independence of any director who has served on the Board beyond nine years be subject to particularly rigorous review. The Board members had individually provided their views on the independence of Mr Yeo and Ms Tay by completing a questionnaire. Having considered the feedback from the individual Board member and having reviewed the NC's recommendation, the Board (with Mr Yeo and Ms Tay abstaining in respect of the deliberation of each of their own independence) has determined both of them to be independent notwithstanding they have served on the Board beyond nine years as they have continued to demonstrate strong independence in character and judgment in the discharge of their responsibilities as Directors of the Company. Mr Yeo had displayed objectivity in handling the affairs of the Company, both at the Board and Board Committee level, whether during meetings or outside of meetings. As for Ms Tay, her involvement was mainly at Board meetings and she had also displayed objectivity in situations where independent judgment was required. The Company had also benefited from their years of experience with their different business backgrounds and also the historical perspective on matters concerning the Company which both Directors can provide.

### ***Board Composition and Size***

The NC reviews the size and composition mix of the Board and Board Committees annually. The Board comprises business leaders and professionals with financial, legal and business management backgrounds. Taking into account the scope and nature of the operations of the Group, the Board is satisfied that the current composition mix and size of the Board is appropriate and allows for effective decision making. The standing of the members of the Board in the business and professional communities, and with their combined business, management and professional experience, knowledge and expertise, provide the necessary core competencies to meet the Group's needs and to allow for diverse and objective perspectives on the Group's strategic direction and growth.



# CORPORATE GOVERNANCE REPORT

## ***NEDs' Participation***

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

## **Principle 3: Chairman and Chief Executive Officer**

### ***Role of Chairman***

The Chairman of the Board is Mr Gan Khai Choon who is a NED. The Chairman bears primary responsibility for the workings of the Board, by ensuring effectiveness in all aspects of its role including promoting high standards of corporate governance, setting agenda for Board meetings with input from Management, ensuring sufficient allocation of time for thorough discussion of each agenda item, promoting an open environment for debate, and ensuring that all the Directors are able to speak freely and contribute effectively and exercising control over the quality, quantity and timeliness of information flow between the Board and Management. At annual general meetings and other shareholder meetings, he plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management.

The Company does not have any Executive Director and the Exco is tasked to undertake the overall management of the Group's operations and investments.

### ***Lead Independent Director***

There are internal controls in place to allow for effective oversight by the Board of the Company's business to ensure an appropriate balance of power and authority is exercisable by the Board to enable objective decision making in the interests of the Company. In view that the Chairman of the Board, Mr Gan Khai Choon is not an independent Director, the Board has appointed Mr Michael Yeo Chee Wee as Lead ID to serve as a sounding board for the Chairman of the Board and also as an intermediary between the Directors and the Chairman of the Board. The role of the Lead ID is set out under the written terms of reference of the Lead ID, which has been approved by the Board. The Lead ID is available to shareholders where they have concerns and for which contact through the normal channels of the Chairman or the Senior Management has failed to resolve or is inappropriate. No query or request on any matter which requires the Lead ID's attention was received from the shareholders in 2015. The Lead ID did not convene any meeting of the independent Directors in 2015 as he had not received from the shareholders any query or request which would require his attention as Lead ID nor any request from the independent Directors on matters requiring discussion at a separate meeting of the independent Directors.

## **Principle 4: Board Membership**

### ***NC Composition and Role***

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

The NC's responsibilities as set out in its written terms of reference approved by the Board, is to review all Board and Board Committee composition and membership, board succession plans for the Directors, determine each Director's independence annually and as and when circumstances require, evaluate performance of the Board as a whole, its Board Committees and the individual Directors, review appointments and resignations of

# CORPORATE GOVERNANCE REPORT

Senior Management and review Directors' training and continuous professional development programme. The Company Secretary maintains records of all NC meetings including records of discussions on key deliberations and decisions taken.

For the financial year under review, the NC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities.

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

## ***Re-nomination of Directors***

The NC reviews annually the nomination of the relevant Directors for re-election and appointment as well as the independence of Directors. When considering the nomination of Directors for re-election and appointment, the NC takes into account their contribution to the effectiveness of the Board as well as their time commitment especially for Directors who have multiple listed company board representations and/or other principal commitments, and also reviews their independence.

The Constitution of the Company provides that at least one-third of the Directors for the time being, shall retire as Directors at each annual general meeting of the Company ("AGM"). All new Directors appointed by the Board shall hold office until the next AGM, and be eligible for re-election at the said AGM. Excluding Directors appointed at the AGM, the remaining Directors of the Company will retire about once in every two to three years.

In accordance with the Constitution of the Company, Mr Gan Khai Choon, Mr Hoh Weng Ming and Ms Martha Tan Hui Keng will be retiring by rotation at the forthcoming AGM ("2016 AGM"). Both Mr Gan and Mr Hoh, being eligible, have offered themselves for re-election at the 2016 AGM while Ms Tan would not be seeking re-election. Mr Michael Yeo who was re-appointed as Director to hold office until the 2016 AGM under section 153(6) of the Companies Act, which provision has since been repealed, has also offered himself for appointment as a Director at the 2016 AGM.

## ***Criteria and Process for Nomination and Selection of New Directors***

The NC is responsible for identifying candidates and reviewing all nominations for appointment. Candidates are first sourced through an extensive network of personal contacts of the Board members and Management, and identified based on the needs of the Company and the relevant expertise required. The NC then interviews shortlisted candidates to assess their suitability before formally considering and recommending them for appointment to the Board and where applicable, to the Board Committees.

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

## ***Directors' Time Commitments***

When considering the re-nomination of Directors for re-election or appointment, the NC also takes into account the competing time commitments faced by Directors with multiple listed company board representations and/or other principal commitments. An analysis of the directorships (which includes directorships within corporate groups and executive appointments) held by the Directors is reviewed annually by the NC. Based on the analysis and the Directors' commitments and contributions to the Company which are also evident in their level

# CORPORATE GOVERNANCE REPORT

of attendance and participation at Board and Board Committee meetings, the NC is satisfied that all Directors are able to carry out and have been adequately carrying out their duties as Directors of the Company.

It is recommended under the 2012 Code that the Board consider providing guidance on the maximum number of listed company board representations which each Director of the Company may hold in order to address competing time commitments faced by the Directors serving on multiple boards. Having considered this issue, the NC does not recommend setting a maximum number of listed company board representations that a Director may hold. The Board considers an assessment of the individual Directors' participation as described above to be more effective for the Company than to prescribe a numerical limit on the number of listed company directorships that a Director may hold. It would not wish to omit from consideration suitable individuals who, despite the demands on their time, have the capacity to participate and contribute as members of the Board.

## ***Key Information on Directors***

Please refer to the 'Board of Directors' section in the AR for key information on the Directors, and additional information in the notice of AGM for Directors proposed for re-election and appointment at the 2016 AGM.

## ***Succession Planning for the Board***

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

## ***Board Development***

The NC reviews the training and development of the Directors to ensure that Directors receive appropriate development on a continuing basis, to perform their roles on the Board and where applicable, the Board Committees. The Directors are provided with updates and/or briefings to assist them to properly discharge their duties. The briefings are conducted either internally with invited speakers, or externally, at the Company's expense. A separate programme is established for new Directors, details of which as well as the internal briefing and updates provided for the Directors in 2015 are set out in the paragraph above under the subject heading "Board Orientation and Training".

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

## **Principle 5: Board Performance**

### ***Board Evaluation Process***

The Company has in place a formal process for assessment of the effectiveness of the Board as a whole, the various Board Committees and the contribution by each Director to the effectiveness of the Board and the Board Committees, where applicable. No external facilitator has been used. The NC assesses the Board's performance as a whole annually using objective and appropriate quantitative and qualitative criteria which were recommended by the NC and approved by the Board. When assessing the overall Board performance, the NC takes into consideration the feedback from individual Directors on areas relating to the Board's competencies and effectiveness. The results of the overall evaluation of the Board by the NC including its recommendation, if any, for improvements are presented to the Board.



# CORPORATE GOVERNANCE REPORT

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

The annual evaluation process for each individual Director's performance includes a review of the background information concerning the Director, his attendance records at Board and Board Committee meetings and an evaluation by the NC based on certain assessment parameters which had been recommended by the NC and approved by the Board. When deliberating on the performance of a particular Director who is also a member of the NC, that member abstains from the discussions in order to avoid any conflict of interests.

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

## ***Board Evaluation Criteria***

The qualitative criteria are set out in a questionnaire covering three main areas relating to Board composition, roles and responsibilities, conduct of meetings and access to information.

The quantitative criteria used to evaluate the overall Board performance comprises a comparison of the Company's performance (including segmental performance) for the financial period under review against the Company's budgeted forecasts and performance for the corresponding period in the previous year.

## ***Individual Director Evaluation Criteria***

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

## **Principle 6: Access to Information**

### ***Complete, Adequate and Timely Information and Access to Management***

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

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

## ***Company Secretary***

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

# CORPORATE GOVERNANCE REPORT

On an on-going basis, the Directors have separate and independent access to the Company Secretary, whose duties and responsibilities are clearly defined.

## ***Independent Professional Advice***

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

## **REMUNERATION MATTERS**

### **Principle 7: Procedures for Developing Remuneration Policies**

#### ***RC Composition and Role***

The RC comprises three NEDs, all of whom including the chairman of the RC, are independent. The RC's principal responsibilities as set out in its written terms of reference approved by the Board are to review and recommend, for the endorsement of the Board, a framework of remuneration and the specific remuneration packages for each Board member and the Company's key management personnel ("KMP"). On an annual basis, the RC reviews the annual increments and year-end bonuses to be granted to the KMP. There were no changes in the Company's KMP in 2015.

The Company has in place a remuneration framework (which covers all aspects of remuneration) for the Directors and the KMP. The Company currently identifies its Chief Financial Officer, General Manager – Malaysia Operations and General Manager – Asset Management (China) as its KMP. The KMP's contracts of service have been reviewed by the RC and it is of the view that the said contracts contain fair and reasonable termination clauses.

All the members of the RC also sit on the SOSC and the chairman of the RC is also the chairman of the SOSC. No remuneration consultants from outside the Company were appointed. The Company Secretary maintains records of all RC meetings including records of discussions on key deliberations and decisions taken.

The RC had one meeting in 2015. For the financial year under review, the RC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities.

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

### **Principle 8: Level and Mix of Remuneration**

#### ***Remuneration of Directors and KMP***

The Company currently does not have any executive Director.

Each of the Directors receives a base Director's fee, with the Chairman of the Board receiving an additional fee for serving as Board Chairman. Directors who serve on the ARC, NC and RC also receive additional fees in respect of each of these Board Committees that they serve on, with the chairmen of these Board Committees receiving a higher fee in respect of their service as chairman of these Board Committees.

When reviewing the structure and level of Directors' fees, the RC takes into consideration the Directors' respective roles and responsibilities in the Board and Board Committees and the changes in the business, corporate governance practices and regulatory rules. No Director is involved in deciding his own remuneration.

The compensation packages of the KMP for FY 2015 comprise a fixed component (in the form of a base salary and fixed allowances) and a variable component (in the form of year-end bonus). In reviewing the remuneration packages of the KMP, the RC considers the level of remuneration based on the Company's

# CORPORATE GOVERNANCE REPORT

remuneration policy which gives due regard to the economic climate, market conditions and financial position of the Company.

The Company has established the SOS in 2006 but no options had been granted under the said scheme which details can be found on pages 27 and 28 of this AR. In view of the Company's financial position and pending opportunities to grow the Group's earning base which remains a priority of the Board, the RC does not think it is appropriate at this juncture to consider the grant of options under the SOS.

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

## Principle 9: Disclosure of Remuneration

### *Disclosure of Remuneration*

The compensation packages for the KMP comprise a fixed component (in the form of a base salary and fixed allowances) and a variable component (comprising short-term incentives in the form of a year-end bonus). There were no changes in the KMP in 2015.

### *Directors' Remuneration for FY 2015*

All the Directors of the Company are NEDs and do not receive any remuneration other than Board and Board Committee fees, details of which for FY 2015 are set out below:

Directors	Board/Board Committee Fees <sup>1</sup> \$
1. Gan Khai Choon	30,000
2. Florence Tay Eng Neo	15,000
3. Michael Yeo Chee Wee	62,000
4. Martha Tan Hui Keng	43,000
5. Philip Ting Sii Tien	15,000
6. Hoh Weng Ming	15,000
7. Loo Hwee Fang	40,000
8. Andrew Goh Kia Teck	35,000

Note:

- 1 These fees for FY 2015 are subject to approval by shareholders as a lump sum at the 2016 AGM and are rounded up to the nearest thousands.

The Company does not have a Chief Executive Officer. The KMP's remuneration for FY 2015 in bands of \$250,000 is set out on page 19 of the AR.

# CORPORATE GOVERNANCE REPORT

## **Remuneration of KMP (not being a Director or Chief Executive Officer) for FY 2015**

	Base Salary <sup>1</sup> %	Year-end Bonuses/ Allowances <sup>1</sup> %	Other Benefits %	Total %
<b>\$250,000 and below</b>				
<b>KMP</b>				
1. Foo Yang Hym	82	15	3	100
2. Chua Jim Boon	85	15	—	100
3. Yam Kit Sung	84	16	—	100

Note:

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

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

## **Remuneration of Director's Immediate Family Member for FY 2015**

During FY 2015, none of the Directors had immediate family members who were or are employees of the Company.

## **ACCOUNTABILITY AND AUDIT**

### **Principle 10: Accountability**

#### **Accountability of Board and Management**

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

For the first three quarters and full year of 2015, the Board was provided with a representation letter by the Chief Financial Officer, the General Manager – Malaysia Operations and the General Manager - Asset Management (China) in connection with the issue of the unaudited quarterly financial statements of the Group confirming that to the best of their knowledge and belief, nothing has come to their attention which may render the financial statements to be false or misleading in any material respect. The Board, in turn, provided a negative assurance confirmation to shareholders in respect of the Company's interim financial statements for the first three quarters of 2015 in accordance with the regulatory requirements.

Management provides all Directors with monthly financial reports of the Group's performance.

### **Principle 11: Risk Management and Internal Controls**

#### **Risk Management**

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



# CORPORATE GOVERNANCE REPORT

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

## **Internal Controls**

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

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

The internal controls structure which is established includes:

- a risk management framework for the identification, assessment and monitoring of the Group's key risks;
- policies and procedures and approved authorisation matrix in place, which are reviewed from time to time, that govern and allow from time to time the monitoring of financial and operational controls;
- a programme of external and internal audits; and
- a whistle-blowing programme, whereby staff of the Company or other persons can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters without fear of reprisals in any form, and the provision of internal arrangements for the investigation of matters raised thereunder.

The Board has received written assurance from the Chief Financial Officer, the General Manager – Malaysia Operations and the General Manager – Asset Management (China) that:

- (a) the Company's financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the Company's risk management and internal control systems in place were adequate and effective to address in all material aspects the financial, operational, compliance and IT risks in the context of the current scope of the Company's business operations.

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

Based on the reports received and representations made, the Board concurs with the opinion of the ARC that, the system of internal controls in place as at 31 December 2015 to address in all material aspects the financial, operational, compliance and IT risks, is adequate and effective in the context of the current scope of the Group's business operations.

# CORPORATE GOVERNANCE REPORT

## Principle 12: Audit Committee

### *Composition of ARC*

The ARC comprises four NEDs, all of whom including the chairman of the ARC, are independent. Two members including the ARC Chairman possess the relevant accounting or related financial management expertise and experience. The role of the ARC also includes the oversight of the Company's risk management framework and processes.

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

### *Powers and Duties of the ARC*

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

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

- to review with Management and, where appropriate, with the external auditors the quarterly and full year financial statements to be issued by the Group before their submission to the Board to ensure their completeness, consistency, and accuracy;
- to review the integrity of the financial statements of the Group to be announced or reported and any other formal announcements relating to the Group's financial performance;
- to assess the role and effectiveness of the internal audit ("IA") function in the overall context of the Group's internal controls and risk management systems;
- to review and approve the annual audit plans of the external and internal auditors;
- to review, on an annual basis, the scope and results of the external audit and its cost-effectiveness and the independence and objectivity of the external auditors and also the nature and extent of any non-audit services provided by the external auditors to the Company;
- to review quarterly and/or annually, as applicable, with Management, the internal and external auditors, the results of their review on the Group's internal controls, including financial, operational, compliance and IT controls, and risk management policies and systems and reporting to the Board annually on the adequacy and effectiveness of such internal controls;
- to make recommendations to the Board on the nomination for the appointment, re-appointment and removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors;
- to review interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

## CORPORATE GOVERNANCE REPORT

- to review the Company's whistle-blowing policy and arrangements put in place for raising concerns about possible improprieties in matters of financial reporting or any other matters; and
- to provide oversight of the risk management framework designed, established and implemented by Management for the identification, assessment, management and monitoring of risks, with the objective of embedding risk management processes into existing management processes.

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

For the financial year under review, the ARC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities.

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

### **External Auditors**

The ARC reviewed all aspects of the Company's relationship with Ernst & Young LLP ("EY"), including the nature and volume of all non-audit services provided by the firm during the year. As there were no non-audit services rendered by EY for FY 2015, the ARC is satisfied that EY is, and is perceived to be, independent. Please refer to note 23 of the Notes to the Financial Statements for details of the fees paid and/or payable by the Group to EY in respect of the audit services for FY 2015.

In reviewing the nomination of EY for re-appointment as the Company's auditor for the financial year ending 31 December 2016, the ARC had considered the adequacy of the resources and experience of EY. Consideration was also given to the audit engagement partner assigned to the audit, EY's other audit engagements, the size and complexity of the audit exercise for the Group, and the number and experience of the supervisory and professional staff assigned to the Group's audit.

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

On the basis of the above, the ARC has recommended to the Board the nomination of EY for re-appointment as external auditor at the 2016 AGM.

### **Disclosure of Interested Person Transactions**

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

# CORPORATE GOVERNANCE REPORT

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

Name of Interested Person	Aggregate value of all interested person transactions in FY 2015 (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (\$'000)	Aggregate value of all interested person transactions conducted in FY 2015 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (\$'000)
China Yuchai International Limited group of companies		
– Loan of \$68 million (the "Loan")	1,273 <sup>1</sup>	Not applicable <sup>2</sup>
Hong Leong Investment Holdings Pte. Ltd. group of companies		
– Receipt of corporate secretarial services	146	Not applicable <sup>2</sup>

Notes:

- 1 The amount at risk to the Company under the \$68 million loan is the full interest payment under the Loan comprising the interest margin of 1.00% which the Company has agreed to pay and the prevailing 12-month Singapore inter-bank offer rate fixed by the Association of Banks in Singapore as at the date immediately preceding the date of the loan agreement.
- 2 The Company has not sought any shareholders' mandate for interested person transactions pursuant to Rule 920.

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

## Whistle-blowing Policy

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

## Principle 13: Internal Audit

### Reporting Line and Qualifications

The primary role of the IA is to assist the Board to evaluate the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Group's hospitality operations, ensuring that the internal controls of such operations result in prompt and proper recording of transactions and safeguarding of assets. The IA function in respect of the Group's hospitality operations in China is currently outsourced to Deloitte Touche Tohmatsu Certified Public Accountants LLP whilst the hospitality operations in Malaysia is outsourced to Deloitte Enterprise Risk Services Sdn Bhd.

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



# CORPORATE GOVERNANCE REPORT

The ARC reviews the effectiveness and adequacy of the IA function through a review of the IA activities on a periodic basis. It also reviews the Internal Auditors' fees, resources and the teams' experience and qualifications including their ability to deliver the IA services objectively and according to the IA plans approved by the ARC. The internal auditors have unfettered access to the ARC, the Board and Management. The ARC meets the Internal Auditors at least once annually without the presence of Management and the Company Secretary.

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Principle 14: Shareholder Rights

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

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules, including the voting procedures, are set out in the notice of general meetings. Shareholders may appoint one or two proxies to attend and vote at general meetings in their absence. In the case of shareholders who are relevant intermediaries, more than two proxies each may be appointed. In accordance with the Company's Constitution, the proxy forms must be deposited with the Company at least forty-eight (48) hours before the time set for the general meetings.

### Principle 15: Communication with Shareholders

The Company ensures that shareholders are notified of all material information in an accurate and timely manner. The Company's quarterly and full year results are announced within the mandatory period. All shareholders of the Company receive the annual report of the Company and the notice of AGM, which notice is also advertised in the press and released *via* SGXNET.

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

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

### Dividend Policy

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

The Group had been accumulating losses for a number of years due to the challenging operating conditions amidst a highly competitive hospitality market coupled with uncertainties in the regional markets. As the Group continues its efforts to strengthen and grow its earnings base, the Board of Directors has not recommended the declaration or payment of any dividend to shareholders in respect of FY 2015.

# CORPORATE GOVERNANCE REPORT

## **Principle 16: Conduct of Shareholder Meetings**

At general meetings of the Company, shareholders are given the opportunity to communicate their views and encouraged to ask the Directors and Management questions regarding matters affecting the Group. The chairmen of all the Board Committees and the external auditors were present at the last AGM, and will endeavour to be present at the 2016 AGM to assist the Directors in addressing queries raised by the shareholders.

Shareholders are given the opportunity to vote in person or by proxy at general meetings. However, as the authentication of shareholder identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means. The Company will put all resolutions at the 2016 AGM to vote by poll, and will announce the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

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

## ***Corporate Values and Conduct of Business***

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

## ***Internal Code on Dealing In Securities***

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

23 March 2016

# DIRECTORS' STATEMENT

The directors present their statement to the members of HL Global Enterprises Limited (the "Company") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group"), and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2015.

## Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, on the basis that continuing financial support will be provided by the subsidiary of a deemed substantial shareholder of the Company, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## Directors

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

Gan Khai Choon  
Philip Ting Sii Tien  
Hoh Weng Ming  
Michael Yeo Chee Wee  
Martha Tan Hui Keng  
Florence Tay Eng Neo  
Loo Hwee Fang  
Andrew Goh Kia Teck

## Directors' interests

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

According to the register of directors' shareholdings kept by the Company under Section 164 of the Companies Act, Chapter 50 of Singapore (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those of their spouses and children below 18 years of age), in shares and/or share options of the Company and in related corporations (other than wholly-owned subsidiaries), are as follows:

Name of director	Holdings in which the director has a direct interest		Holdings in which the director is deemed to have an interest	
	At 1 January 2015	At 31 December 2015	At 1 January 2015	At 31 December 2015
<b>The Company</b> (ordinary shares)				
Florence Tay Eng Neo	27,140,923	2,490,792	11,299,814	1,129,981

Note:

- The Company undertook a share consolidation of every ten (10) issued ordinary shares in the share capital of the Company into one (1) consolidated share, which became effective on 14 May 2015 ("Share Consolidation").

# DIRECTORS' STATEMENT

## Directors' interests (continued)

The directors' interests in the Company as at 31 December 2015 remained unchanged as at 21 January 2016.

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

## Share options

### (a) *HL Global Enterprises Share Option Scheme 2006*

The HL Global Enterprises Share Option Scheme 2006 (the "Share Option Scheme"), was approved by the shareholders at the Extraordinary General Meeting of the Company held on 29 September 2006. It is administered by a committee (the "Share Option Scheme Committee") comprising the following members:

Michael Yeo Chee Wee – Chairman  
Martha Tan Hui Keng  
Loo Hwee Fang

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

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

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

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



## DIRECTORS' STATEMENT

### Share options (continued)

#### (a) *HL Global Enterprises Share Option Scheme 2006 (continued)*

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

During the financial year, there were:

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

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

#### (b) *HL Global Enterprises Share Option Scheme 2006 Trust*

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

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

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

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

# DIRECTORS' STATEMENT

## Audit and Risk Committee

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

Michael Yeo Chee Wee – Chairman  
Martha Tan Hui Keng  
Loo Hwee Fang  
Andrew Goh Kia Teck

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

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

The ARC also reviewed the following:

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

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

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

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

## Auditor

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

On behalf of the Board of Directors

**Gan Khai Choon**  
Chairman

**Philip Ting Sii Tien**  
Director

Singapore  
23 March 2016

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2015

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of HL Global Enterprises Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 32 to 112, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2015

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

### **Report on the Financial Statements (continued)**

#### *Opinion*

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

### **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.

**Ernst & Young LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
23 March 2016



# BALANCE SHEETS

As at 31 December 2015

		Group		Company	
	Note	2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000
<b>Non-current assets</b>					
Property, plant and equipment	4	39,954	43,335	4	9
Investment property	5	1,602	—	—	—
Subsidiaries	6	—	—	56,643	47,083
Associate	7	62	71	—	—
Joint ventures	8	1,421	4,190	—	—
Non-trade receivables	9	327	268	32	156
		<b>43,366</b>	<b>47,864</b>	<b>56,679</b>	<b>47,248</b>
<b>Current assets</b>					
Inventories	11	85	95	—	—
Development properties	12	4,870	6,640	—	—
Trade and other receivables	9	3,050	1,619	287	2,362
Prepayment		75	114	22	22
Cash and bank balances	13	22,487	23,288	4,567	5,722
		<b>30,567</b>	<b>31,756</b>	<b>4,876</b>	<b>8,106</b>
<b>Total assets</b>		<b>73,933</b>	<b>79,620</b>	<b>61,555</b>	<b>55,354</b>

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

# BALANCE SHEETS

As at 31 December 2015

		Group		Company	
	Note	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Equity</b>					
Share capital	14	<b>129,793</b>	129,793	<b>129,793</b>	129,793
Equity capital contributed by parent	14	<b>3,980</b>	3,980	<b>3,980</b>	3,980
Reserves	15	<b>(137,340)</b>	(133,998)	<b>(146,866)</b>	(154,365)
<b>Total equity attributable to owners of the Company</b>		<b>(3,567)</b>	(225)	<b>(13,093)</b>	(20,592)
<b>Non-current liabilities</b>					
Other payables	16	—	—	—	2,857
Loans and borrowings	17	<b>72,451</b>	74,259	<b>68,000</b>	68,000
Deferred tax liabilities	10	<b>120</b>	93	—	—
		<b>72,571</b>	74,352	<b>68,000</b>	70,857
<b>Current liabilities</b>					
Trade and other payables	16	<b>3,632</b>	3,853	<b>6,635</b>	5,076
Loans and borrowings	17	<b>997</b>	1,407	—	—
Current tax payable		<b>300</b>	233	<b>13</b>	13
		<b>4,929</b>	5,493	<b>6,648</b>	5,089
<b>Total liabilities</b>		<b>77,500</b>	79,845	<b>74,648</b>	75,946
<b>Total equity and liabilities</b>		<b>73,933</b>	79,620	<b>61,555</b>	55,354

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

# CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2015

		Group	
	Note	2015 \$'000	2014 \$'000
Revenue	19	13,433	10,034
Cost of sales		(5,465)	(3,917)
<b>Gross profit</b>		<b>7,968</b>	6,117
Other income	20	1,427	6,792
Selling and marketing expenses		(334)	(196)
Administrative expenses		(516)	(592)
Finance costs	21	(2,037)	(1,809)
Other expenses		(5,629)	(4,928)
Share of results of associate (net of tax)	7	(1)	(1)
Share of results of joint ventures (net of tax)	8	(2,530)	(1,376)
<b>(Loss)/profit before tax</b>		<b>(1,652)</b>	4,007
Income tax	22	(544)	(435)
<b>(Loss)/profit for the year attributable to owners of the Company</b>	23	<b>(2,196)</b>	3,572
<b>(Loss)/earnings per share (cents per share)</b>			
– Basic	24	(2.34)	3.80
– Diluted	24	(2.34)	3.80

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(Loss)/profit for the year</b>	<b>(2,196)</b>	<b>3,572</b>
<b>Other comprehensive (loss)/income</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Foreign currency translation differences for foreign operations	(1,082)	326
Realisation of foreign currency translation reserves upon liquidation of a joint venture	(64)	–
Realisation of foreign currency translation reserves on deemed disposal of 45% equity interest in Augustland Hotel Sdn Bhd	–	(109)
<b>Other comprehensive (loss)/income for the year, net of tax</b>	<b>(1,146)</b>	<b>217</b>
<b>Total comprehensive (loss)/income for the year attributable to owners of the Company</b>	<b>(3,342)</b>	<b>3,789</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

Group	Share capital \$'000	Equity contributed by parent \$'000	Preference shares \$'000	Special reserve \$'000	Premium paid on acquisition of non-controlling interests \$'000	Currency translation reserve \$'000	Accumulated losses \$'000	Total equity attributable to owners of the Company \$'000
<b>At 1 January 2015</b>	<b>129,790</b>	<b>3,980</b>	<b>3</b>	<b>8,529</b>	<b>(192)</b>	<b>3,039</b>	<b>(145,374)</b>	<b>(225)</b>
Loss for the year	-	-	-	-	-	-	(2,196)	(2,196)
Other comprehensive loss, net of tax								
Foreign currency translation differences for foreign operations	-	-	-	-	-	(1,082)	-	(1,082)
Realisation of foreign currency translation reserves upon liquidation of a joint venture	-	-	-	-	-	(64)	-	(64)
<b>Other comprehensive loss for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,146)</b>	<b>-</b>	<b>(1,146)</b>
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,146)</b>	<b>(2,196)</b>	<b>(3,342)</b>
<b>At 31 December 2015</b>	<b>129,790</b>	<b>3,980</b>	<b>3</b>	<b>8,529</b>	<b>(192)</b>	<b>1,893</b>	<b>(147,570)</b>	<b>(3,567)</b>

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



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

Group	Share capital \$'000	Equity contributed by parent \$'000	Preference shares \$'000	Special reserve \$'000	Premium paid on acquisition of non-controlling interests \$'000	Currency translation reserve \$'000	Accumulated losses \$'000	Total equity attributable to owners of the Company \$'000
<b>At 1 January 2014</b>	129,790	3,980	3	8,529	(192)	2,822	(148,946)	(4,014)
Profit for the year	–	–	–	–	–	–	3,572	3,572
Other comprehensive income, net of tax								
Foreign currency translation differences for foreign operations	–	–	–	–	–	326	–	326
Realisation of foreign currency translation reserves on deemed disposal of 45% equity interest in Augustland Hotel Sdn Bhd	–	–	–	–	–	(109)	–	(109)
<b>Other comprehensive income for the year, net of tax</b>	–	–	–	–	–	217	–	217
<b>Total comprehensive income for the year</b>	–	–	–	–	–	217	3,572	3,789
<b>At 31 December 2014</b>	129,790	3,980	3	8,529	(192)	3,039	(145,374)	(225)

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

	Share capital \$'000	Equity capital contributed by parent \$'000	Preference shares \$'000	Special reserve \$'000	Accumulated losses \$'000	Total equity attributable to owners of the Company \$'000
<b>Company</b>						
<b>At 1 January 2015</b>	129,790	3,980	3	12,471	(166,836)	(20,592)
Profit for the year, representing total comprehensive income for the year	–	–	–	–	7,499	7,499
<b>At 31 December 2015</b>	<b>129,790</b>	<b>3,980</b>	<b>3</b>	<b>12,471</b>	<b>(159,337)</b>	<b>(13,093)</b>
<b>At 1 January 2014</b>	129,790	3,980	3	12,471	(159,802)	(13,558)
Loss for the year, representing total comprehensive loss for the year	–	–	–	–	(7,034)	(7,034)
<b>At 31 December 2014</b>	<b>129,790</b>	<b>3,980</b>	<b>3</b>	<b>12,471</b>	<b>(166,836)</b>	<b>(20,592)</b>

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

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2015

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
(Loss)/profit before tax	(1,652)	4,007
Adjustments for:		
Depreciation of property, plant and equipment	2,197	1,619
Fair value gain on initial 45% equity interest in Augustland Hotel Sdn Bhd on acquisition	–	(3,742)
Gain on deemed settlement of advances to Augustland Hotel Sdn Bhd	–	(1,853)
Gain on liquidation of a joint venture	(76)	–
Impairment loss on trade receivables	2	1
Interest expense	1,659	1,586
Interest income	(309)	(301)
Loss on disposal of property, plant and equipment	1	–
Negative goodwill on acquisition	–	(601)
Property, plant and equipment written off	26	3
Share of results of associate (net of tax)	1	1
Share of results of joint ventures (net of tax)	2,530	1,376
Unrealised foreign exchange losses - net	19	154
Write-back of allowance for anticipated losses on development properties	(650)	–
Write-back of impairment on trade receivables	(3)	–
Write-back of trade and other payables	(2)	(2)
<b>Operating cash flows before changes in working capital</b>	<b>3,743</b>	<b>2,248</b>
Development properties	(29)	111
Inventories	(2)	(9)
Trade and other payables	(223)	1,818
Trade and other receivables	(1,392)	(1,975)
<b>Cash from operating activities</b>	<b>2,097</b>	<b>2,193</b>
Income tax paid	(458)	(476)
Interest paid	(1,655)	(1,626)
Interest received	310	215
<b>Net cash from operating activities</b>	<b>294</b>	<b>306</b>
<b>Cash flows from investing activities</b>		
Net cash inflow on liquidation of a joint venture (note 18)	385	–
Net cash outflow on acquisition of a subsidiary	–	(4,213)
Dividend received from joint ventures	260	53
Proceeds from disposal of property, plant and equipment	–	2
Purchase of property, plant and equipment (note 4)	(203)	(450)
Capital injection in joint ventures	(308)	(95)
<b>Net cash from/(used in) investing activities</b>	<b>134</b>	<b>(4,703)</b>

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

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2015

	Group	
	2015	2014
	\$'000	\$'000
<b>Cash flows from financing activities</b>		
Repayment of finance lease liabilities	(16)	(11)
Repayment of borrowings	(1,295)	(484)
<b>Net cash used in financing activities</b>	<b>(1,311)</b>	<b>(495)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(883)</b>	<b>(4,892)</b>
Cash and cash equivalents at beginning of the year	23,288	28,017
Effect of exchange rate changes on balances held in foreign currencies	82	163
<b>Cash and cash equivalents at end of the year (note 13)</b>	<b>22,487</b>	<b>23,288</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 1. CORPORATE INFORMATION

HL Global Enterprises Limited (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”). The registered office of the Company is located at 156 Cecil Street, #09-01 Far Eastern Bank Building, Singapore 069544.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 6 to the financial statements.

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

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

## 2. FUNDAMENTAL ACCOUNTING CONCEPT

The financial statements have been prepared on a going concern basis, notwithstanding the Group’s and the Company’s net liabilities of \$3.6 million and \$13.1 million respectively as at 31 December 2015.

The directors of the Company are of the view that it is appropriate to prepare these financial statements on a going concern basis due to the following:

- (i) The Group will have sufficient cash flows to pay its debts as and when they fall due for the next 12 months.
- (ii) The net current assets position of the Group of \$25.6 million as at 31 December 2015. The net current liabilities of the Company is \$1.8 million as at 31 December 2015. A subsidiary has agreed not to recall the outstanding debts due from the Company which amounting to \$3.4 million to enable it to meet its liabilities as and when they fall due.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollar (“SGD” or “\$”) and all values in the tables are rounded to the nearest thousand (“\$’000”), except when otherwise indicated.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

### 3.3 Standards issued but not yet effective

The Company has not adopted the following standards that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to FRS 27: <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 16 and FRS 38: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 111: <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Improvements to FRSs (November 2014)	1 January 2016
(a) Amendments to FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2016
(b) Amendments to FRS 107 <i>Financial Instruments: Disclosures</i>	1 January 2016
(c) Amendments to FRS 19 <i>Employee Benefits</i>	1 January 2016
(d) Amendments to FRS 34 <i>Interim Financial Reporting</i>	1 January 2016
Amendments to FRS 110 & FRS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Amendments to FRS 1 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
FRS 114 <i>Regulatory Deferral Accounts</i>	1 January 2016
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018

Except for FRS 115, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 are described below.

#### FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.3 Standards issued but not yet effective (continued)

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

### 3.4 Basis of consolidation and business combinations

#### (a) *Basis of consolidation*

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.4 Basis of consolidation and business combinations (continued)

#### (b) *Business combinations and goodwill*

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

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

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

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

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

### 3.5 Foreign currency

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

#### (a) *Transactions and balances*

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.5 Foreign currency (continued)

#### (b) Consolidated financial statements

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

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

Exchange differences arising on monetary items that or part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

### 3.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.6 Property, plant and equipment (continued)

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

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

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

### 3.7 Investment properties

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

Investment properties are initially measured at cost, including transaction costs.

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

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

### 3.8 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.8 Impairment of non-financial assets (continued)

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

### 3.9 Subsidiaries

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

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

### 3.10 Joint arrangements

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

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

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

#### Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint ventures is set out in note 3.11.

### 3.11 Joint ventures and associates

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.11 Joint ventures and associates (continued)

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

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

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

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

### 3.12 Financial instruments

#### (a) *Financial assets*

##### **Initial recognition and measurement**

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

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

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

##### **Subsequent measurement**

##### *Loans and receivables*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.12 Financial instruments (continued)

#### (a) *Financial assets (continued)*

##### **Regular way purchase or sale of a financial asset**

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

##### **De-recognition**

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

#### (b) *Financial liabilities*

##### **Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

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

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

##### **Subsequent measurement**

##### *Financial liabilities at amortised cost*

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

##### **De-recognition**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.12 Financial instruments (continued)

#### (c) *Offsetting of financial instruments*

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

### 3.13 Impairment of financial assets

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

#### (a) *Financial assets carried at amortised cost*

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.13 Impairment of financial assets (continued)

#### (b) *Financial assets carried at cost*

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

### 3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

### 3.15 Development properties

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

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

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

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

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

### 3.16 Inventories

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.17 Provisions

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

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

### 3.18 Government grants

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

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

### 3.19 Share capital

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

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

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

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

### 3.20 Employee benefits

#### **(a) Defined contribution plans**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.20 Employee benefits (continued)

#### (b) *Employee leave entitlement*

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

### 3.21 Leases

#### *As lessee*

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

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

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

#### *As lessor*

Leases in which the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in note 3.22(d). Contingent rents are recognised as revenue in the period in which they are earned.

### 3.22 Revenue

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

#### (a) *Rendering of services*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.22 Revenue (continued)

#### (b) *Sale of completed development properties*

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

#### (c) *Dividend income*

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

#### (d) *Rental income*

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

#### (e) *Licence fee*

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

### 3.23 Finance income and borrowing costs

Finance income comprises interest income and net foreign currency gains recognised in profit or loss. Interest income is recognised using the effective interest method.

Finance costs comprise interest expenses on borrowings and net foreign currency losses recognised in profit or loss. All borrowing costs are expensed in the period they occur, except to the extent that they are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

### 3.24 Taxes

#### (a) *Current income tax*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.24 Taxes (continued)

#### (b) *Deferred tax*

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.24 Taxes (continued)

#### (c) Sales tax

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

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

### 3.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in note 25, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 3.26 Consolidation of special purpose entity and treasury shares

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.26 Consolidation of special purpose entity and treasury shares (continued)

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

The Group's own equity instruments, which are reacquired ("treasury shares") are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity.

### 3.27 Contingencies

A contingent liability is:

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.28 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
  - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is controlled or jointly controlled by a person identified in (a).
  - (vi) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$'000	Buildings and improvements on freehold land \$'000	Leasehold land, buildings and improvements \$'000	Plant and machinery \$'000	Furniture, fittings and office equipment \$'000	Motor vehicles \$'000	Linen, china, glassware and silverware, etc. \$'000	Capital work-in-progress \$'000	Total \$'000
<b>Cost</b>									
At 1 January 2014	116	-	20,662	7,433	2,601	58	60	-	30,930
Additions	-	-	-	243	187	-	-	20	450
Disposals	-	-	-	-	(16)	-	-	-	(16)
Write-off	-	-	-	-	(8)	-	-	-	(8)
Acquisition of ownership interest in joint venture, without loss of control (note 6)	2,854	15,893	-	836	2,295	74	-	-	21,952
Transfer from development properties (note 12)	-	801	-	-	-	-	-	-	801
Translation adjustments	(23)	(406)	396	110	(30)	(2)	1	-	46
At 31 December 2014 and 1 January 2015	2,947	16,288	21,058	8,622	5,029	130	61	20	54,155
Additions	-	-	42	21	138	2	-	-	203
Disposals	-	-	-	-	(3)	-	-	-	(3)
Write-off	-	-	(36)	(1)	(444)	-	-	-	(481)
Transfer	-	-	-	-	20	-	-	(20)	-
Transfer from development properties (note 12)	-	54	-	-	-	-	-	-	54
Translation adjustments	(82)	(1,541)	494	39	(225)	(7)	1	-	(1,321)
At 31 December 2015	2,865	14,801	21,558	8,681	4,515	125	62	-	52,607

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land \$'000	Buildings and improvements on freehold land \$'000	Leasehold land, buildings and improvements \$'000	Plant and machinery \$'000	Furniture, fittings and office equipment \$'000	Motor vehicles \$'000	Linen, china, glassware and silverware, etc. \$'000	Capital work-in- progress \$'000	Total \$'000
<b>Group</b>									
<b>Accumulated depreciation and impairment loss</b>									
At 1 January 2014	116	-	5,508	2,200	1,094	55	47	-	9,020
Depreciation for the year	-	277	459	364	498	10	11	-	1,619
Disposals	-	-	-	-	(14)	-	-	-	(14)
Write-off	-	-	-	-	(5)	-	-	-	(5)
Translation adjustments	(3)	-	122	52	27	1	1	-	200
At 31 December 2014 and 1 January 2015	113	277	6,089	2,616	1,600	66	59	-	10,820
Depreciation for the year	-	476	488	503	710	19	1	-	2,197
Disposals	-	-	-	-	(2)	-	-	-	(2)
Write-off	-	-	(14)	(1)	(440)	-	-	-	(455)
Translation adjustments	(14)	(49)	142	21	(8)	(1)	2	-	93
At 31 December 2015	99	704	6,705	3,139	1,860	84	62	-	12,653
<b>Net carrying amount</b>									
At 31 December 2014	2,834	16,011	14,969	6,006	3,429	64	2	20	43,335
At 31 December 2015	2,766	14,097	14,853	5,542	2,655	41	-	-	39,954

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 4. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Furniture, fittings and office equipment \$'000	Motor vehicles \$'000	Total \$'000
<b>Cost</b>			
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	<b>69</b>	<b>5</b>	<b>74</b>
<b>Accumulated depreciation</b>			
At 1 January 2014	55	5	60
Depreciation charge for the year	5	—	5
At 31 December 2014 and 1 January 2015	60	5	65
Depreciation charge for the year	<b>5</b>	<b>—</b>	<b>5</b>
At 31 December 2015	<b>65</b>	<b>5</b>	<b>70</b>
<b>Net carrying amount</b>			
At 31 December 2014	9	—	9
At 31 December 2015	<b>4</b>	<b>—</b>	<b>4</b>

On 8 July 2014, subsequent to the acquisition of Augustland Hotel Sdn Bhd ("AHSB"), the carrying amount of 8 units of high-rise apartments were transferred from development properties to property, plant and equipment as 7 of those units were leased to a 100% owned subsidiary and 1 unit was used by the Group for staff accommodation.

As of 31 December 2015, the assets of a subsidiary with a carrying amount of \$18.3 million (2014: \$21.1 million) are mortgaged to secure bank facilities extended to that subsidiary (note 17).

The carrying amount of motor vehicles held under finance lease at the end of the financial year was \$30,000 (2014: \$61,000). Leased assets are pledged as security for the related finance lease liabilities.

In 2015, the carrying amount of 1 unit of low-rise apartment was transferred from development properties to property, plant and equipment as the unit was used by the Group for staff accommodation.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 4. PROPERTY, PLANT AND EQUIPMENT (continued)

### Source of estimation uncertainty

The costs of property, plant and equipment are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be between 3 and 50 years. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilisation and internal technical evaluation. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in these factors. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease non-current assets. A 3% difference in the expected useful lives of property, plant and equipment from management's estimates would result in approximately 4% (2014: 1%) variance in the Group's profit/(loss) before tax.

An impairment exist when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Group estimates the recoverable amounts of its property, plant and equipment based on the fair value of the property, plant and equipment determined by independent professional valuers or the value in use of the property, plant and equipment determined by management. The fair values are based on market values, being the estimated amount for which an asset could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The value in use calculation uses cash flows projection based on the expected cash flows over the economic useful life of the asset, discounted at rates which reflect the specific risks relating to the asset. Based on management's assessment at the end of the reporting period, no impairment (2014: \$nil) has been recognised for its property, plant and equipment. However, the recoverable amounts could change significantly as a result of changes in market conditions and the assumptions used in determining the value in use arising from circumstances beyond control of the Group. With regard to the assessment of value in use of the asset, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the asset materially exceed its recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 5. INVESTMENT PROPERTY

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Transfer from development properties (note 12) at 31 December	<b>1,602</b>	–

Details of the investment property as at 31 December 2015 are as follows:

<b>Location</b>	<b>Description</b>	<b>Tenure</b>	<b>Land area (m<sup>2</sup>)</b>	<b>Floor area (m<sup>2</sup>)</b>	<b>Owned by</b>
Kea Farm, Brinchang, Cameron Highlands, Pahang Malaysia	Entertainment complex	Freehold	5,643	6,375	Augustland Sdn Bhd

Investment property is stated at fair value, which has been determined based on valuation as at 31 December 2015 performed by independent professional valuers that has appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value of investment property is based on market comparable and investment method. In valuing the investment property, due consideration is given to factors such as location, size, building differences, improvements and amenities, time element and other relevant factors to arrive at their opinion of value.

## 6. SUBSIDIARIES

	<b>Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Unquoted shares, at cost	<b>264,956</b>	264,956
Preference shares, at cost	<b>18,850</b>	18,850
Impairment loss	<b>(227,163)</b>	(236,723)
	<b>56,643</b>	47,083
<b>Impairment loss</b>		
At 1 January	<b>236,723</b>	231,863
Charge for the year	<b>400</b>	4,860
Written back	<b>(9,960)</b>	–
At 31 December	<b>227,163</b>	236,723



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 6. SUBSIDIARIES (continued)

The Company recognised an impairment loss of \$400,000 in 2015 (2014: \$4,860,000) as a result of operating loss incurred by one of its subsidiaries. The Company assessed the recoverable amount of its investment in the subsidiary based on the amounts estimated to be recoverable from the monetary assets and liabilities of this subsidiary.

In previous years, the Company recorded an impairment in another subsidiary as a result of continuing losses incurred. The loss in this subsidiary was mainly due to continued losses incurred by a joint venture of the subsidiary and impairment charge on the joint venture. The recoverable amount of the investment in joint venture company that was considered in the impairment assessment of the subsidiary was estimated based on the independent valuation done by an external real estate valuer. The valuation was determined based on the higher of the cash-generating unit's fair value less cost of disposal and its value in use. Management had considered a significant discount on the estimated fair value less cost of disposal of the joint venture in the subsidiary due to restrictive clauses in the joint venture agreement.

In 2015, there is an indication that impairment loss previously recognised by another subsidiary may no longer exist or may have decreased as the joint venture partner had given their consent to dispose the joint venture company. Based on the fair value as assessed by an external independent real estate valuer, the subsidiary reversed an impairment loss previously made on its investment in the joint venture company. Consequently, the Company reversed an impairment loss of \$9,960,000 in this subsidiary accordingly.

### Acquisition of ownership interest in joint venture, without loss of control

On 8 July 2014 ("acquisition date"), the Group's subsidiary, Augustland Sdn Bhd ("ASB") acquired an additional 55% equity interest in its 45% owned joint venture, AHSB, an entity which owns Copthorne Hotel Cameron Highlands. ASB acquired the following shares:

- (a) 11,891,393 issued ordinary shares of Malaysian Ringgit ("RM") 1.00 each in the capital of AHSB, representing 55% of the total number of issued ordinary shares;
- (b) 8,250,000 Class A non-convertible redeemable preference shares of RM 1.00 each in the capital of AHSB (the "Preference Shares A"), representing 55% of the total number of issued Preference Shares A; and
- (c) 4,756,893 Class B non-convertible redeemable preference shares of RM 1.00 each in the capital of AHSB (the "Preference Shares B"), representing the entire issued Preference Shares B

for an aggregate cash consideration of RM16,514,854 (equivalent to approximately \$6,474,000). The acquisition allows the Group to expand and strengthen its existing core business of hospitality operations, enables the Company to have full ownership and control of AHSB. Accordingly, the Group consolidated the accounts of AHSB with effect from the acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 6. SUBSIDIARIES (continued)

### Fair value of identifiable assets and liabilities

The fair value of the identifiable assets and liabilities of AHSB as at the acquisition date were:

	<b>Group 2014 \$'000</b>
Property, plant and equipment	21,952
Inventories	86
Trade and other receivables	424
Prepayment	87
Cash and bank balances	2,261
	<hr/> 24,810
Trade and other payables	(1,254)
Loans and borrowings	(8,452)
Amount owing to related companies	(3,768)
Preference Shares B	(1,865)
	<hr/> (15,339)
Total identifiable net assets at fair value at acquisition date	<hr/> <hr/> 9,471

### Negative goodwill

Negative goodwill arising from the acquisition was recognised as follows:

	<b>Group 2014 \$'000</b>
Total identifiable net assets at fair value at acquisition date	9,471
Less: Fair value of initial equity interest	(4,261)
	<hr/> 5,210
Less: Cash consideration excluding Preference Shares B	
Cash consideration	6,474
Less: Preference Shares B	(1,865)
	<hr/> 4,609
Negative goodwill recognised in income statement	<hr/> <hr/> 601

The identified assets and liabilities being assumed in AHSB pursuant to the acquisition were measured at their fair value on the completion date. As the fair value exceeded the consideration, it resulted in a negative goodwill of \$601,000.

	<b>Group 2014 \$'000</b>
<b>Effect of the acquisition of AHSB on cash flow</b>	
Cost of shares purchased	6,474
Less: Cash and cash equivalents of acquisition of subsidiary	(2,261)
Net cash outflow assumed on acquisition of subsidiary	<hr/> <hr/> 4,213

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 6. SUBSIDIARIES (continued)

### Fair value gain on the initial equity interest in AHSB

	Group 2014 \$'000
Fair value of initial equity interest	4,261
Share of 45% net assets	(628)
	<hr/> 3,633
Increase in fair value	109
Realisation of foreign currency translation reserve	<hr/> 3,742
Fair value gain on the initial 45% equity interest in AHSB	<hr/> <hr/>

### Gain on deemed settlement of pre-existing contractual relationship

	Group 2014 \$'000
Amount due to ASB	3,768
Less: Net receivables from AHSB	
Amount due from AHSB	3,768
Allowance for doubtful debts (note 9)	(1,853)
	<hr/> 1,915
Gain on deemed settlement of pre-existing contractual relationship	<hr/> <hr/> 1,853

Details of the subsidiaries are as follows:

Name of company	Principal activities	Place of incorporation	Group's effective equity interest	
			2015 %	2014 %
Held by the Company:				
LKN Construction Pte Ltd <sup>(v)</sup>	Inactive	Singapore	100	100
LKN Development Pte Ltd <sup>(i)</sup>	Property development and investment, project and property management	Singapore	100	100
LKN Investment International Pte Ltd <sup>(i)</sup>	Foreign investment holding	Singapore	100	100

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 6. SUBSIDIARIES (continued)

Name of company	Principal activities	Place of incorporation	Group's effective equity interest	
			2015 %	2014 %
Held by the Company (continued):				
Equatorial Hotel Management Pte Ltd <sup>(i)</sup>	Hotel management and consultancy	Singapore	100	100
Equality Hotel Management Sdn Bhd <sup>(ii)</sup>	Hotel management and consultancy	Malaysia	100	100
Whitebox Computer Pte Ltd <sup>(v)</sup>	Dormant	Singapore	100	100
Held by LKN Construction Pte Ltd:				
MALKN Sdn Bhd <sup>(v)</sup>	Under creditors' liquidation	Malaysia	100	100
Held by LKN Development Pte Ltd:				
Mallink Realty Pte Ltd <sup>(v)</sup>	Dormant	Singapore	100	100
Joo Chiat Holding Pte Ltd <sup>(v)</sup>	Dormant	Singapore	100	100
Sims Development Pte Ltd <sup>(v)</sup>	Dormant	Singapore	100	100
Augustland Sdn Bhd <sup>(ii)</sup>	Property investment and development	Malaysia	100	100
Nirwana Properties Sdn Bhd <sup>(ii)</sup>	Investment holding	Malaysia	100	100
Shanghai Yu Rong Hotel Equipment and Supplies Co., Ltd <sup>(iii)</sup>	Dormant	The People's Republic of China (the "PRC")	100	100
Victory Heights Sdn Bhd <sup>(ii)</sup>	Property investment and development	Malaysia	97*	88*

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 6. SUBSIDIARIES (continued)

Name of company	Principal activities	Place of incorporation	Group's effective equity interest	
			2015 %	2014 %
Held by LKN Investment International Pte Ltd:				
Shanghai Hutai Real Estate Development Co., Ltd <sup>(iv)</sup>	Owns and operates a serviced apartment building in Shanghai, the PRC	The PRC	100	100
Held by Augustland Sdn Bhd:				
Augustland Hotel Sdn Bhd <sup>(iii)</sup>	Hotel development and operation	Malaysia	100	100
Held by Nirwana Properties Sdn Bhd:				
Victory Heights Sdn Bhd <sup>(ii)</sup>	Property investment and development	Malaysia	3*	12*

\* The total effective equity interest held by the Group is 100% (2014: 100%) as 97% (2014: 88%) is held by LKN Development Pte Ltd and 3% (2014: 12%) is held by Nirwana Properties Sdn Bhd, a wholly-owned subsidiary.

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

(ii) Audited by member firm of EY Global.

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

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

(v) Not required to be audited.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 7. ASSOCIATE

	Group	
	2015	2014
	\$'000	\$'000
Unquoted equity shares, at cost	490	490
Share of post-acquisition accumulated losses	(295)	(294)
Translation adjustments	(133)	(125)
	<b>62</b>	<b>71</b>

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

	Group	
	2015	2014
	\$'000	\$'000
At 1 January	(294)	(293)
Share of results after tax	(1)	(1)
At 31 December	<b>(295)</b>	<b>(294)</b>

Details of the associate are as follows:

Name of company	Principal activities	Place of incorporation	Group's effective equity interest	
			2015	2014
			%	%

### Held through subsidiaries:

Sinjori Sdn Bhd <sup>(i)</sup>	Property investment and development	Malaysia	<b>28</b>	28
--------------------------------	-------------------------------------	----------	-----------	----

(i) Audited by member firm of EY Global.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 7. ASSOCIATE (continued)

The summarised financial information in respect of Sinjori Sdn Bhd, not adjusted by the percentage ownership held by the Group based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

### Summarised balance sheet

	Group	
	2015	2014
	\$'000	\$'000
Current assets	9	8
Non-current assets excluding goodwill	334	384
Total assets	343	392
Current liabilities	127	141
Total liabilities	127	141
Net assets	216	251
Proportion of the Group's ownership	28%	28%
Group's share of net assets, representing carrying amount of the investment	62	71

### Summarised statement of comprehensive income

	Group	
	2015	2014
	\$'000	\$'000
Loss after tax	(2)	(3)

No impairment loss was recognised in 2015 and 2014.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 8. JOINT VENTURES

The Group has interests in the following joint ventures:

Name of company	Percentage of interest held		Place of incorporation	Principal activities
	2015 %	2014 %		
Held through subsidiaries:				
Copthorne Hotel Qingdao Co., Ltd (“CHQ”) <sup>(i)</sup>	60	60	The PRC	Owns and operates a hotel in Qingdao, the PRC
Shanghai Equatorial Hotel Management Co., Ltd (“SEHM”)	–	49	The PRC	Dissolved under members’ voluntary liquidation on 8 May 2015
Shanghai Hengshan Equatorial Hotel Management Co., Ltd. (“SHEHM”) <sup>(ii) (iv)</sup>	49	49	The PRC	Hotel and property management
HL Heritage Sdn Bhd (“HL Heritage”) <sup>(iii)</sup>	60	60	Malaysia	Property development and property investment holdings
Augustland Hotel Sdn Bhd (“AHSB”)	(v)	(v)	Malaysia	Hotel development and operation

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

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

(iii) Audited by member firm of EY Global.

(iv) SHEHM was incorporated on 10 January 2014. SHEHM is a joint venture company with 49% shareholding interest held by Equatorial Hotel Management Pte Ltd, a wholly-owned subsidiary of the Company.

(v) On 8 July 2014, the Group's subsidiary, ASB acquired an additional 55% equity interest in its 45% owned joint venture, AHSB and AHSB in turn became a 100% subsidiary company of the Group. The financial statements of AHSB have been consolidated with the Group's financial statements with effect from the acquisition date.

The Group has 60% (2014: 60%), 49% (2014: 49%) and 60% (2014: 60%) interests in the ownership and voting rights in joint ventures, CHQ, SHEHM and HL Heritage respectively that are held through subsidiaries. The Group jointly controls these ventures with the other partners under the contractual agreements and requires unanimous consent for all major decisions over the relevant activities.

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

### 8. JOINT VENTURES (continued)

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

	CHQ		SEHM, SHEHM & HL Heritage		Total	
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Summarised balance sheet</b>						
Cash and cash equivalents	1,957	2,188	1,039	1,379	2,996	3,567
Trade receivables	267	287	152	620	419	907
Other current assets	347	308	24	—	371	308
Total current assets	2,571	2,783	1,215	1,999	3,786	4,782
Non-current assets excluding goodwill, representing total non-current assets	35,191	36,955	—	—	35,191	36,955
<b>Total assets</b>	<b>37,762</b>	<b>39,738</b>	<b>1,215</b>	<b>1,999</b>	<b>38,977</b>	<b>41,737</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 8. JOINT VENTURES (continued)

	CHQ		SEHM, SHEHM & HL Heritage		Total	
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current financial liabilities	35,849	3,894	111	482	35,960	4,376
Other current liabilities	422	223	39	39	461	262
Total current liabilities	36,271	4,117	150	521	36,421	4,638
Non-current financial liabilities, representing total non-current liabilities	–	29,852	–	–	–	29,852
<b>Total liabilities</b>	<b>36,271</b>	<b>33,969</b>	<b>150</b>	<b>521</b>	<b>36,421</b>	<b>34,490</b>
<b>Net assets</b>	<b>1,491</b>	<b>5,769</b>	<b>1,065</b>	<b>1,478</b>	<b>2,556</b>	<b>7,247</b>
<b>Net assets excluding goodwill</b>	<b>1,491</b>	<b>5,769</b>	<b>1,065</b>	<b>1,478</b>	<b>2,556</b>	<b>7,247</b>
Group's share of net assets, representing carrying amount of the investment	895	3,462	526	728	1,421	4,190

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 8. JOINT VENTURES (continued)

	AHSB		CHQ		SEHM, SHEHM & HL Heritage		Total
	2015	January- June 2014	2015	2014	2015	2014	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Summarised statement of comprehensive income</b>							
Revenue	–	3,989	11,132	12,453	541	500	16,942
Cost of sales	–	(1,971)	(7,025)	(7,420)	(30)	(29)	(9,420)
<b>Gross Profit</b>	–	2,018	<b>4,107</b>	<b>5,033</b>	<b>511</b>	<b>471</b>	<b>7,522</b>
Other income	–	–	–	3	–	12	15
Interest income	–	24	<b>5</b>	7	<b>1</b>	16	<b>47</b>
Depreciation	–	(569)	(2,638)	(2,487)	–	–	(3,056)
Operating expenses	–	(618)	(4,032)	(3,593)	(153)	(140)	(4,351)
Interest expense	–	(260)	(1,878)	(1,917)	–	–	(2,177)
Profit/(loss) before tax	–	595	(4,436)	(2,954)	<b>359</b>	359	(2,000)
Income tax expense	–	(4)	–	–	(91)	(92)	(96)
<b>Profit/(loss) for the year, representing total comprehensive income/(loss) for the year</b>	–	591	<b>(4,436)</b>	<b>(2,954)</b>	<b>268</b>	267	<b>(2,096)</b>
Group's share of results of joint ventures, net of tax	–	266	<b>(2,662)</b>	<b>(1,772)</b>	<b>132</b>	130	<b>(1,376)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 8. JOINT VENTURES (continued)

	CHQ		SEHM, SHEHM & HL Heritage		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Proportionate interest in joint venture's contingent liabilities	2,798	2,734	–	–	2,798	2,734
Proportionate interest in joint venture's capital commitment that are approved but not contracted for	–	–	–	–	–	–
Capital commitment incurred by the Group arising from its interest in joint ventures	–	–	–	292	–	292

### Source of estimation uncertainty

As at 31 December 2015, the interest in Copthorne Hotel Qingdao Co., Ltd ("CHQ") is carried at \$895,000. The history of recent losses in CHQ indicates a risk of impairment for this investment.

The impairment assessment process is complex and involved significant judgement and estimates of expected future market and economic conditions that may have an impact on the valuation of the business. Management uses an external specialist (real estate valuer) to support the determination of the recoverable amount of the joint venture.

The Group estimates the recoverable amounts of investment in joint ventures based on the cash generating unit's fair value less cost of disposal. The fair value is determined using recognised valuation technique, which is Discounted Cash Flow Method. The calculations require the use of key estimates, which are occupancy rates, room rates, discount rates and gross margins of operating hotel. With regard to the valuation of the recoverable amount of the joint venture, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the joint venture to materially exceed its recoverable amount.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 8. JOINT VENTURES (continued)

According to Qingdao Municipal Government's regulation, all hotels in Qingdao, the People's Republic of China, are imposed for tourism development levy and hotel augmentation levy which are equivalent to 1% of total revenue and 3% of room revenue respectively. According to releases made by the Qingdao Local Taxation Bureau, the tourism development levy and the hotel augmentation levy were withdrawn effective from 1 January 2009 and 1 September 2010 respectively. As at 31 December 2015, the estimated tourism development levy and hotel augmentation levy payable by the Company's joint venture in Qingdao were \$817,000 (2014: \$798,000) and \$1,981,000 (2014: \$1,936,000) respectively. The joint venture, together with other hotel owners in Qingdao, is currently negotiating with the Qingdao Municipal Government to waive such levies. The joint venture is of the view that the authority is unlikely to collect such levies. The above levies have not been provided in the accounts.

## 9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>Non-current</b>				
Non-trade receivables				
– joint ventures	367	309	–	–
– associate	19	18	–	–
– subsidiaries	–	–	32	156
Allowance for doubtful debts	(59)	(59)	–	–
	<b>327</b>	<b>268</b>	<b>32</b>	<b>156</b>
<b>Current</b>				
Trade receivables				
– joint venture	1,275	866	–	–
– third parties	328	365	–	–
Allowance for doubtful debts	(8)	(10)	–	–
	<b>1,595</b>	<b>1,221</b>	<b>–</b>	<b>–</b>
Non-trade receivables				
– subsidiaries	–	–	146	2,221
– third parties	211	228	84	83
Loan to a joint venture	1,090	–	–	–
Tax recoverable	4	7	4	4
	<b>1,305</b>	<b>235</b>	<b>234</b>	<b>2,308</b>
Deposits	<b>150</b>	<b>163</b>	<b>53</b>	<b>54</b>
	<b>3,050</b>	<b>1,619</b>	<b>287</b>	<b>2,362</b>
Total trade and other receivables (current and non-current)	<b>3,377</b>	<b>1,887</b>	<b>319</b>	<b>2,518</b>
Less: Tax recoverable	<b>(4)</b>	<b>(7)</b>	<b>(4)</b>	<b>(4)</b>
Total trade and other receivables, excluding tax recoverable (note 26)	<b>3,373</b>	<b>1,880</b>	<b>315</b>	<b>2,514</b>
Add: Cash and bank balances (note 13)	<b>22,487</b>	<b>23,288</b>	<b>4,567</b>	<b>5,722</b>
Total loans and receivables	<b>25,860</b>	<b>25,168</b>	<b>4,882</b>	<b>8,236</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 9. TRADE AND OTHER RECEIVABLES (continued)

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

The current trade amounts due from joint venture is unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

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

The current trade and non-trade amounts due from third parties are unsecured, non-interest bearing and repayable upon demand.

Loan to a joint venture is unsecured, bears interest at 55% of the People's Bank of China base lending rate, repayable in August 2016 and is to be settled in cash.

### Credit risk

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

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

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Corporate	247	252	84	83
Travel agents	60	106	—	—
Credit cards	83	44	—	—
Joint ventures	2,732	1,175	—	—
Subsidiaries	—	—	178	2,377
Associate	19	18	—	—
Others	149	191	—	—
	<b>3,290</b>	<b>1,786</b>	<b>262</b>	<b>2,460</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 9. TRADE AND OTHER RECEIVABLES (continued)

The Group and the Company have trade and other receivables (excluding tax recoverable and deposits) amounting to \$3,223,000 (2014: \$1,717,000) and \$262,000 (2014: \$2,460,000), respectively, that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	2015		2014	
	Gross receivables \$'000	Allowance for doubtful debts \$'000	Gross receivables \$'000	Allowance for doubtful debts \$'000
<b>Group</b>				
Not past due	1,090	—	—	—
Past due 0 to 30 days	377	—	343	—
Past due 31 to 120 days	228	—	295	—
Past due 121 days to one year	375	—	393	—
More than one year	1,220	(67)	755	(69)
	<b>3,290</b>	<b>(67)</b>	<b>1,786</b>	<b>(69)</b>
<b>Company</b>				
Not past due	—	—	—	—
Past due 0 to 30 days	84	—	102	—
Past due 31 to 120 days	—	—	48	—
Past due 121 days to one year	—	—	2,154	—
More than one year	178	—	156	—
	<b>262</b>	<b>—</b>	<b>2,460</b>	<b>—</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 9. TRADE AND OTHER RECEIVABLES (continued)

### Allowance for doubtful debts

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

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
At 1 January	10	9	—	—
Charge for the year	2	1	—	—
Written back	(3)	—	—	—
Translation adjustment	(1)	—	—	—
At 31 December	8	10	—	—
<b>Non-current</b>				
At 1 January	59	1,907	—	—
Less: Acquisition of ownership interest in joint venture (note 6)	—	(1,853)	—	—
Translation adjustment	—	5	—	—
At 31 December	59	59	—	—

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 10. DEFERRED TAX

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

Group	At 1 January \$'000	Recognised in profit or loss (note 22) \$'000	Exchange differences \$'000	At 31 December \$'000
<b>2015</b>				
<b>Deferred tax assets</b>				
Other deductible temporary differences	—	—	—	—
<b>Deferred tax liabilities</b>				
Unremitted earnings from overseas sourced income	<b>93</b>	<b>27</b>	—	<b>120</b>
<b>2014</b>				
<b>Deferred tax assets</b>				
Other deductible temporary differences	7	(6)	(1)	—
<b>Deferred tax liabilities</b>				
Unremitted earnings from overseas sourced income	93	—	—	93

### Unrecognised deferred tax assets

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

	Group	
	2015 \$'000	2014 \$'000
Unutilised capital and investment tax allowances	<b>24,192</b>	29,043
Unutilised tax losses	<b>76,346</b>	79,112
	<b>100,538</b>	108,155

The use of the unutilised tax losses and unutilised capital and investment tax allowances are subject to agreement by the tax authorities and compliance with certain provisions of the tax regulations in the respective countries in which the tax losses and capital and investment tax allowances arose. The above temporary differences are available for offset against future taxable profits of the companies in which the temporary differences arose and do not expire under current tax legislation. Deferred tax assets are not recognised in respect of the above items in accordance with the Group's accounting policy as set out in note 3.24 due to uncertainty of its recoverability.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 10. DEFERRED TAX (continued)

### Unrecognised deferred tax liabilities

As at 31 December 2015, besides the deferred tax liabilities of \$120,000 (2014: \$93,000) recognised on unremitted earnings from one of the Group's subsidiaries, there was no recognised deferred tax liability (2014: \$nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, associate or joint ventures as the Group has determined that undistributed profits of its subsidiaries or associate will not be distributed in the foreseeable future and the remittance of earnings of the Group's joint ventures requires consensus from all venture partners.

### Source of estimation uncertainty

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provision is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile. If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by \$19,866,000 (2014: \$21,733,000).

## 11. INVENTORIES

	Group	
	2015	2014
	\$'000	\$'000
Hotel supplies, at cost	85	95

## 12. DEVELOPMENT PROPERTIES

	Group	
	2015	2014
	\$'000	\$'000
Freehold land	3,783	4,409
Development costs	11,038	18,587
Overhead expenditure capitalised	9	1,702
Allowance for anticipated losses	(9,960)	(18,058)
	4,870	6,640

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 12. DEVELOPMENT PROPERTIES (continued)

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

	Group	
	2015	2014
	\$'000	\$'000
At 1 January	6,640	7,695
Transfer to property, plant and equipment (note 4)	(54)	(801)
Transfer to investment property (note 5)	(1,602)	–
Write-back of allowance for anticipated losses	650	–
Sale of development properties	–	(118)
Development costs incurred	29	7
Translation adjustment	(793)	(143)
At 31 December	4,870	6,640

No borrowing cost has been capitalised in 2015 and 2014.

Movements in the allowance for anticipated losses are as follows:

	Group	
	2015	2014
	\$'000	\$'000
At 1 January	18,058	18,985
Utilised	–	(53)
Translation adjustment	(2,299)	(392)
Transfer to property, plant and equipment	(4)	(482)
Written back	(650)	–
Transfer to investment property	(5,145)	–
At 31 December	9,960	18,058



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 12. DEVELOPMENT PROPERTIES (continued)

Details of the development properties are as follows:

Type of development	Location	Status of completion at 31.12.2015	Tenure/ Group's effective interest in property	Land area (m <sup>2</sup> )	Gross floor area (m <sup>2</sup> )
Resort development (i), (ii), (iii)	Kea Farm, Brinchang, Cameron Highlands, Pahang Malaysia	Completed in 1998	Freehold (100%)	–	–
Land	Lot 1046 Mukim Ulu Telom Cameron Highlands, Pahang Malaysia	–	Freehold (100%)	598	–
Land	Lot 1049 Mukim Ulu Telom Cameron Highlands, Pahang Malaysia	–	Freehold (100%)	7,803	–
Land	Lot 92 Mukim Ulu Telom Cameron Highlands, Pahang Malaysia	–	99-year lease expiring in January 2039 (100%)	936	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 12. DEVELOPMENT PROPERTIES (continued)

Type of development	Location	Status of completion at 31.12.2015	Tenure/ Group's effective interest in property	Land area (m <sup>2</sup> )	Gross floor area (m <sup>2</sup> )
Shops and offices	Lot 981 Kawasan Bandar VII, Daerah Melaka Tengah, Malaysia	Work on the project has been suspended at the end of 1998	Freehold (100%)	4,229	41,740
2 plots of land	Plot MK21-U242W and Plot MK21-U243V, Punggol, Singapore	–	Freehold (100%)	675	–

- (i) During the year ended 31 December 2014, 8 units of high-rise apartments with carrying amount of \$801,000 were transferred from development properties to property, plant and equipment (note 4).
- (ii) During the year ended 31 December 2015, 1 unit of low-rise apartment with carrying amount of \$54,000 was transferred from development properties to property, plant and equipment as the low-rise apartment was used by the Group for staff accommodation (note 4).
- (iii) During the year ended 31 December 2015, the commercial building with carrying amount of \$1,602,000 was transferred from development properties to investment property as this property is held to generate rental income (note 5).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 12. DEVELOPMENT PROPERTIES (continued)

### Source of estimation uncertainty

The Group estimates the recoverable amounts of the development properties based on valuations performed by independent professional valuers. The fair value is based on market value, being the estimated amount for which an asset would be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Based on management's assessment at the end of the reporting period, no impairment (2014: \$nil) is recognised for its development properties and the Group wrote back the allowance for anticipated losses of \$650,000 on its development properties. However, the recoverable amounts could change significantly as a result of changes in market conditions and the assumptions used in determining the value in use arising from circumstances beyond the control of the Group. With regard to the valuation of the development properties, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the development properties to materially exceed its recoverable amount.

## 13. CASH AND BANK BALANCES

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Cash at bank and on hand	4,892	5,248	1,488	1,151
Short-term bank deposits	17,595	18,040	3,079	4,571
Cash and bank balances, representing cash and cash equivalents	22,487	23,288	4,567	5,722

Cash and bank balances of the Group includes an amount of \$4,157,000 (2014: \$3,106,000), being held by certain overseas subsidiary, that is subject to foreign currency remittance restrictions.

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

	Group		Company	
	2015 %	2014 %	2015 %	2014 %
Singapore Dollar	1.582	1.129	1.320	1.010
Chinese Renminbi	1.350	2.901	—	—
Malaysian Ringgit	3.312	3.122	—	—

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 14. SHARE CAPITAL

	Ordinary Shares Before Share Consolidation		Group and Company Ordinary Shares After Share Consolidation		Preference Shares		Total paid-up capital
	No. of ordinary shares issued	Paid-up capital \$'000	No. of ordinary shares issued	Paid-up capital \$'000	No. of NCCPS issued	Paid-up capital \$'000	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015 (as per Accounting and Corporate Regulatory Authority's records)	963,187,297*	133,770	96,318,419*	133,770	158,394	3	133,773
Trust Shares	(24,189,170)	(3,980)	(2,418,917)	(3,980)	–	–	(3,980)
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	938,998,127	129,790	93,899,502	129,790	158,394	3	129,793

\* The ordinary shares issued includes 2,418,917 ordinary shares after Share Consolidation (2014: 24,189,170 ordinary shares before Share Consolidation) held as Trust Shares by Amicorp Trustees (Singapore) Limited as trustee of the Trust established by the Company to facilitate the implementation of the HL Global Enterprises Share Option Scheme 2006.

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

### Ordinary shares

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

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

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

The Company issued 197,141,190 NCCPS at an issue price of \$0.02 each on 4 July 2006, expiring on the tenth anniversary of the NCCPS issue date, and 196,982,796 NCCPS have been converted into ordinary shares in the capital of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 14. SHARE CAPITAL (continued)

### Non-redeemable convertible cumulative preference shares (“NCCPS”) (continued)

The NCCPS shall, subject to the terms and conditions thereof, carry the right to receive, out of the profits of the Company available for payment of dividends, a fixed cumulative preferential dividend of 10% per annum of the issue price for each NCCPS (the “Preference Dividend”).

Other than the Preference Dividend, the NCCPS holders shall have no further right to participate in the profits or assets of the Company.

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

The NCCPS are not listed nor quoted on the Official List of SGX-ST. However, the holders of the NCCPS are able to exercise their rights to convert the NCCPS into new ordinary shares at the adjusted NCCPS conversion ratio of one (1) new ordinary share for every ten (10) NCCPS, following the completion of the share consolidation, subject to the terms and conditions of the NCCPS. Such new ordinary shares will be listed and quoted on the Official List of the SGX-ST when issued. No notice of the said conversion had been received since the end of December 2015.

### Equity capital contributed by parent

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

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

As disclosed in note 3.26, the Trust Shares are accounted for as treasury shares as they are issued by the Company and held by the Trust, which is considered as part of the Company. The difference between the carrying amount of the Series B RCPS and the consideration paid is recognised as “Equity capital contributed by parent” within the equity.

### Capital management

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

	Group	
	2015	2014
	\$'000	\$'000
Ordinary shares	129,790	129,790
NCCPS	3	3
Loans and borrowings (note 17)	73,448	75,666
Total capital	203,241	205,459

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 14. SHARE CAPITAL (continued)

### Capital management (continued)

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

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

### Share option

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

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

Michael Yeo Chee Wee – Chairman

Martha Tan Hui Keng

Loo Hwee Fang

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 15. RESERVES

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Special reserve	8,529	8,529	12,471	12,471
Premium paid on acquisition of non-controlling interests	(192)	(192)	–	–
Currency translation reserve	1,893	3,039	–	–
Accumulated losses	(147,570)	(145,374)	(159,337)	(166,836)
	<b>(137,340)</b>	<b>(133,998)</b>	<b>(146,866)</b>	<b>(154,365)</b>

### Special reserve

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

### Premium paid on acquisition of non-controlling interests

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

### Currency translation reserve

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

### Accumulated losses

The accumulated losses of the Group include the retained earnings of Group entities established in the PRC. Under the PRC laws, an amount of \$687,000 (2014: \$671,000) that arose from the waiver of certain liabilities of a subsidiary in prior years cannot be used for profit appropriation.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 16. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>Non-current</b>				
Amounts due to subsidiaries (non-trade)	–	–	–	2,857
<b>Current</b>				
Amounts due to				
– subsidiaries (non-trade)	–	–	5,810	4,324
– related companies (non-trade)	7	–	7	–
Trade payables	766	993	–	2
Other payables	464	390	–	–
Deposits from tenants	894	825	–	–
Accrued expenses	424	328	168	107
Accrued employee benefits expense	767	1,011	340	337
Accrued interest payable	310	306	310	306
	<b>3,632</b>	<b>3,853</b>	<b>6,635</b>	<b>5,076</b>
Total trade and other payables (non-current and current)	<b>3,632</b>	<b>3,853</b>	<b>6,635</b>	<b>7,933</b>
Less: Other tax payable	<b>(194)</b>	<b>(101)</b>	<b>–</b>	<b>–</b>
Total trade and other payables, excluding other tax payable (note 26)	<b>3,438</b>	<b>3,752</b>	<b>6,635</b>	<b>7,933</b>
Add: Loans and borrowings (note 17)	<b>73,448</b>	<b>75,666</b>	<b>68,000</b>	<b>68,000</b>
Total financial liabilities carried at amortised cost	<b>76,886</b>	<b>79,418</b>	<b>74,635</b>	<b>75,933</b>

As of 31 December 2014, the non-current amounts due to subsidiaries are non-trade in nature, unsecured, non-interest bearing and are to be settled in cash. The settlement of the amounts is neither planned nor likely to occur in the foreseeable future. In 2015, this amount was partially repaid and the remaining balance was classified as current liabilities as such amounts are expected to be repayable on demand.

The current amounts due to subsidiaries and related companies are non-trade in nature, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 17. LOANS AND BORROWINGS

	Maturity	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Non-current					
Secured loans at bank's cost of funds + 2% p.a.	2017 – 2020	4,442	6,237	–	–
Finance lease liabilities	2017 – 2018	9	22	–	–
Unsecured 1.872% p.a. (2014: 1.844% p.a.) fixed rate SGD loan	2017	68,000	68,000	68,000	68,000
		72,451	74,259	68,000	68,000
Current					
Secured loans at bank's cost of funds + 2% p.a.	2016	987	1,390	–	–
Finance lease liabilities	2016	10	17	–	–
		997	1,407	–	–
Total loans and borrowings		73,448	75,666	68,000	68,000

### Secured bank borrowings

The Group's secured bank borrowings relate to a subsidiary's secured bank borrowings in Malaysian Ringgit. These borrowings are interest bearing with different repayment periods, the earliest of which is March 2016 and the latest falling due in December 2020. These facilities are secured on the subsidiary's freehold land and building (note 4).

### Unsecured loan

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

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

- (i) in February 2010, the 2009 Loan was extended for a further one year term until 3 July 2011 (the "2010 Loan");

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 17. LOANS AND BORROWINGS (continued)

- (ii) in January 2011, the 2010 Loan was extended for a further one year term until 3 July 2012 (the "2011 Loan"). In February 2011, the Company had made a partial repayment of \$10 million and the outstanding principal amount of the 2011 Loan was reduced to \$83 million;
- (iii) in January 2012, the 2011 Loan was extended for a further one year term until 3 July 2013 (the "2012 Loan"). In April 2012, the Company had made a partial repayment of \$8 million and the outstanding principal amount of the 2012 Loan was reduced to \$75 million;
- (iv) in January 2013, the 2012 Loan was extended for a further one year term until 2 July 2014 (the "2013 Loan"). In July 2013, the Company had made a further partial repayment of \$7 million and the outstanding principal amount of the 2013 Loan was reduced to \$68 million;
- (v) in February 2014, the 2013 Loan was extended for a further one year term until 2 July 2015 (the "2014 Loan"); and
- (vi) In February 2015, the 2014 Loan was extended for a further one year term until 2 July 2016 (the "2015 Loan").

On 11 December 2015, Venture Lewis has agreed to extend the 2015 Loan for a further term of one year from July 2016 to July 2017.

### Finance lease liabilities

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

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

	Present value of payments \$'000	Interest \$'000	Minimum lease payments \$'000
<b>Group</b>			
<b>2015</b>			
Not later than one year	10	1	11
Later than one year but not later than five years	9	1	10
	<b>19</b>	<b>2</b>	<b>21</b>
<b>2014</b>			
Not later than one year	17	2	19
Later than one year but not later than five years	22	3	25
	<b>39</b>	<b>5</b>	<b>44</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 18. LIQUIDATION OF A JOINT VENTURE

Shanghai Equatorial Hotel Management Co., Ltd ("SEHM") was placed under members' voluntary liquidation in 2014 and the liquidation was completed on 8 May 2015.

The carrying value of net assets of SEHM as at 8 May 2015, and the cash flow effect of the liquidation were:

	<b>Group 2015 \$'000</b>
Cash and bank balances	<b>373</b>
Carrying value of net assets	<b>373</b>
	<b>Group 2015 \$'000</b>
Carrying value of net assets	<b>373</b>
Add: Gain on liquidation of a joint venture (note 20)	<b>76</b>
Realisation of foreign currency translation reserves upon liquidation of a joint venture	<b>(64)</b>
Net cash inflow on liquidation of a joint venture	<b>385</b>

## 19. REVENUE

	<b>Group 2015 \$'000</b>	<b>2014 \$'000</b>
Revenue from hospitality and restaurant	<b>13,352</b>	9,731
Sale and rental income from development properties	<b>—</b>	303
Rental income from investment property	<b>81</b>	—
	<b>13,433</b>	10,034

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 20. OTHER INCOME

	Group	
	2015	2014
	\$'000	\$'000
Interest income	309	301
Sundry income	32	15
Fair value gain on initial 45% equity interest in AHSB on acquisition	—	3,742
Negative goodwill on acquisition	—	601
Gain on deemed settlement of advances to AHSB	—	1,853
Write-back of trade and other payables	2	2
Licence fee	302	278
Gain on liquidation of a joint venture (note 18)	76	—
Write-back of impairment on trade receivables	3	—
Write-back of allowance for anticipated losses on development properties	650	—
Forfeiture of deposit on sale of land	53	—
	<b>1,427</b>	<b>6,792</b>

## 21. FINANCE COSTS

	Group	
	2015	2014
	\$'000	\$'000
Interest expense:		
– bank borrowings	394	256
– unsecured loan from a related party	1,263	1,328
– finance lease liabilities	2	2
	<b>1,659</b>	<b>1,586</b>
Currency exchange losses — net	378	223
	<b>2,037</b>	<b>1,809</b>

## 22. INCOME TAX

	Group	
	2015	2014
	\$'000	\$'000
<b>Consolidated income statement</b>		
Current income tax		
– current income taxation	526	502
– over provision in respect of previous years	(9)	(73)
	<b>517</b>	<b>429</b>
Deferred income tax		
– movements in temporary differences	27	6
Income tax expense recognised in profit or loss	<b>544</b>	<b>435</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 22. INCOME TAX (continued)

### Statement of comprehensive income

There is no deferred tax expense related to the items recognised directly in other comprehensive income during the year (2014: \$nil).

### Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 is as follows:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
(Loss)/profit before tax	<b>(1,652)</b>	4,007
Income tax using the Singapore tax rate of 17% (2014: 17%)	<b>(281)</b>	681
Non-deductible expenses	<b>1,153</b>	971
Income not subject to tax	<b>(294)</b>	(1,566)
Effect of different tax rates in foreign jurisdictions	<b>259</b>	668
Utilisation of tax losses and capital allowances <sup>(i)</sup>	<b>(638)</b>	(650)
Deferred tax assets not recognised <sup>(i)</sup>	<b>201</b>	278
Over provision in respect of previous years — current	<b>(9)</b>	(73)
Under provision in respect of previous years — deferred	<b>27</b>	6
Withholding tax expense	<b>126</b>	120
Income tax expense recognised in profit or loss	<b>544</b>	435

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

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

	Group	
	2015	2014
	\$'000	\$'000
Depreciation of property, plant and equipment	2,197	1,619
Employee benefits expense:		
– directors' fees	255	237
– salaries and bonuses	2,716	2,273
– employer's contribution to defined contribution plans	480	307
– other short-term benefits	434	248
Inventories recognised in cost of sales and other expenses	1,052	614
Operating lease expense	237	244
Property, plant and equipment written off	26	3
Impairment loss on trade receivables	2	1
Loss on disposal of property, plant and equipment	1	–
Audit fees:		
– auditor of the Company	74	91
– other auditors	50	40
Non-audit fees to other auditors	50	45

## 24. (LOSS)/EARNINGS PER SHARE

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 24. (LOSS)/EARNINGS PER SHARE (continued)

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

	Group	
	2015 \$'000	2014 \$'000
(Loss)/profit for the year attributable to owners of the Company used in the computation of basic earnings and diluted loss per share	(2,196)	3,572
	No. of shares '000	No. of shares (Restated) '000
Issued ordinary shares at beginning of the year	96,318	96,318
Less: Trust Shares	(2,419)	(2,419)
Weighted average number of ordinary shares for basic (loss)/earnings per share computation*	93,899	93,899
Effects of dilution:		
Non-redeemable convertible cumulative preference shares	—	16
Weighted average number of ordinary shares for diluted (loss)/earnings per share computation	93,899	93,915
<b>(Loss)/earnings per share attributable to owners of the Company (cents per share)</b>		
Basic	(2.34)	3.80
Diluted	(2.34)	3.80

\* During the financial year ended 31 December 2012, 24,189,170 Series B RCPS were mandatorily converted into new ordinary shares in the capital of the Company. These ordinary shares, held by the Trust, which is considered as part of the Company, were excluded for the earnings/(loss) per share computation as disclosed in note 3.26.

For meaningful comparison, the weighted average number of ordinary shares in issue excluding Trust Shares for 2014 was restated to 93,899,502 (assuming the ordinary shares were consolidated in 2014).

## 25. SEGMENT INFORMATION

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 25. SEGMENT INFORMATION (continued)

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

Investments and others : Investment holding and others

Hospitality and restaurant : Operating and management of hotels and restaurants.

Property development : Development of properties for sale and rental and property and development project management

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

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

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

	Investments and others \$'000	Hospitality and restaurant \$'000	Property development \$'000	Total \$'000
<b>2015</b>				
Revenue				
– external revenue	81	13,352	–	13,433
– inter-segment revenue	–	–	49	49
	<b>81</b>	<b>13,352</b>	<b>49</b>	<b>13,482</b>
Elimination				(49)
				<b>13,433</b>
Reportable segment results	(1,102)	2,970	(379)	1,489
Other income				
(excluding interest income)	324	86	708	1,118
Interest income	38	136	135	309
Interest expense	(1,263)	(396)	–	(1,659)
Exchange gain/(loss)	–	245	(623)	(378)
Share of results of associate and joint ventures	–	(2,528)	(3)	(2,531)
(Loss)/profit before tax	<b>(2,003)</b>	<b>513</b>	<b>(162)</b>	<b>(1,652)</b>
Income tax expense				(544)
<b>Loss for the year</b>				<b>(2,196)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 25. SEGMENT INFORMATION (continued)

2015	Investments and others \$'000	Hospitality and restaurant \$'000	Property development \$'000	Total \$'000
<b>Other segment items</b>				
Capital expenditure				
– property, plant and equipment	–	203	–	203
Depreciation	5	2,192	–	2,197
<b>Reportable segment assets</b>	<b>6,336</b>	<b>50,554</b>	<b>15,560</b>	<b>72,450</b>
Investment in associate	–	–	62	62
Investment in joint ventures	–	1,403	18	1,421
<b>Consolidated total assets</b>	<b>6,336</b>	<b>51,957</b>	<b>15,640</b>	<b>73,933</b>
<b>Consolidated total liabilities</b>	<b>68,838</b>	<b>8,249</b>	<b>413</b>	<b>77,500</b>
<b>2014</b>	<b>Investments and others \$'000</b>	<b>Hospitality and restaurant \$'000</b>	<b>Property development \$'000</b>	<b>Total \$'000</b>
Revenue				
– external revenue	–	9,731	303	10,034
– inter-segment revenue	–	–	24	24
	–	9,731	327	10,058
Elimination				(24)
				10,034
Reportable segment results	(1,145)	2,347	(801)	401
Other income				
(excluding interest income)	287	6,197	7	6,491
Interest income	54	64	183	301
Interest expense	(1,328)	(258)	–	(1,586)
Exchange gain/(loss)	22	86	(331)	(223)
Share of results of associate and joint ventures	–	(1,373)	(4)	(1,377)
(Loss)/profit before tax	(2,110)	7,063	(946)	4,007
Income tax expense				(435)
<b>Profit for the year</b>				<b>3,572</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 25. SEGMENT INFORMATION (continued)

2014	Investments and others \$'000	Hospitality and restaurant \$'000	Property development \$'000	Total \$'000
<b>Other segment items</b>				
Capital expenditure				
– property, plant and equipment	–	449	1	450
Depreciation	5	1,585	29	1,619
<b>Reportable segment assets</b>	5,894	50,892	18,573	75,359
Investment in associate	–	–	71	71
Investment in joint ventures	–	4,170	20	4,190
<b>Consolidated total assets</b>	5,894	55,062	18,664	79,620
<b>Consolidated total liabilities</b>	68,766	10,534	545	79,845

### Geographical information

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

	Revenue	
	2015 \$'000	2014 \$'000
Malaysia	7,930	4,822
The PRC	5,503	5,212
	<b>13,433</b>	<b>10,034</b>
	<b>Non-current assets</b>	
	2015 \$'000	2014 \$'000
Singapore	4	9
Malaysia	20,725	22,063
The PRC	22,310	25,524
	<b>43,039</b>	<b>47,596</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group and the Company.

Risk management is carried out by the directors under policies approved by the Board of Directors. The Board of Directors provides guidance for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, and liquidity risk. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

### Foreign currency risk

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

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

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

<b>Group</b>	<b>Singapore Dollar \$'000</b>	<b>US Dollar \$'000</b>	<b>Chinese Renminbi \$'000</b>	<b>Malaysian Ringgit \$'000</b>
<b>2015</b>				
Trade and other receivables	–	1,266	6,896	–
Cash and bank balances	–	469	–	202
Trade and other payables	(1,752)	(385)	(305)	–
	<b>(1,752)</b>	<b>1,350</b>	<b>6,591</b>	<b>202</b>
<b>2014</b>				
Trade and other receivables	–	868	6,772	1
Cash and bank balances	–	434	–	76
Trade and other payables	(9,734)	(3,742)	(298)	–
	<b>(9,734)</b>	<b>(2,440)</b>	<b>6,474</b>	<b>77</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign currency risk (continued)

Company	US Dollar \$'000	Chinese Renminbi \$'000
<b>2015</b>		
Trade and other receivables	–	116
Cash and bank balances	13	–
Trade and other payables	–	(13)
	<b>13</b>	<b>103</b>
<b>2014</b>		
Trade and other receivables	–	114
Cash and bank balances	17	–
Trade and other payables	–	(13)
	<b>17</b>	<b>101</b>

### Sensitivity analysis for foreign currency risk

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

A 10% (2014: 10%) strengthening of the functional currencies - Singapore Dollar and Malaysian Ringgit against the following currencies at the reporting date would decrease/(increase) the loss before tax (2014: increase/(decrease) the profit before tax) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Functional currencies	Impact against the following currencies					
	Group				Company	
	Singapore Dollar \$'000	US Dollar \$'000	Chinese Renminbi \$'000	Malaysian Ringgit \$'000	US Dollar \$'000	Chinese Renminbi \$'000
<b>2015</b>						
Singapore Dollar	–	(135)	(659)	(20)	(1)	(10)
Malaysian Ringgit	<b>175</b>	–	–	–	–	–
<b>2014</b>						
Singapore Dollar	–	(100)	(647)	(8)	(2)	(10)
Malaysian Ringgit	<b>973</b>	<b>344</b>	–	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign currency risk (continued)

#### *Judgements made in determination of functional currency*

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

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings at floating rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group's significant interest-bearing assets and liabilities are at fixed rates. An increase of 100 basis points (2014: 100 basis points) in interest rate at the reporting date would increase the Group's loss before tax by approximately \$54,000 (2014: the Group's profit before tax would decrease by approximately \$76,000).

### Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposures to credit risk arises primarily from trade and other receivables. For cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and bank balances that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default. Information regarding financial assets that are either past due or impaired is disclosed in note 9.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available. The ability of the Group to manage its liquidity risk is dependent on the continuing financial support of the immediate holding company and the availability of bank borrowings.

### Analysis of financial instruments by remaining contractual maturities

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

		Cash flows			
		Contractual cash flows	Within 1 year	Within 2 to 5 years	More than 5 years
Group	Carrying amount \$'000	\$'000	\$'000	\$'000	\$'000
<b>2015</b>					
<b>Financial assets</b>					
Trade and other receivables, excluding tax recoverable (note 9)	3,373	3,373	3,046	327	–
Cash and bank balances (note 13)	22,487	22,487	22,487	–	–
Total undiscounted financial assets	25,860	25,860	25,533	327	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

#### Analysis of financial instruments by remaining contractual maturities (continued)

Group	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000
2015					
Financial liabilities					
Variable interest rate loans	5,429	6,361	1,293	5,068	–
Fixed interest rate loans	68,000	69,956	1,295	68,661	–
Finance lease liabilities	19	21	11	10	–
Trade and other payables, excluding other tax payable (note 16)	3,438	3,438	3,438	–	–
Total undiscounted financial liabilities	76,886	79,776	6,037	73,739	–
Total net undiscounted financial (liabilities)/ assets	(51,026)	(53,916)	19,496	(73,412)	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

#### Analysis of financial instruments by remaining contractual maturities (continued)

Group	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000
<b>2014</b>					
<b>Financial assets</b>					
Trade and other receivables, excluding tax recoverable (note 9)	1,880	1,880	1,612	268	–
Cash and bank balances (note 13)	23,288	23,288	23,288	–	–
Total undiscounted financial assets	25,168	25,168	24,900	268	–
<b>Financial liabilities</b>					
Variable interest rate loans	7,627	9,192	1,831	5,579	1,782
Fixed interest rate loans	68,000	69,901	1,263	68,638	–
Finance lease liabilities	39	44	19	25	–
Trade and other payables, excluding other tax payable (note 16)	3,752	3,752	3,752	–	–
Total undiscounted financial liabilities	79,418	82,889	6,865	74,242	1,782
Total net undiscounted financial (liabilities)/ assets	(54,250)	(57,721)	18,035	(73,974)	(1,782)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

#### Analysis of financial instruments by remaining contractual maturities (continued)

Company	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000
2015					
Financial assets					
Trade and other receivables, excluding tax recoverable (note 9)	315	315	283	32	–
Cash and bank balances (note 13)	4,567	4,567	4,567	–	–
Total undiscounted financial assets	4,882	4,882	4,850	32	–
Financial liabilities					
Fixed interest rate loans	68,000	69,956	1,295	68,661	–
Trade and other payables, excluding other tax payable (note 16)	6,635	6,635	6,635	–	–
Total undiscounted financial liabilities	74,635	76,591	7,930	68,661	–
Total net undiscounted financial liabilities	(69,753)	(71,709)	(3,080)	(68,629)	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

#### Analysis of financial instruments by remaining contractual maturities (continued)

Company	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000
2014					
Financial assets					
Trade and other receivables, excluding tax recoverable (note 9)	2,514	2,514	2,358	156	—
Cash and bank balances (note 13)	5,722	5,722	5,722	—	—
Total undiscounted financial assets	8,236	8,236	8,080	156	—
Financial liabilities					
Fixed interest rate loans	68,000	69,901	1,263	68,638	—
Trade and other payables, excluding other tax payable (note 16)	7,933	7,933	5,076	—	2,857
Total undiscounted financial liabilities	75,933	77,834	6,339	68,638	2,857
Total net undiscounted financial (liabilities)/ assets	(67,697)	(69,598)	1,741	(68,482)	(2,857)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 27. FAIR VALUE OF ASSETS AND LIABILITIES

### Fair value hierarchy

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

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

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

Description	Fair value as at 31 December 2015 \$'000	Valuation techniques	Unobservable input
<b>Financial asset</b>			
Investment property	1,602	Market comparable and investment method	Rental yield of approximately 3% based on valuer's assessment

### Assets and liabilities measured at fair value

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

### Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

*Non-current non-trade receivables from joint ventures, associate and subsidiaries (note 9) and Non-current non-trade amounts due to subsidiaries (note 16)*

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

The non-current loans and borrowings (note 17) are reasonable approximation of fair values as they are floating instruments that are re-priced to market interest rates on or near the reporting period or their interest rates approximate the market lending rate.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 28. COMMITMENTS

As at 31 December 2015, the Group has no commitment (2014: \$292,000) relating to the Group's interest in joint ventures. The Group's share of joint ventures' capital commitment is disclosed in note 8.

### Operating lease commitment — as lessee

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

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

	Group	
	2015	2014
	\$'000	\$'000
Not later than one year		
– with a related company	35	39
– with third parties	198	211
Later than one year but not later than five years		
– with a related company	21	23
– with third parties	182	380
	<b>436</b>	<b>653</b>

### Operating lease commitment — as lessor

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

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

	Group	
	2015	2014
	\$'000	\$'000
Not later than one year		
– with third parties	107	74
Later than one year but not later than five years		
– with third parties	105	30
	<b>212</b>	<b>104</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 29. RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

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

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

	Group	
	2015	2014
	\$'000	\$'000
Short-term employee benefits	633	749
Employer's contribution to defined contribution plans	19	21
	<b>652</b>	<b>770</b>

### Sale and purchase of goods and services

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

	Group	
	2015	2014
	\$'000	\$'000
Hotel management fees from joint ventures	413	473
Interest income from unsecured loan to a joint venture	11	–
Administrative overhead recharged to a related company	–	40
Expenses paid/payable to related companies:		
Rental	(41)	(33)
Secretarial fees	(144)	(169)
General and administrative expenses	(47)	(103)
Franchise and sales and marketing fees	(171)	(186)
Interest expense on unsecured loan	(1,263)	(1,328)

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 29. RELATED PARTY TRANSACTIONS (continued)

### Significant outstanding balances with related parties

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

	Group	
	2015	2014
	\$'000	\$'000
Interest bearing loan and borrowing provided to a joint venture	1,090	—
Interest bearing loan and borrowing from a related party	68,000	68,000
Bank balances held with a related party	87	348

## 30. EVENTS OCCURRING AFTER THE REPORTING PERIOD

### *Unsecured loan of \$68 million*

In addition to the extension letter dated 11 December 2015 as disclosed in note 17, the Company entered into a loan agreement with Venture Lewis Limited on 27 January 2016 (the "2016 Loan") for the extension of the 2015 Loan from 3 July 2016 to 2 July 2017. With the exception of the prevailing 12-month SIBOR rate used in arriving at the interest rate and the reduction in the margin, the principal terms of the 2016 Loan are substantially similar to those of the 2015 Loan. The 2016 Loan carries interest at the rate of 1.938% per annum, being the aggregate of the margin of 0.5% per annum and the SIBOR rate of 1.438% per annum, and is renewable by mutual agreement on an annual basis.

### *Proposed sale of the equity interest in CHQ*

The Company had made an announcement on 22 February 2016 that its wholly owned subsidiary, LKN Investment International Pte Ltd ("LKNII") intended to dispose of its 60% equity interest in CHQ by way of public tender on the Shanghai United Assets and Equity Exchange ("SUAEE"). LKNII, together with its joint venture partner of CHQ, CAAC East China Regional Administration Authority Service Centre ("CAAC") have, on 23 February 2016 listed the entire equity interest in CHQ on SUAEE for sale. The Company made further announcement on 22 March 2016 that no bid has been received for the said proposed disposal on the expiry date of 21 March 2016. LKNII and CAAC intended to list again the entire equity interest in CHQ on SUAEE for sale at a revised price on 28 March 2016.

## 31. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 23 March 2016.

## ANALYSIS OF SHAREHOLDINGS

As at 18 March 2016

Class of Shares	: Ordinary Shares ("Shares")
Number of Ordinary Shares in issue	: 96,318,419
Number of Ordinary Shareholders	: 5,337
Voting Rights	: One vote for one Share

As at 18 March 2016, there were no treasury shares held by the Company.

Range of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 99	163	3.05	6,167	0.01
100 – 1,000	2,777	52.05	1,391,018	1.44
1,001 – 10,000	2,017	37.80	7,630,921	7.92
10,001 – 1,000,000	371	6.95	16,323,511	16.95
1,000,001 and above	8	0.15	70,966,802	73.68
	5,337	100.00	96,318,419	100.00

Based on information available to the Company as at 18 March 2016, approximately 35.90% of the total number of issued Shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by Singapore Exchange Securities Trading Limited is complied with.

### Major Shareholders List – Top 20 as at 18 March 2016

No.	Name	No. of Shares Held	% *
1.	Grace Star Services Ltd.	47,107,707	48.91
2.	DBS Nominees (Private) Limited	13,266,872	13.77
3.	Citibank Nominees Singapore Pte Ltd	3,075,773	3.19
4.	Amicorp Trustees (Singapore) Limited	2,418,917	2.51
5.	Ding Ping Too @ Ting Sik Chan	1,687,000	1.75
6.	Maybank Kim Eng Securities Pte. Ltd.	1,257,275	1.31
7.	Leong Heng Keng	1,135,929	1.18
8.	Leong Sin Kuen	1,017,329	1.06
9.	Teoh Cheng Chuan	888,920	0.92
10.	United Overseas Bank Nominees (Private) Limited	866,420	0.90
11.	Raffles Nominees (Pte) Ltd	456,310	0.47
12.	OCBC Nominees Singapore Private Limited	408,335	0.42
13.	Leung Kai Fook Medical Co Pte Ltd	377,900	0.39
14.	Lim Sim Beng	325,800	0.34
15.	Lim & Tan Securities Pte Ltd	250,000	0.26
16.	Phillip Securities Pte Ltd	215,633	0.22
17.	Ng Chong Kee	200,000	0.21
18.	Low Kang Hai, Richard	199,100	0.21
19.	Lye Choh Hwa	180,500	0.19
20.	Teo Hong Chuan	171,100	0.18
		75,506,820	78.39

\* The percentage of Shares held is based on the total number of issued Shares of the Company as at 18 March 2016.

# ANALYSIS OF SHAREHOLDINGS

As at 18 March 2016

## Substantial Shareholders as at 18 March 2016

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

### Notes:

- (1) The percentage of Shares held is based on the total number of issued Shares of the Company as at 18 March 2016.
- (2) Each of these companies is deemed under Section 4 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA") to have an interest in the 47,107,707 Shares held directly by Grace Star, by reason of each of these companies being entitled, directly or indirectly, to exercise or control the exercise of not less than 20% of the votes attached to the voting shares in Grace Star.
- (3) DBSGH is deemed under Section 4 of the SFA to have an interest in the 11,545,425 Shares held directly by DBSB.
- (4) Temasek is deemed under Section 4 of the SFA to have an interest in the 11,545,425 Shares in which DBSGH has a deemed interest.

# ANALYSIS OF SHAREHOLDINGS

As at 18 March 2016

Class of Shares	:	Non-Redeemable Convertible Cumulative Preference Shares ("NCCPS")
Number of NCCPS in issue	:	158,394
Number of NCCPS Holders	:	29
Voting Rights	:	<p><u>Class Meetings</u> – Holders of NCCPS shall be entitled to attend, speak and vote at any class meetings of the holders of the NCCPS. Every holder of a NCCPS who is present in person (or by proxy or attorney or in the case of a corporation, a representative) at such class meetings shall have, on a show of hands, one vote and on a poll, one vote for every NCCPS of which he is the holder.</p> <p><u>General Meetings</u> – Holders of NCCPS shall be entitled to attend (in person or by proxy or attorney or in the case of a corporation, a representative) any general meeting of the Company and shall have, on a show of hands, one vote and on a poll, one vote in respect of each NCCPS of which he is the holder if (i) dividends with respect to the NCCPS (or any part thereof) due and payable and accrued is in arrears and has remained unpaid for at least six months; (ii) the resolution in question varies the rights attached to the NCCPS; or (iii) the resolution in question is for the winding up of the Company.</p> <p>Except as provided above, holders of NCCPS shall not be entitled to attend or vote at general meetings of the Company.</p>

Range of Holdings	No. of NCCPS Holders	%	No. of NCCPS Held	%
1 – 99	–	–	–	–
100 – 1,000	5	17.24	2,898	1.83
1,001 – 10,000	18	62.07	58,896	37.18
10,001 – 1,000,000	6	20.69	96,600	60.99
1,000,001 and above	–	–	–	–
	29	100.00	158,394	100.00

# ANALYSIS OF SHAREHOLDINGS

As at 18 March 2016

## Major NCCPS Holders List – Top 20 as at 18 March 2016

No.	Name	No. of NCCPS Held	%*
1.	Chan Yi Ping (Chen YiPing)	21,000	13.26
2.	Ma Siew Wai	21,000	13.26
3.	Lum Yim Fung	15,999	10.10
4.	Wah Geok Sum	15,000	9.47
5.	Abdul Latiff Bin Shihabudeen	12,000	7.58
6.	United Overseas Bank Nominees (Private) Limited	11,601	7.32
7.	Tey Peng Kee	9,000	5.68
8.	Tan Sok Tiang	6,000	3.79
9.	Teo Guat Khim	6,000	3.79
10.	Yee Kit Hong	6,000	3.79
11.	Giam Li Chin	3,900	2.46
12.	Kwek Puay Swan	3,198	2.02
13.	Kiong Boon Tat	3,000	1.89
14.	Tan Yok Kua	3,000	1.89
15.	Teo Phu Puay	3,000	1.89
16.	Teo Sok Joo @ Teo Chiang Chin	3,000	1.89
17.	Tan Hiang Lee	1,998	1.26
18.	DBS Nominees (Private) Limited	1,800	1.14
19.	Lau Ee Peng	1,800	1.14
20.	Chee Chin Why	1,800	1.14
		150,096	94.76

\* The percentage of NCCPS held is based on the total number of issued NCCPS of the Company as at 18 March 2016.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-Third Annual General Meeting (the “Meeting”) of HL GLOBAL ENTERPRISES LIMITED (the “Company”) will be held at Grand Copthorne Waterfront Hotel, Veranda 3, Level 2, 392 Havelock Road, Singapore 169663, on Friday, 29 April 2016 at 10.30 a.m. for the following purposes:

## A. Ordinary Business:

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the year ended 31 December (“FY”) 2015 and the Auditor’s Report thereon.
2. To approve Directors’ Fees (including fees payable to the members of the Audit and Risk Committee, Nominating Committee and Remuneration Committee) of \$255,000 for FY 2015 (FY 2014: \$236,631).
3. To re-elect the following Directors retiring in accordance with the Company’s Constitution and who, being eligible, offer themselves for re-election:
  - (a) Mr Gan Khai Choon
  - (b) Mr Hoh Weng Ming
4. To appoint Mr Michael Yeo Chee Wee who was re-appointed as a Director of the Company at the Company’s Fifty-Second Annual General Meeting to hold office until this Meeting pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore, which provision has since been repealed.
5. To re-appoint Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration.

## B. Special Business:

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

6. That authority be and is hereby given to the Directors to:
  - (a) (i) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,
 

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and
  - (b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution was in force,

provided that:

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



## NOTICE OF ANNUAL GENERAL MEETING

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

- (2) (subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares, excluding treasury shares, if any, of the Company shall be based on the total number of issued shares, excluding treasury shares, if any, of the Company at the time this Ordinary Resolution is passed, after adjusting for:
    - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Ordinary Resolution is passed; and
    - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
  - (3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST) and the Constitution for the time being of the Company; and
  - (4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.
7. That approval be and is hereby given, pursuant to Rule 16.1 of the rules of the HL Global Enterprises Share Option Scheme 2006 (the "SOS"), for the extension of the duration of the SOS for a further period of 10 years from 29 September 2016 to 28 September 2026.
  8. That approval be and is hereby given to the Directors to offer and grant options ("Options") over shares of the Company in accordance with the provisions of the SOS and to allot and issue from time to time such number of shares of the Company as may be required to be issued pursuant to the exercise of the Options granted under the SOS, provided that the aggregate number of new shares to be issued pursuant to the SOS shall not exceed 15% of the total number of issued shares of the Company from time to time, and provided further that the aggregate number of shares to be issued to certain categories of participants of the SOS collectively and individually during the entire operation of the SOS (subject to adjustments, if any, made under the SOS) shall not exceed such limits or (as the case may be) sub-limits as may be prescribed in the SOS.

### C. To Transact Any Other Ordinary Business

BY ORDER OF THE BOARD

Nor Aishah Binte Nasit  
Yeo Swee Gim, Joanne  
Company Secretaries

Singapore  
11 April 2016

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

1. With reference to item 2 of the Ordinary Business above, the structure of fees payable to Directors for FY 2015 can be found on page 18 of the Annual Report.
2. Ms Martha Tan Hui Keng, who is retiring at the Meeting pursuant to the Company's Constitution, has notified the Company that she will not be seeking re-election as a Director of the Company at the Meeting. Consequent thereto, Ms Tan will also cease to be the Chairman of the Nominating Committee ("NC") as well as a member of the Audit and Risk Committee ("ARC"), Remuneration Committee ("RC") and SOS Committee ("SOSC").
3. With reference to item 3(a) of the Ordinary Business above, Mr Gan Khai Choon will, upon re-election as a Director of the Company, remain as the Chairman of the Board and the Executive Committee.

Key information on Mr Gan is found on page 6 of the Annual Report. Mr Gan has no shareholdings in the Company or any of its related corporations. He is a non-executive Director of China Yuchai International Limited ("CYI"), and a Director of Grace Star Services Ltd. ("Grace Star") and Constellation Star Holdings Limited ("Constellation"). Each of CYI, Grace Star and Constellation holds more than 10% direct or deemed interest in the Company. Mr Gan is considered a non-executive non-independent Director.

4. Key information on Mr Hoh Weng Ming, who is seeking re-election as a Director of the Company under item 3(b) of the Ordinary Business above, is found on page 7 of the Annual Report. Mr Hoh does not hold any share interest in the Company or any of its related corporations. He is the President and a Director of CYI, a Director of HL Technology Systems Pte Ltd and Hong Leong (China) Limited, each of which holds more than 10% deemed interest in the Company. Mr Hoh is considered a non-executive non-independent Director.
5. With reference to item 4 of the Ordinary Business above, Mr Michael Yeo Chee Wee will, upon appointment as a Director of the Company, remain as the Lead Independent Director, Chairman of the ARC, RC and SOSC, and as a member of the NC.

Key information on Mr Yeo is found on page 6 of the Annual Report. Mr Yeo has no shareholdings in the Company or any of its related corporations, and has no relationships with the Company, its related corporations, its 10% shareholders or its Directors that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment with a view to the best interests of the Company.

6. The Ordinary Resolution set out in item 6 of the Special Business above, if passed, will empower the Directors of the Company from the date of the Meeting until the next AGM (unless such authority is previously revoked or varied at a general meeting), to issue shares and/or make or grant Instruments that might require new shares to be issued up to a number not exceeding 50% of the Company's total number of issued shares, excluding treasury shares, if any, of which up to 20% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued under this Ordinary Resolution will be calculated based on the total number of issued shares, excluding treasury shares, if any, of the Company at the time this Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.
7. The Ordinary Resolution set out in item 7 of the Special Business above, if passed, will extend the duration of the SOS for a further period of 10 years from 29 September 2016 to 28 September 2026. Please refer to the Appendix to the Notice of the AGM dated 11 April 2016. (*see note below on voting restrictions*)
8. The Ordinary Resolution set out in item 8 of the Special Business above, if passed, will empower the Directors to offer and grant Options under the SOS and to issue from time to time such number of shares of the Company pursuant to the exercise of such Options under the SOS subject to such limits or sub-limits as prescribed in the SOS. (*see note below on voting restrictions*)

# NOTICE OF ANNUAL GENERAL MEETING

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

*Please note that if a shareholder is eligible to participate in the SOS (including a director and/or employee of the Company and its subsidiaries and its designated parent company, Hong Leong Investment Holdings Pte. Ltd. and its subsidiaries), he should abstain from voting at the Meeting in respect of the Ordinary Resolutions set out in items 7 and 8 in relation to the SOS, and should not accept nominations as proxies or otherwise for voting at the Meeting, in respect of the aforesaid Ordinary Resolutions, unless specific instructions have been given in the proxy form on how the vote is to be cast for the aforesaid resolutions.*

## Meeting Notes:

1. (i) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.  
  
(ii) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.  
  
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore ("Companies Act").
2. A proxy need not be a member of the Company.
3. The form of proxy must be deposited at the office of the Company's Registrars, KCK CorpServe Pte. Ltd. at 333 North Bridge Road, #08-00 KH KEA Building, Singapore 188721, not less than 48 hours before the time fixed for holding the AGM.
4. Completion and return of the form of proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this form of proxy to the Meeting.
5. Pursuant to Rule 730(A)(2) of the Listing Manual of SGX-ST, all resolutions at the Meeting shall be voted on by way of a poll.
6. With poll voting, members present in person or represented by proxy at the Meeting will be entitled to vote on a 'one-share, one-vote' basis. The detailed procedures for the poll voting will be explained at the Meeting.

## PERSONAL DATA PRIVACY:

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

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

# NOTICE OF ANNUAL GENERAL MEETING

- (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

## Statement Pursuant to Section 64A of the Companies Act

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

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

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

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

This page has been intentionally left blank

# HL Global Enterprises Limited

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

## Proxy Form for 53<sup>rd</sup> Annual General Meeting

### IMPORTANT:

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the AGM.
2. This Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by CPF/SRS investors who hold ordinary shares through their CPF/SRS funds. CPF/SRS investors should contact their respective Agent Banks/SRS operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 11 April 2016.

\*I/We, \_\_\_\_\_ with NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_

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

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

\*and/or

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

as \*my/our \*proxy/proxies to attend, speak and vote for \*me/us on \*my/our behalf at the 53<sup>rd</sup> Annual General Meeting of the Company (the "AGM") to be held at Grand Copthorne Waterfront Hotel, Veranda 3, Level 2, 392 Havelock Road, Singapore 169663, on Friday, 29 April 2016 at 10.30 a.m. and at any adjournment thereof. \*I/We direct \*my/our \*proxy/proxies to vote for or against the Resolutions to be proposed at the AGM (of which all Resolutions will be proposed as Ordinary Resolutions) as indicated with an "X" in the spaces provided hereunder. If no specific direction as to voting is given, the \*proxy/proxies will vote or abstain from voting at \*his/their discretion, as \*he/they will on any other matter arising at the AGM.

No.	Resolutions	For	Against
A.	ORDINARY BUSINESS:		
1.	Adoption of the Directors' Statement and Audited Financial Statements together with the Auditor's Report thereon		
2.	Approval of Directors' Fees		
3.	Re-election of Directors: (a) Mr Gan Khai Choon		
	(b) Mr Hoh Weng Ming		
4.	Appointment of Mr Michael Yeo Chee Wee as Director		
5.	Re-appointment of Ernst & Young LLP as Auditor		
B.	SPECIAL BUSINESS:		
6.	Authority for Directors to issue shares and/or make or grant offers, agreements or options pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and the Listing Manual of Singapore Exchange Securities Trading Limited		
7.	Extension of the HL Global Enterprises Share Option Scheme 2006		
8.	Authority for Directors to offer and grant options and to issue shares in accordance with the provisions of the HL Global Enterprises Share Option Scheme 2006		

Note: Voting will be conducted by poll.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Total No. of Shares Held

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

\* Delete accordingly

NOTES: SEE OVERLEAF



**NOTES:**

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.  
(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

2. A proxy need not be a member of the Company.
3. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
4. This form of proxy must be signed by the appointor or his attorney duly authorised in writing. Where the form of proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. The power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority shall be lodged with the form of proxy, failing which, the person so named shall not be entitled to vote in respect thereof.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
6. Completion and return of this form of proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under this form of proxy to the AGM.
7. This form of proxy must be deposited at the office of the Company's Registrars, KCK CorpServe Pte. Ltd. at 333 North Bridge Road, #08-00 KH KEA Building, Singapore 188721, not less than 48 hours before the time fixed for holding the AGM.
8. The Company shall be entitled to reject the form of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the form of proxy (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject any form of proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

Fold Here

**PROXY FORM**

Affix  
Postage  
Stamp  
Here

**HL GLOBAL ENTERPRISES LIMITED**

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

Fold Here



**HL Global Enterprises Limited**  
ANNUAL REPORT 2015

HL Global Enterprises Limited

Company Registration No. 196100131N

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