Making A Mark

Ho Bee Annual Report 2012

Contents

Making A Mark

We believe in what we do and we are very passionate about it. We are inspired by our unwavering commitment to introduce an unparalleled excellence and sustained difference across the industry that we operate in. We are glad to breathe new life into the metropolitan through building architectural wonders that expressively speak about tantalising luxury and pampering comfort. Every structure that we build, we make a mark – an indelible mark that serves as a living testament of the wonders we have built and the lives we have touched.

Making a tangible mark is easy, but making it timeless is an endless pursuit. Hence, despite the overwhelming stature that the industry has accorded us over the years, there is no stopping us to build more, and to making more marks.

A Mark of Beauty

Distinctive, fascinating, aesthetic – all suggest refreshing vivid qualities of an irrefutable beauty, which is another mark that makes our brand excel when it comes to high-end luxury properties.

A Mark of A Leader

Working in the industry for 25 years with sterling portfolio of high quality properties particularly luxury homes, we have strongly positioned our Group as one of the market leaders that has extensively flourished since our establishment in 1987.

A Mark of A Winner

We are glad that our excellent track record and many achievements have accorded us several overwhelming citations that include the honour of being recognised as Forbes Asia's "Best Under a Billion" in 2010.

The Mark That We Make

…leads us towards making an ultimate mark of distinction that speaks our brand.

Chairman's Statement

The Group will continue to look for investment and development opportunities both locally and overseas for further expansion.

Dear Shareholders,

I am pleased to report that Ho Bee Group had achieved another good set of results for financial year ended 31st December 2012 in the midst of a challenging property market. The Group has been growing from strength to strength since its listing in 1999, consistently registering double digit return on equity for the past 8 years.

Financial Review

Group turnover for FY2012 increased 39% from S$331.2 million to S$461.6 million as a result of higher revenue recognition of development properties.

Profit before tax decreased 8%, from S$224.2 million in FY2011 to S$206.8 million due mainly to the lower gain arising from fair value of investment properties amounting to S$17.6 million (FY2011: S$41.3 million) and lower share of profit of joint venture entities of S$29.5 million (FY2011: S$44.9 million).

Profit attributable to shareholders was S$187.1 million, 8% lower than FY2011. Earnings per share amounted to 26.7 cents (FY2011: 28 cents).

The Group had strong cash flows from the divestment of investment property and the completion of 3 development projects during the year. This had helped to lower the gearing ratio to 0.17 times (FY2011: 0.27 times).

During the year, the Group bought back 10,630,000 shares from the open-market at an average price of S$1.55 per share. Total shareholders' funds as at financial year ended 31st December 2012 rose from S$1.645 billion to S$1.787 billion, representing a net asset value per share of S$2.58, an increase of 24 cents over the preceding financial year. Return on equity for FY2012 was 10.90% (FY2011: 12.98%).

Proposed Dividend

The Board is recommending a first and final dividend of 5 cents per share for the financial year ended 31st December 2012 (FY2011: 4 cents). Subject to shareholders' approval at the Annual General Meeting of the Company to be held on 30 April 2013, the first and final dividend will be paid on 31 May 2013.

Business Review

Property Development

The Group had sold all the units in the industrial project, One Pemimpin and residential projects, The Orange Grove and Trilight (with the exception of one penthouse unit) during FY2012.

Turnover for property development for the year under review rose 42% from S$316.3 million in the previous year to S$450.7 million. This was attributed to the higher recognition of revenue on completion of One Pemimpin and Trilight during the year. Parvis, our joint venture project was also completed, in the 3rd quarter of 2012.

Construction work for the Group's 1.2 million square feet office development, The Metropolis, located at One-North is progressing well, with completion expected by the end of 3rd quarter 2013.

The Group ventured into Gold Coast, Australia in FY2012 to acquire 3 development sites with total land area of approximately 159,000 square feet. Total allowable gross floor area is about 1 million square feet. Planning approval on the 1st site located at Surfers Paradise for a 41-storey residential development comprising 223 units has been obtained. Construction work is expected to commence by the 2nd half of 2013.

Property Investment

The Group sold an industrial property, One Tannery in March 2012 for a consideration of S$47 million, netting a profit of approximately S$18 million.

Revenue from property investment for FY2012 amounted to S$11 million, 26% lower than the preceding year. The decrease was due mainly to the sale of industrial building, One Tannery in FY2012 and the office space at Samsung Hub in FY2011.

Business Prospects

2013 will be a challenging year for the Group. The recent property measures which the Singapore Government has announced are expected to have a negative impact on the real estate sector.

Notwithstanding the above, the Group's earnings for FY2013 will continue to be positive with the completion of the sale of Hotel Windsor in May 2013 and the remaining progressive income recognition of development projects. The gain from the recent divestment of the Group's 9.024% stake in Chongbang Holdings (International) Limited will also contribute to the bottom line.

The Metropolis commercial project at One-North which is expected to be completed by the third quarter of 2013 has secured tenants for about 60% of the 1.08 million square feet of net lettable space. This will enhance the Group's recurring income in the years ahead.

The Group will continue to look for investment and development opportunities both locally and overseas for further expansion.

Acknowledgements

I would like to thank our loyal shareholders, customers, business associates and suppliers for their invaluable support throughout the years. I would also like to convey my deep appreciation to our Board of Directors for their continued guidance and support which have contributed greatly to the Group. Finally, to the management and staff of the Group, I wish to express my gratitude for their commitment, dedication and contributions during the course of the year.

Chua Thian Poh
Chairman & CEO

Board of Directors

Mr Chua Thian Poh

Chairman and CEO

Since founding the Group in August 1987, Mr Chua Thian Poh has helmed the Group as Chairman and Chief Executive Officer. As the organisation's key decision maker, he sets the Group's strategic direction and determines its financial and investment decisions. Mr Chua has led the Group through several pivotal chapters of its history including the Group's Initial Public Offering in 1999 and its international expansion.

Mr Chua sits on the board of numerous civic and business organisations. Among his other appointments, he is the President of Singapore Federation of Chinese Clan Associations, Chairman of the Trustee of the Chinese Development Assistance Council, Chairman of Business China, President of Singapore Hokkien Huay Kuan, Chairman of the Bishan East Citizens' Consultative Committee as well as the Chairman of Ren Ci Hospital.

In August 2004, Mr Chua was conferred The Public Service Star (BBM) by the state. He has held the appointment of Justice of the Peace since 2005. In March 2007, Mr Chua was being conferred The 2006 Businessman of the Year in the Singapore Business Awards 2007 jointly organised by The Business Times and DHL. In November 2012, Mr Chua was conferred The President's Award for Philanthropy (Individual).

Mr Desmond Woon Choon Leng

Executive Director

Mr Woon joined the Group in 1987 as a Manager responsible for the Group's financial, investment and marketing initiatives. In August 1995, he was appointed as an Executive Director on the Board for the Group. Mr Woon's career highlights include holding the post of Finance and Administration Manager at two of Indonesia's leading electronics companies.

Mr Ong Chong Hua

Executive Director

Mr Ong joined the Group in August 1995 as an Executive Director. He works with the Chairman in charting the Group's investment, development and marketing strategies for Singapore as well as overseas. In addition, he directs the project management team that drives the construction of the Group's various development projects in Singapore.

Mr Ong has more than 30 years of experience in the real estate sector. He began his career as a town planner with the Urban Redevelopment Authority in 1980 before joining Jones Lang Wootton (now known as Jones Lang LaSalle) in 1990 as head of its Consultancy and Project Management Department. Mr Ong holds a Masters degree in Town and Regional Planning from the University of Sheffield, UK.

Mr Tan Keng Boon

Lead Independent Director

Mr Tan was appointed to the Board in November 1999. An active venture capitalist, Mr Tan is the Managing Director of many venture and private equity funds managed by Seavi Advent, a group of fund management companies. Mr Tan has served as an independent director on the boards of many listed companies over the last 25 years. To concentrate on his own business, Mr Tan has stepped down from all of them, except for his directorship in Ho Bee Investment Ltd. Mr Tan's career highlights include serving as the Chairman of the Singapore Venture Capital and Private Equity Association from 1993 to 2001. Mr Tan graduated with a Bachelor of Engineering (Honours) in 1969 from the University of Singapore, where he also received a postgraduate Diploma in Business Administration.

Mr Ch'ng Jit Koon

Independent Director

Mr Ch'ng was appointed to the Board in November 1999. He also sits on the boards of public listed companies of Pan-United Corporation Ltd, Progen Holdings Ltd, Santak Holdings Limited and Tung Lok Restaurants (2000) Ltd. Mr Ch'ng was a Member of the Singapore Parliament from 1968 to 1996 and held the post of Senior Minister of State, Ministry of Community Development, when he retired in January 1997. An appointed Justice of the Peace, Mr Ch'ng currently serves in several community organisations.

Mr Jeffery Chan Cheow Tong

Independent Director

Mr Chan was appointed to the Board in October 2002. He is also an Independent Director of AXA Insurance Pte Ltd. He is a Fellow of the Institute of Chartered Accountants in England and Wales and of the Institute of Certified Public Accountants of Singapore.

Mr Tan Eng Bock

Independent Director

Mr Tan has been a member of the Board since October 2002. Mr Tan has been instrumental in the development of sports in Singapore since 1970. He had, among other capacities, served as the Deputy President of the Singapore Swimming Association and Chairman of the River Valley Constituency Sports Club. He was a Member of the Technical Water Polo Committee of the World Swimming Body FINA as well as Vice Chairman of the Asian Amateur Swimming Federation. He also serves on the boards of several private companies. Mr Tan's career saw him spent close to four decades in the Singapore Police Force where he held various positions including Director of Public Affairs and Director of Criminal Investigation Department (CID). He retired from the Singapore Police Force as an Assistant Police Commissioner. For his many contributions to the nation, Mr Tan was awarded The Public Service Star (BBM) in 1986.

Mr Bobby Chin Yoke Choong

Independent Director

Mr Bobby Chin was appointed to the Board in November 2006. He was the Managing Partner of KPMG Singapore from 1992 until his retirement in September 2005. He is a Fellow of the Institute of Certified Public Accountants of Singapore and an associate member of the Institute of Chartered Accountants in England and Wales. Mr Chin served as a board member of Urban Redevelopment Authority from 1997 to 2006 and was its Chairman from 2001 to 2006. He also served as the Chairman of Singapore Totalisator Board from 2006 to 2012. Mr Chin is the Deputy Chairman of NTUC Enterprise Co-Operative and a board member of Singapore Labour Foundation. He serves as a member of the Council of Presidential Advisers. He also sits on the boards of several listed companies including Oversea-Chinese Banking Corporation Limited, Yeo Hiap Seng Limited, AV Jennings Limited, Sembcorp Industries Ltd and Singapore Telecommunications Ltd.

The Management Team

Chong Hock Chang

Associate Director

Hock Chang first joined the Ho Bee Group in 1995 as the Manager in charge of marketing and business development. Elevated to the position as Associate Director of the Company in 2011, he steers the marketing of the Group's investment and development properties as well as develops new business ventures for the Group. Hock Chang started his career as a Valuer at the Inland Revenue Authority of Singapore. This was followed by a stint serving as a Consultant in Jones Lang Wootton (now known as Jones Lang Lasalle), where he undertook major research and feasibility studies and formulated marketing strategies for clients. Holder of a Bachelor of Science (Honours) in Estate Management from the National University of Singapore, Hock Chang is a member of the Singapore Institute of Surveyors and Valuers. He is currently serving as a council member on the Management Committee of the Real Estate Developers Association of Singapore.

Nicholas Chua

Associate Director

Nicholas first joined the Group in May 2002 as Manager of business development and marketing. He is responsible for identifying and evaluating business opportunities and the marketing of the Group's investment and development properties. He was promoted to Associate Director in January 2011. Prior to this, Nicholas was with DBS Group Holdings Ltd. Nicholas graduated with a Bachelor of Science in Finance and Marketing from the University of Oregon.

Soh Hwee Cheow

General Manager, Projects

Hwee Cheow joined the Group in 1995 as Divisional Manager in charge of project and property management. Currently, he holds the position of General Manager of Projects, where he is responsible for implementing the Group's development projects. Hwee Cheow launched his career in 1982 when he joined a private developer. In 1989, he moved to Jones Lang Wootton (now known as Jones Lang Lasalle), where he served in the Development Consultancy and Project Management Division. Hwee Cheow graduated with a Bachelor of Law (Honours) from the University of London. His other qualifications include a Diploma in Civil Engineering and an Advanced Diploma in Building Management and Maintenance, both from the Singapore Polytechnic.

Caroline Ee-Lee

General Manager, HR and Corporate Affairs

Caroline has held the post of General Manager of the human resource and corporate affairs department in the Group since 2005. Caroline began her career at National Computer Systems (now known as NCS) before joining the Singapore Chinese Chamber of Commerce and Industry in 1993 as the Assistant Director of Administration and Special Projects. She left the chamber as the Assistant Executive Director after successfully spinning off Cyber Business Network Pte Ltd, a subsidiary of the chamber, into an independent bilingual Web publishing house providing business solutions that give businesses a distinctive online presence. For her entrepreneurial achievements, Caroline was conferred the Top 10 Woman Entrepreneur of The Year 2000 award by the Singapore Association of Small and Medium Enterprises. She holds a Bachelor of Science (Information Systems and Computer Science) from the National University of Singapore. In August 2012, Caroline was conferred The Public Service Medal (PBM).

Mark Khoo Chee Meng

General Manager, Hotel Windsor

Mark first came onboard the Ho Bee Group as Project Manager in 1996. When the Group embarked on hotel operations in 2000, Mark was appointed the General Manager of Hotel Windsor. Mark boasts 15 years of experience in project and resort management in both the private and public sectors. His career included a stint with Khai Chin Realty Management Pte Ltd, where he directed the construction and management of properties. He was also the director in charge of projects at Sijori Holidays Resort Pte Ltd, where he oversaw the operation of Sijori Resort in Batam.

Lum Hon Chew

Deputy General Manager, Projects

Hon Chew was promoted to Deputy General Manager (Projects) in January 2012. Prior to joining the Group in 2000, he served in the Development Control Division of the Urban Redevelopment Authority. He was also previously a Project Development Manager with a private property development firm. Hon Chew holds a Bachelor of Business (Business Administration) from Royal Melbourne Institute of Technology; a Diploma in Management Studies from the Singapore Institute of Management; and a Diploma in Architectural Technology from the Singapore Polytechnic.

Property Portfolio Update

The Metropolis

On target for completion in Q3 2013, The Metropolis is a twin tower office development located at the gateway to Singapore's cluster of world-class research facilities and business parks – One North. Primed to be the address of prestige for multinational companies, the development's expansive column-free spaces are designed to keep pace with the versatile needs of 21st Century businesses.

Amassing some 1.2 million sq ft in total, the Grade-A office development with 22,000 sq ft of retail space was awarded the BCA Green Mark Platinum certification, and features exclusive Sky Gardens that provide green reprive for executives in the middle of the work day. Sitting at the doorstep of Buona Vista MRT Interchange on both the Circle and East-West Lines, The Metropolis also enjoys easy access to major motor expressway networks that put the development within minutes from all parts of the island. Todate, the development is more than 60% pre-committed.

Parvis

Nestled on a hillside of Holland Hill in District 10, Parvis a 12-storey freehold condominium was completed in September 2012. This development features a façade of full-height glass doors, windows, balconies and glass balustrades, which emphasises openness with panoramic views from every unit.

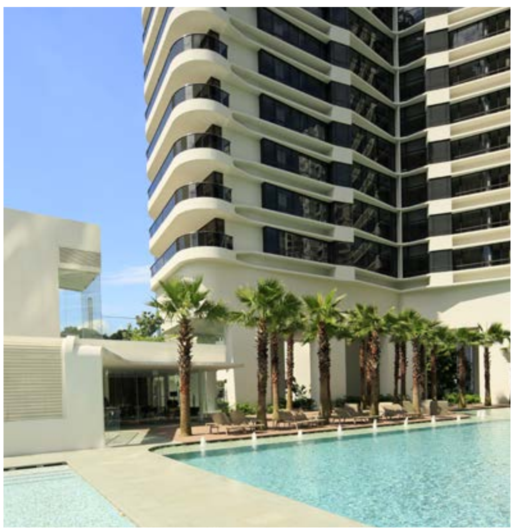
The development comprises 248 exquisite units offering a wide selection of two-, three- and four-bedroom apartments and penthouses. Full condominium facilities include a 50-metre infinity lap pool, a tennis court and gymnasium, a BBQ area, and a 3-storey clubhouse.

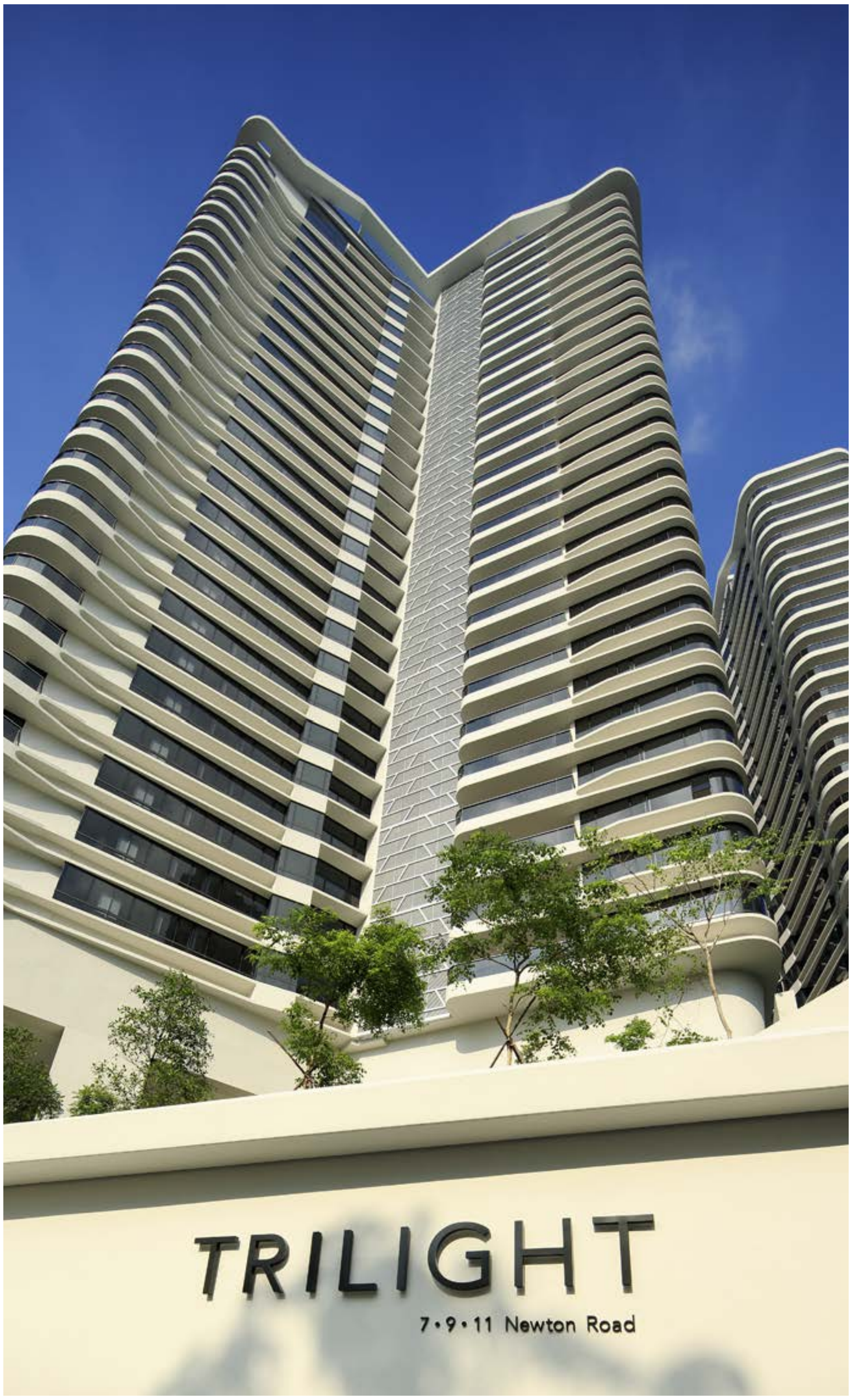
Parvis is a mere 5-minute walk away from Holland Village MRT Station. The development is fully sold.

Trilight

Perched on the highest point in Singapore's sought-after Newton residential neighbourhood, Trilight enjoys a prime urban location 5 minutes' walk from Newton MRT Station. One of the development's greatest glories is its verdant landscape design that transforms each high-rise home into quiet sanctuaries nested in a rainforest of trees.

Completed in October 2012, the development offers a limited collection of luxury homes, uniquely mastered with contemporary design. With a three-point star design offering panoramic views over its surroundings, Trilight's elegant 30-storey towers house a total of 205 units, featuring detailed feature screens and balconies woven into bay windows. Residents enjoy full condominium facilities which include a tennis court and gymnasium, an infinity lap pool, a children's pool, and BBQ pavilions. The development is 99% sold.



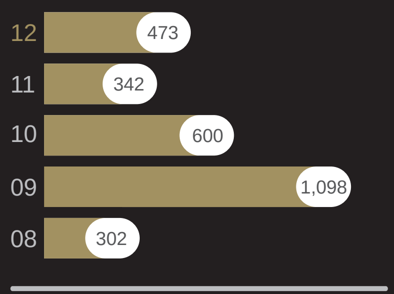


Cape Royale

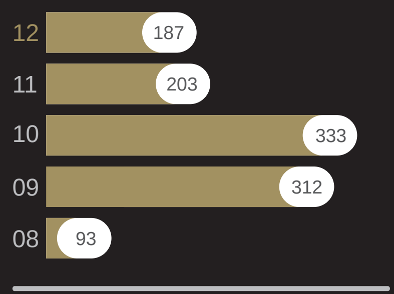
Cape Royale is set for completion in 2013. Occupying a sprawling site of over 230,000 sq ft, it flanks the entrance of the marina leading to Sentosa Cove.

The last condominium development at Sentosa Cove, Cape Royale is also primed to be the district's most prominent as the tallest building within its upscale residential neighbourhood. The iconic architectural development is located amongst the most desirable residential communities in Singapore, and will comprise 302 luxurious units each offering panoramic views of the South China Sea, Singapore's Southern Islands, the Tanjong Golf Course, and the city skyline. Residents will be privy to an exclusive and unique integrated marina lifestyle amidst a lush, tropical setting.

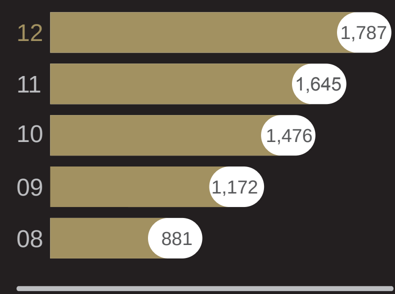
Five-Year Financial Summary



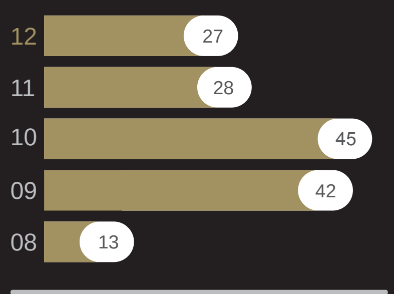
Turnover
($ million)



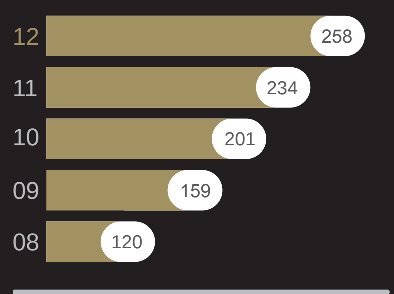
Profit Attributable to Shareholders
($ million)



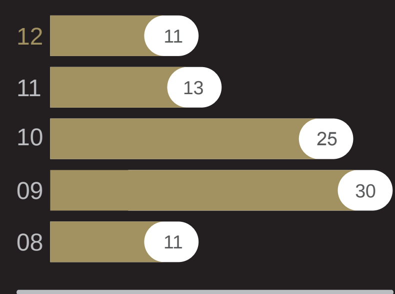
Shareholders' Equity
($ million)



Earnings Per Share
(cents)



Net Tangible Assets Per Share
(cents)



Return on Equity
(%)

		2008	2009 Restated	2010 Restated	2011*	2012*
Turnover	($'000)	302,081	1,097,851	600,396	341,522	472,585
Profit Before Tax	($'000)	125,219	415,161	402,122	228,358	211,522
Profit Attributable to Shareholders	($'000)	93,066	312,350	333,049	202,514	187,065
Shareholders' Equity	($'000)	880,909	1,171,580	1,476,306	1,645,244	1,786,690
Earnings Per Share	(cents)	12.63	42.44	45.25	27.98	26.69
Net Tangible Assets Per Share	(cents)	119.69	159.19	200.59	233.9	257.9
Dividends Per Share	(cents)	2.0	4.0	4.0	4.0	5.0
Return on Equity	(%)	11.0	30.44	25.16	12.98	10.90

** includes continuing and discontinued operations*

Corporate Structure

HO BEE INVESTMENT LTD

- HB Properties International Pte Ltd **(100%)**
- HB Venture Capital Pte Ltd **(100%)**
- Ho Bee Developments Pte Ltd **(100%)**
  - Ho Bee Realty Pte Ltd **(100%)**
  - Ho Bee (Eastwood Park) Pte Ltd **(100%)**
  - Ho Bee (Pasir Ris) Pte Ltd **(100%)**
  - Ho Bee (One-North) Pte. Ltd. **(100%)**
- HBO Investments Pte Ltd* **(100%)**
- Pacific Rover Pte Ltd **(100%)**
- HB Australia Pty Ltd [AU] **(100%)**
- HB Ferny Pty Ltd [AU] **(100%)**
- HB Oracle Pty Ltd [AU] **(100%)**
- Ho Bee Cove Pte. Ltd. **(90%)**
- HB Investments (China) Pte. Ltd. **(80%)**
  - Yanlord Ho Bee Investments Pte. Ltd. **(50%)**
    - Yanlord Ho Bee Property Development (Tangshan) Co., Ltd. [PRC] **(100%)**
    - Tangshan Yanlord Property Management Co., Ltd. [PRC] **(100%)**
- HBS Investments Pte Ltd **(70%)**
  - Parliament View Developments Limited [UK] **(100%)**
  - Parliament View Management Company Limited [UK] **(100%)**
- Calne Pte. Ltd. **(50%)**
- Seaview (Sentosa) Pte. Ltd. **(50%)**
- Rivershore Pte. Ltd. **(50%)**
- Shanghai Yanlord Hongqiao Property Co., Ltd. [PRC] **(40%)**
- Pinnacle (Sentosa) Pte. Ltd. **(35%)**
- Zhuhai Yanlord Heyou Land Co., Ltd. [PRC] **(20%)**
- Zhuhai Yanlord Youmei Land Co., Ltd. [PRC] **(20%)**

NOTES

[AU]	Incorporated in Australia
[PRC]	Incorporated in The People's Republic of China
[UK]	Incorporated in United Kingdom
*	In the process of liquidation

Corporate Governance

Ho Bee Investment Ltd is committed to adopting high standards of corporate governance and transparency in conducting the Group's businesses. The Board ensures that an effective self-regulatory and monitoring mechanism exists and is practised. This report outlines the main corporate governance practices that are in place, with specific reference to the guidelines of Singapore's Code of Corporate Governance 2005 (the Code). In its commitment towards good corporate governance, the Company has also started implementing certain new disclosures to comply with the guidelines recommended by the revised Code of Corporate Governance 2012 (the revised Code 2012).

BOARD MATTERS

The Board's conduct of affairs (Principle 1)

Role of the Board

The principal role of the Board is to review and approve strategic plans, key operational and financial issues, evaluate performance of the Group, and supervise executive management to achieve optimal shareholders' value.

Board processes

The Board has established various Board committees to assist in fulfilling its duties and responsibilities. These committees are the Audit & Risk Committee (ARC), Nominating Committee (NC) and Remuneration Committee (RC) which are governed by specific terms of reference.

The Board currently holds four scheduled meetings each year. Ad hoc meetings are also convened as and when necessary to address any specific matters. The attendance of the directors at Board and committee meetings for the financial year ended 31 December 2012 is as follows:-

	Board meeting		ARC meeting		NC meeting		RC meeting	
Name of director	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended	No. of meetings held while a member	No. of meetings attended
Chua Thian Poh	5	5	N.A.	N.A.	1	1	N.A.	N.A.
Desmond Woon Choon Leng	5	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Ong Chong Hua	5	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Tan Keng Boon	5	5	4	4	1	1	N.A.	N.A.
Ch'ng Jit Koon	5	5	4	4	1	1	N.A.	N.A.
Jeffery Chan Cheow Tong	5	5	4	4	N.A.	N.A.	2	2
Tan Eng Bock	5	5	N.A.	N.A.	N.A.	N.A.	2	2
Bobby Chin Yoke Choong	5	5	4	4	1	1	2	2

Note: N.A. means not applicable.

Matters requiring Board's approval

The following is a list of key matters that require Board's approval:

- annual budget;
- quarterly and full year results announcements;
- annual report and accounts;
- declaration of dividends;
- strategic plans; and
- major acquisitions / disposals.

Training for directors

Directors are provided with the opportunity for training to ensure that they are conversant with their responsibilities and familiar with the Group's businesses, governance practices, relevant new legislations and changing commercial risks.

In 2012, the Company held a training session conducted by its legal advisers, Allen & Gledhill LLP for the directors on the revised Code 2012 including the implications of the changes on the Group. In addition, a training session was conducted by its internal auditors, Nexia TS Risk Advisory Pte. Ltd. on risk governance. The Company's external auditors, KPMG LLP also updated the Board on the new and revised financial reporting standards applicable to the Group effective for the financial years 2012 and 2013.

The directors can attend at the Company's expenses, other appropriate conferences and seminars including programmes conducted by the Singapore Institute of Directors. During the year, the executive director overseeing corporate governance attended a seminar on the revised Code 2012 held by the Singapore Institute of Directors.

Each year the Company conducts an annual business review meeting for the directors. Presentations and briefings are conducted at the annual business review meeting by the senior management on the Group's operations, followed by discussion sessions on the Group's operations and strategies.

Corporate Governance

Board composition and guidance (Principle 2)

The Board of directors comprises eight members, of whom five are independent non-executive directors.

The Board comprises individuals with diverse qualifications and backgrounds which include accounting, audit, banking, government and business experience. As all the directors have been on the Board for more than six years, they have gained real estate experience during their service and also on other boards.

Key information on the Board of directors

The key information on the directors is set out in the following table:-

Name of director: Mr Chua Thian Poh
Age: 64

Nature of appointment: Chairman & Chief Executive Officer

Date of first appointment as director	Date of last re-appointment as director	Board committee served on	Academic / Professional qualifications	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
8 Aug 1987	N.A.	Nominating Committee (Member)	N.A.	***Listed companies*** N.A. ***Other principal commitments*** (1) Singapore Federation of Chinese Clan Associations (President) (2) Singapore Clan Foundation (Chairman) (3) Singapore Hokkien Huay Kuan (President) (4) Singapore Hokkien Huay Kuan Affiliated School Management Committee (Chairman) (5) The Hokkien Foundation Management Committee (Chairman) (6) Yunnan Realty Pte Ltd (Chairman) (7) Business China (Chairman) (8) Ren Ci Hospital (Chairman) (9) Bishan East Citizens' Consultative Committee (Chairman) (10) Chinese Development Assistance Council Board of Trustee (Chairman) (11) National Integration Council (Member) (12) National Steering Committee on Racial & Religious Harmony (Member) (13) Inmates Families' Support Fund Committee (Member)	N.A.

Name of director: Mr Desmond Woon Choon Leng **Nature of appointment:** Executive Director
Age: 57

Date of first appointment as director	Date of last re-appointment as director	Board committee served on	Academic / Professional qualifications	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
11 Aug 1995	27 Apr 2012	N.A.	N.A.	***Listed companies*** N.A. ***Other principal commitments*** N.A.	N.A.

Name of director: Mr Ong Chong Hua **Nature of appointment:** Executive Director
Age: 58

Date of first appointment as director	Date of last re-appointment as director	Board committee served on	Academic / Professional qualifications	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
11 Aug 1995	26 Apr 2011	N.A.	Masters Degree in Town and Regional Planning	***Listed companies*** N.A. ***Other principal commitments*** N.A.	N.A.

Corporate Governance

Name of director: Mr Tan Keng Boon
Age: 67

Nature of appointment: Independent Non-Executive Director
Lead Independent Director

Date of first appointment as director	Date of last re-appointment as director	Board committee served on	Academic / Professional qualifications	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
12 Nov 1999	29 Apr 2010	Nominating Committee (Chairman) Audit & Risk Committee (Member)	Honours Degree In Engineering Diploma in Business Administration	***Listed companies*** N.A. ***Other principal commitments*** (1) Seavi Advent Venture Management Pte Ltd (Managing Director) (2) Seavi Venture Management (Bermuda) Ltd (Managing Director) (3) Seavi Venture Services Pte Ltd (Managing Director) (4) Seavi Advent Partners Limited (Director) (5) SEAVI Advent Corporation Ltd (Director) (6) SEAVI Advent Management Ltd (Director) (7) SEAVI Advent Holdings Limited (Director) (8) Seavi Advent Ocean Private Equity Limited (Director) (9) Seavi Advent Equity Pte Ltd (Director) (10) Seavi Management (S) Pte Ltd (Director) (11) Seavi Advent Management (Cayman) Ltd (Director) (12) Seavi Advent Partners (III) Ltd (Director)	EnGro Corporation Limited

Name of director: Mr Ch'ng Jit Koon
Age: 79
Nature of appointment: Independent Non-Executive Director

Date of first appointment as director	Date of last re-appointment as director	Board committee served on	Academic / Professional qualifications	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
12 Nov 1999	27 Apr 2012	Audit & Risk Committee (Member) Nominating Committee (Member)	Degree in Economics and Political Science	***Listed companies*** (1) Pan-United Corporation Ltd (Non-Executive Chairman) (2) Progen Holdings Ltd (Independent Director) (3) Santak Holdings Ltd (Independent Director) (4) Tung Lok Restaurants (2000) Ltd (Independent Director) ***Other principal commitments*** (1) Business China (Director) (2) Chinese Development Assistance Council (Member, Board of Trustees) (3) Singapore Hokkien Huay Kuan (Member, Board of Governors)	Cortina Holdings Limited Eastern Asia Technology Limited Ban Leong Technologies Ltd

Name of director: Mr Jeffery Chan Cheow Tong
Age: 64
Nature of appointment: Independent Non-Executive Director

Date of first appointment as director	Date of last re-appointment as director	Board committee served on	Academic / Professional qualifications	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
15 Oct 2002	26 Apr 2011	Remuneration Committee (Chairman) Audit & Risk Committee (Member)	Fellow, Institute of Certified Public Accountants of Singapore FCA (Institute of Chartered Accountants in England & Wales)	***Listed companies*** N.A. ***Other principal commitments*** (1) AXA Insurance Singapore Pte Ltd (Independent Director) (2) Goodhope Asia Holdings Ltd (Independent Director)	N.A.

Corporate Governance

Name of director: Mr Tan Eng Bock **Nature of appointment:** Independent Non-Executive Director
Age: 76

Date of first appointment as director	Date of last re-appointment as director	Board committee served on	Academic / Professional qualifications	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
15 Oct 2002	27 Apr 2012	Remuneration Committee (Member)	N.A.	***Listed companies*** (1) Ban Leong Technologies Ltd (Independent Director) ***Other principal commitments*** (1) Kyowa Security Guard & General Services Pte Ltd (Director)	N.A.

Name of director: Mr Bobby Chin Yoke Choong **Nature of appointment:** Independent Non-Executive Director
Age: 61

Date of first appointment as director	Date of last re-appointment as director	Board committee served on	Academic / Professional qualifications	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
29 Nov 2006	27 Apr 2012	Audit & Risk Committee (Chairman) Nominating Committee (Member) Remuneration Committee (Member)	Fellow, Institute of Certified Public Accountants of Singapore ACA (Institute of Chartered Accountants in England & Wales)	***Listed companies*** (1) Oversea-Chinese Banking Corporation Limited (Independent Director) (2) AV Jennings Limited (Independent Director) (3) Yeo Hiap Seng Ltd (Independent Director) (4) Sembcorp Industries Ltd (Independent Director) (5) Singapore Telecommunications Limited (Independent Director) ***Other principal commitments*** (1) Singapore Power Limited (Independent Director) (2) Frasers Centrepoint Asset Management Ltd (Independent Director) (3) A1 Futtaim Group LLC (Advisor) (4) Singapore Labour Foundation (Director) (5) Council of Presidential Advisers (Member) (6) NTUC Enterprise Co-operative Limited (Deputy Chairman) (7) NTUC Fairprice Co-operative Limited (Director)	Neptune Orient Lines Limited

Notes:

(1) Information on directors' shareholdings in the Company and its related corporations is set out in the Directors' Report on pages 48 to 53 of the Annual Report.

(2) N.A. means not applicable.

Determining Board's composition

The Board's composition is determined in accordance with the following principles:-

- the Board should comprise a majority of non-executive directors, with at least one-third independent directors;
- the Board should comprise directors with a broad range of expertise both nationally and internationally;
- the Board should have enough directors to serve on various Board committees without the directors being over-burdened to the extent that it becomes difficult for them to fully discharge their responsibilities; and
- all directors (except the CEO) are subject to re-election once every three years at annual general meetings.

The composition of the Board is reviewed annually by the NC to ensure that there is a strong and independent element on the Board and that its size is appropriate to the scope and nature of the Group's operations.

Assessing directors' independence

The NC assessed the independence of the independent directors annually based on the guidelines set out in the Code. For the year 2012, the NC also assessed the independence of the independent directors based on the guidelines of the revised Code 2012.

In addition, the Company has implemented a Directors' Assessment Framework in 2012 which includes a robust process for reviewing directors' independence. Based on the directors' performance assessment for 2012, the NC and the Board are satisfied that the directors who have reached 9-year tenure, namely Mr Tan Keng Boon, Mr Ch'ng Jit Koon, Mr Jeffery Chan Cheow Tong and Mr Tan Eng Bock, have continued to maintain independence in their oversight role and they have continued to add value to the Company.

Chairman and Chief Executive Officer (Principle 3)

There is no separation of roles between the Chairman and CEO in the Company due to the fact that Mr Chua Thian Poh who indirectly owns the majority of the shares in the Company, has been personally involved in the day-to-day operations of the Company since its incorporation. The Board is of the opinion that it has a strong and independent group of non-executive directors and is well balanced. In addition, the Company has appointed Mr Tan Keng Boon, an independent non-executive director, to be the lead independent director of the Company since 26 February 2007.

The Chairman is responsible for the effective working of the Board and his responsibilities include:-

- ensuring that all Board meetings are convened and held as and when required;
- setting meeting agenda in consultation with the executive directors;
- reviewing Board papers to ensure all Board members are furnished with complete, quality and timely information; and
- ensuring that proper procedures are set up to comply with the Code.

Corporate Governance

Board membership (Principle 4)

Nominating Committee

The NC consists of three independent non-executive directors and one executive director. The chairman of the NC is the Company's lead independent director. The members of the NC are as follow:-

1. Tan Keng Boon (Chairman)
2. Ch'ng Jit Koon
3. Chua Thian Poh
4. Bobby Chin Yoke Choong

The key duties and responsibilities of the NC are as follow:-

- make recommendations on all Board and Board committee appointments and re-appointments;
- review and recommend training and professional development programs for directors;
- determine directors' independence;
- review the size and composition of the Board to ensure the right mix to promote Board effectiveness;
- review succession plans for directors and key management personnel;
- set guideline on multiple board representations; and
- determine the performance criteria and evaluation process for assessing the performance of the Board, the Board committees and individual directors.

Process for selection and appointment of new directors to the Board

In the selection process for any new director, the NC will evaluate the balance of skills, knowledge and experience on the Board, and determine the role and desirable competencies for any new appointment to enhance the existing Board composition. Such evaluation could arise from the Board's annual evaluation process. When necessary, the NC may seek the help of external consultant to carry out the search process. The NC may meet with the potential candidate to assess his/her suitability and availability. The selection process will take into account the candidate's honesty, integrity, reputation, competence, capability and financial soundness. The NC will then make a recommendation to the Board for approval.

Guideline on multiple board representations

The Board has adopted an internal guideline recommended by the NC to address the competing time commitments that may be faced by a director holding multiple board appointments. The guideline provides that, as a general rule, the maximum limit is one other listed company board representation for each executive director; three other listed company board representations for each non-executive director with full time employment; and six other listed company board representations for each non-executive director without full time employment. The guideline will be reviewed by the NC annually.

Board performance (Principle 5)

The Ho Bee Board Assessment Framework has been established and approved for use by the Board to ascertain the effectiveness of the Board as a whole, its Board committees and the contribution by the Chairman and each director to the effectiveness of the Board. The framework integrates the assessment of the Board, Board committees, Chairman and individual directors. This framework is reviewed and refined annually, when required, to incorporate better practices to enable an effective and relevant assessment process.

The Board review incorporates factors such as Board composition, access to information, Board processes, accountability, monitoring of strategy, consideration of shareholders' value, committee effectiveness, risk management, succession planning and comparison with industry peers. The results of the annual assessment is provided to the NC who will assess and discuss the performance of the Board as a whole, and recommend to the Board, key areas for improvement and follow-up actions.

The effectiveness of the Board committees is assessed annually, the results of which are assessed by the NC. Areas for improvement are subsequently provided to the committees.

Individual director assessments were facilitated this year by KPMG Advisory Services Pte Ltd. Directors were assessed on how they continue to contribute effectively and demonstrate their commitment to the role as a director. It also recognises how individual strengths complement each other, utilising criteria such as leadership, communication skills, industry experience, risk management, time commitment and professionalism.

Eligibility of directors for re-election is reviewed by the NC based on the directors' performance.

Access to information (Principle 6)

Directors are provided with detailed financial statements and reports for each Board meeting which are normally circulated at least five days in advance of each meeting. These include disclosure documents, management accounts, budgets and information pertaining to matters to be brought before the Board. In addition, all relevant information on material transactions and events are circulated to directors as and when they arise.

Every Board member has independent and full access to the Company secretary, auditors and senior management and other employees to seek additional information. The directors can also seek independent legal and professional advice to enable them to fulfill their duties and responsibilities.

Corporate Governance

REMUNERATION MATTERS

Procedures for developing remuneration policies (Principle 7)

Remuneration Committee

The RC comprises three independent non-executive directors. The members of the RC are as follow:-

1. Jeffery Chan Cheow Tong (Chairman)
2. Tan Eng Bock
3. Bobby Chin Yoke Choong

The key duties and responsibilities of the RC are as follow:-

- ensure that the level and structure of remuneration is aligned with the long term interest and risk policies of the Company;
- review management's proposal and recommend to the Board on the general remuneration framework and specific remuneration packages for the directors and key management personnel;
- review all benefits and long-term incentive schemes (including share schemes) and compensation packages for the directors and key management personnel; and
- review service contracts for the directors and key management personnel.

Level and mix of remuneration (Principle 8)

The Company's remuneration mix framework for executive directors and key management personnel is made up of salary, bonus and allowances/benefits. Performance measure for the executive directors and key management personnel is based on key performance indicators set each year for the individuals towards achievement of the Company's objectives. The annual salary review is carried out in December each year. In setting remuneration packages, the Company takes into account the pay and employment conditions within the industry and in comparable companies, as well as the profitability of the Group as a whole, and individual performance.

The framework for determining non-executive directors' fees in 2012 is as follows:-

Non-Executive Director	Chairman Member Lead Independant Director	N.A. $40,000 per annum $10,000 per annum
Audit & Risk Committee	Chairman Member	$20,000 per annum $10,000 per annum
Nominating Committee	Chairman Member	$10,000 per annum $5,000 per annum
Remuneration Committee	Chairman Member	$10,000 per annum $5,000 per annum

Note: N.A. means not applicable.

Disclosure on remuneration (Principle 9)

Remuneration of directors and key management personnel

The remuneration of directors and key management personnel for the year ended 31 December 2012 is set out in the tables below:-

1) Summary compensation table for directors in bands of $250,000

Name of director	Salary	Bonus	Fees*	Allowances and other benefits	Total
Above $5,500,000 and up to $5,750,000					
Chua Thian Poh Chairman & CEO	11%	86%		3%	100%
Above $1,250,000 and up to $1,500,000					
Ong Chong Hua Executive director	26%	71%		3%	100%
Above $1,000,000 and up to $1,250,000					
Desmond Woon Choon Leng Executive director	25%	72%		3%	100%
$250,000 and below					
Tan Keng Boon Non-executive director			100%		100%
Ch’ng Jit Koon Non-executive director			100%		100%
Jeffery Chan Cheow Tong Non-executive director			100%		100%
Tan Eng Bock Non-executive director			100%		100%
Bobby Chin Yoke Choong Non-executive director			100%		100%

* Directors’ fees are subject to shareholders’ approval at the annual general meeting.

Corporate Governance

2) Summary compensation table for top five key management personnel (who are not also directors) in bands of $250,000

Name of key management personnel	Salary	Bonus	Fees	Allowances and other benefits	Total
Above $500,000 and up to $750,000					
Chong Hock Chang	35%	65%			100%
Above $250,000 and up to $500,000					
Soh Hwee Cheow	42%	58%			100%
Caroline Ee-Lee	52%	48%			100%
Chua Wee-Chern*	35%	65%			100%
$250,000 and below					
Mark Khoo Chee Meng	67%	33%			100%

* Mr Chua Wee-Chern is the son of the Chairman & CEO, Mr Chua Thian Poh.

ACCOUNTABILITY AND AUDIT

Accountability (Principle 10)

The Company has been making announcements of its quarterly results since financial year 2003. Every Board member receives from management, detailed management accounts of the Group's performance on a regular basis. It is the aim of the Board, in presenting the quarterly and annual financial statements announcements, to provide shareholders with a comprehensive and balanced assessment of the Group's performance, financial position and prospects.

Audit & Risk Committee (Principle 11)

The ARC is made up of four Board members, all of whom are independent non-executive directors. The members of the ARC are as follow:-

1. Bobby Chin Yoke Choong (Chairman)
2. Tan Keng Boon
3. Jeffery Chan Cheow Tong
4. Ch'ng Jit Koon

The ARC meets regularly to perform the following functions:-

- review the Company’s quarterly and annual financial statements, and any announcements relating to the Company’s financial performance;
- review related party transactions and interested person transactions to ensure compliance with the regulations set out in the Listing Manual;
- review the audit plan and audit report of the external auditors, their evaluation of the system of internal accounting controls, and management’s responses to the recommendations;
- review the scope and results of the external audits, their cost effectiveness, and the independence and objectivity of the external auditors;
- nominate external auditors for appointment or re-appointment, and approve the remuneration and terms of engagement of the external auditors;
- review the internal audit programme including the scope and results of the internal audit procedures, and management responses to the recommendations;
- review the independence and resource capability of the internal auditors, and the adequacy and effectiveness of internal audits;
- approve the appointment or re-appointment, evaluation and remuneration of the internal auditors;
- review the Company’s level of risk tolerance, its risk strategy and risk policies; and ensure that the Company set a process for the accurate and timely monitoring of large exposures and certain risk types of critical importance;
- review the Company’s overall risk assessment process and risk assessment framework; and review the parameters used in these measures and the methodology adopted;
- review risk reports on the Company and review and monitor management’s responsiveness to the findings;
- review the Company’s procedures for detecting fraud, including the whistle-blowing policy; and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- review and report to the Board on the adequacy and effectiveness of the Company’s internal controls including financial, operational, compliance and information technology controls, and risk management systems.

Corporate Governance

The ARC has full access to the internal and external auditors and meets them at least once a year without the presence of management. It has full authority and discretion to invite any director or senior officer to attend its meetings.

The ARC has reviewed the nature of non-audit services provided by the external auditors to the Company and the Group during the year and is of the view that the provision of these services would not affect the independence of the external auditors.

The Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee and the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council have been provided to all ARC members. In carrying out their responsibilities, the ARC will refer to these guidelines as appropriate.

Internal controls, internal audit and risk management (Principles 12 and 13)

Internal audit

During the year, the Company appointed Nexia TS Risk Advisory Pte. Ltd. as its internal auditors. Prior to this appointment, the Company's internal auditors were Grant Thornton Advisory Services Pte. Ltd. who had provided the Group's internal audit services since 2002.

The internal auditors report directly to the chairman of the ARC on audit matters and to the management on administrative matters. The ARC reviews the internal audit reports and assesses the effectiveness of the internal auditors by examining the following:

- the internal audit plan to ensure that the internal auditors have adequate resources to perform their audit;
- the scope of the internal audit work to ensure that majority of the identified risks are audited by cycle;
- the quality of the internal audit report to ensure the effectiveness of the internal auditors; and
- the independence of the internal auditors.

During the year, the ARC worked with the new internal auditors and management to review areas of control. The internal auditors had reported their findings to the ARC, and management had taken the necessary measures to further enhance the internal control system. The ARC and the Board are satisfied on the adequacy of the current internal controls.

Risk management

The Company has in place a risk management framework setting out the various risk monitoring and escalation mechanisms. The key risks facing the Company have been identified and action plans are in place to mitigate these risks. Ownership of risk treatments is established and risk awareness is fostered across the organisation.

During the year, the Company engaged KPMG Advisory Services Pte Ltd to assist in the development of an Enterprise Risk Management Framework (ERM framework) to enhance its existing risk management framework. The ERM framework has been reviewed by the ARC and the Company is currently in the stage of implementing the new framework.

Adequacy and effectiveness of risk management and internal control systems

Based on the internal controls established and maintained by the Company, works performed by the internal and external auditors, and reviews performed by management, Board committees and the Board, the ARC and the Board are of the opinion that the Company's systems of risk management and internal controls addressing financial, operational, compliance and information technology risks are adequate to meet the Group's needs in its current business environment.

The systems of internal controls and risk management established by the Company provide reasonable, but not absolute assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

Whistle-blowing policy

The Company has in place a whistle-blowing policy. The objectives of the whistle-blowing policy are:-

- to communicate the Company's expectations of employees of the Group in detecting fraudulent activities, malpractices or improprieties;
- to guide employees on the course of action when addressing their concerns or suspicions of fraudulent activities, malpractices or improprieties;
- to provide a process for investigations and management reporting; and
- to establish policies for protecting whistle-blowers against reprisal by any person internal or external to the Group.

Corporate Governance

The Company encourages its officers and employees of the Group to observe the highest standards of business and personal ethics in the conduct of their duties and responsibilities.

In the pursuit of good corporate governance, the Company encourages its officers, employees, vendors/contractors, consultants, suppliers and/or any other parties with whom the Group has a relationship to provide information that evidences unsafe, unlawful, unethical, fraudulent or wasteful practices.

To ensure independent investigation and appropriate follow up action, all whistle-blowing reports shall be sent either to the General Manager (Human Resources & Corporate Affairs) or the Chairman of the ARC.

All whistle-blowing reports shall be brought up to the ARC for review and be reported to the Board.

Professional conduct and discipline

The Company has in place various staff policies on conduct, confidentiality, conflict of interests, internet usage, safeguard of official information, intellectual property and software use. Staff are required to conduct and carry themselves in a professional manner while at work, and undertake to observe and comply with the policies.

COMMUNICATION WITH SHAREHOLDERS (Principles 14 and 15)

In line with the Company's obligations for continuing disclosures, the Board's policy is for shareholders to be informed of all major developments and transactions that impact the Group.

Information is disseminated to shareholders on a transparent and timely basis. All price sensitive information and financial results announcements are publicly released via SGXNET. The Group's results, annual reports and media releases can also be found at the Company's website at http://www.hobee.com.

The Group's annual report together with the notice of annual general meeting is despatched to all shareholders at least 14 clear days before the meeting. The notice of annual general meeting is also advertised in the newspapers and announced via SGXNET.

Shareholders are encouraged to attend the annual general meeting as this is the principal forum for any dialogue they may have with the directors and management of the Company. The Board welcomes views and questions from shareholders and the respective chairmen of the ARC, NC and RC are available to answer any question or issue regarding the Company.

Any member of the Company who is unable to attend the annual general meeting can appoint up to two proxies to attend and vote on his/her behalf. The Company allows shareholders who hold shares through their CPF approved nominees to attend the annual general meeting as observers.

Securities transactions

The Company has its own internal Code of Best Practices on Securities Transactions. Under the internal code, officers of the Group are not allowed to deal in the Company's securities during the periods commencing two weeks before the announcement of the Company's results for each of the first three quarters of its financial year and one month before the announcement of the Company's annual results, as the case may be, and ending on the date of announcement of the relevant results, or when they are in possession of unpublished price-sensitive information of the Group. They are also discouraged from dealing in the Company's securities on short-term consideration. The Company has complied with the best practices set out in the Listing Manual of the Singapore Exchange Securities Trading Limited.

Interested person transactions

The Company has adopted a set of procedure for reporting and approving interested person transactions. Details of the interested person transactions for the year ended 31 December 2012 are as follow:-

Name of interested person	Aggregate value of all interested person transactions (excluding transactions less than $100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000)
N.A.	N.A.	N.A.

Notes:

1) N.A. means not applicable.
2) All interested person transactions conducted during the financial year were less than $100,000 for each transaction. The interested person transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

Corporate Information

BOARD OF DIRECTORS

Mr Chua Thian Poh
Chairman and CEO

Mr Desmond Woon Choon Leng
Executive Director

Mr Ong Chong Hua
Executive Director

Mr Tan Keng Boon
Lead Independent Director

Mr Ch'ng Jit Koon
Independent Director

Mr Jeffery Chan Cheow Tong
Independent Director

Mr Tan Eng Bock
Independent Director

Mr Bobby Chin Yoke Choong
Independent Director

AUDIT & RISK COMMITTEE

Mr Bobby Chin Yoke Choong
Chairman

Mr Tan Keng Boon

Mr Jeffery Chan Cheow Tong

Mr Ch'ng Jit Koon

NOMINATING COMMITTEE

Mr Tan Keng Boon
Chairman

Mr Ch'ng Jit Koon

Mr Chua Thian Poh

Mr Bobby Chin Yoke Choong

REMUNERATION COMMITTEE

Mr Jeffery Chan Cheow Tong
Chairman

Mr Tan Eng Bock

Mr Bobby Chin Yoke Choong

MANAGEMENT TEAM

Mr Chong Hock Chang
Associate Director

Mr Nicholas Chua Wee Chern
Associate Director

Mr Soh Hwee Cheow
General Manager (Projects)

Mrs Caroline Ee-Lee
General Manager
(HR and Corporate Affairs)

Mr Mark Khoo Chee Meng
General Manager (Hotel Windsor)

Mr Lum Hon Chew
Deputy General Manager (Projects)

Mr Low Lai Sai
Senior Finance Manager

Ms Vivian Ng Lay Yen
Senior Marketing Manager

Mr Hong Leng Guan
Project Manager

COMPANY SECRETARY

Ms Tan Sock Kiang

REGISTERED OFFICE

12 Tannery Road #10-01
HB Centre I
Singapore 347722
Tel: (65) 6748 7522
Fax: (65) 6745 9167
Website: www.hobee.com

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

EXTERNAL AUDITORS

KPMG LLP
Public Accountants and Certified
Public Accountants Singapore
Partner-In-Charge:
Mr Ong Pang Thye (since 2012)
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

INTERNAL AUDITORS

Nexia TS Risk Advisory Pte. Ltd.
100 Beach Road
#30-00 Shaw Tower
Singapore 189702

COMPANY REGISTRATION NO.

198702381M

Financial Contents

Directors' report

The directors are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2012.

Directors

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

Chua Thian Poh (Chairman)
Desmond Woon Choon Leng
Ong Chong Hua
Tan Keng Boon
Ch'ng Jit Koon
Jeffery Chan Cheow Tong
Tan Eng Bock
Bobby Chin Yoke Choong

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Companies Act (Cap. 50), particulars of interests of directors who held office at the end of the financial year in shares and debentures in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings in the name of the director, spouse or infant children		Other holdings in which the director is deemed to have an interest	
Name of director and corporation in which interests are held	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
Chua Thian Poh				
The Company				
- ordinary shares	–	–	480,681,000	480,681,000
Immediate and ultimate holding company				
Ho Bee Holdings (Pte) Ltd				
- ordinary shares	19,070,000	19,070,000	–	–
Subsidiaries				
HBS Investments Pte Ltd				
- ordinary shares	–	–	700,000	700,000
Ho Bee Cove Pte. Ltd.				
- ordinary shares	–	–	900,000	900,000

Directors' report

	Holdings in the name of the director, spouse or infant children		Other holdings in which the director is deemed to have an interest	
Name of director and corporation in which interests are held	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
Chua Thian Poh (cont'd)				
Subsidiaries				
HB Investments (China) Pte. Ltd.				
- ordinary shares	–	–	80,000	80,000
Parliament View Developments Limited				
- ordinary shares of £1 each	–	–	50,000	50,000
Parliament View Management Company Limited				
- ordinary shares of £1 each	–	–	1	1
Related corporations				
Absolutecar E-Services Pte Ltd				
- ordinary shares	–	–	300,000	300,000
Absolutecar Services Pte Ltd				
- ordinary shares	–	–	2	2
Airjet Auto-care Pte Ltd				
- ordinary shares	–	–	500,000	500,000
Airjet Automotive Pte Ltd				
- ordinary shares	–	–	200,000	200,000
HB Media Holdings Pte Ltd				
- ordinary shares	–	–	13,894,164	13,894,164
Hin Lung Credit Pte. Ltd.				
- ordinary shares	–	–	3,530,000	3,530,000
HLC Leasing Pte. Ltd.				
- ordinary shares	–	–	10,000	10,000
Ho Bee Capital Pte Ltd				
- ordinary shares	–	–	15,000,000	15,000,000

Directors' report

	Holdings in the name of the director, spouse or infant children		Other holdings in which the director is deemed to have an interest	
Name of director and corporation in which interests are held	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
Chua Thian Poh (cont'd)				
Related corporations				
Ho Bee Print Pte Ltd - ordinary shares	–	–	5,680,000	5,680,000
Kingdom Investment Holdings Pte. Ltd. - ordinary shares	–	–	–	62,400,000
Spencorp Limited - ordinary shares	–	–	26,550	26,550
Zen Property Management Pte Ltd - ordinary shares	–	–	1,000,000	1,000,000
Desmond Woon Choon Leng				
The Company - ordinary shares	2,100,000	2,100,000	–	–
Ong Chong Hua				
The Company - ordinary shares	1,800,000	1,800,000	–	–
Related corporation				
Kingdom Investment Holdings Pte. Ltd. - ordinary shares	–	1,625,000	–	–
Tan Keng Boon				
The Company - ordinary shares	500,000	500,000	–	–
Ch'ng Jit Koon				
The Company - ordinary shares	420,000	420,000	–	–

Directors' report

Name of director and corporation in which interests are held	Holdings in the name of the director, spouse or infant children		Other holdings in which the director is deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
Jeffery Chan Cheow Tong				
The Company - ordinary shares	370,000	370,000	–	–
Bobby Chin Yoke Choong				
The Company - ordinary shares	131,000	131,000	–	–
Related corporation				
Kingdom Investment Holdings Pte. Ltd. - ordinary shares	–	975,000	–	–

By virtue of Section 7 of the Companies Act (Cap. 50), Mr Chua Thian Poh is deemed to have an interest in all the other wholly-owned subsidiaries of Ho Bee Investment Ltd, at the beginning and at the end of the financial year.

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

There was no change in any of the abovementioned interests in the Company or in related corporations between the end of the financial year and 21 January 2013.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement to which the Company is a party, being 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.

Directors' report

Directors' contractual benefits

During the financial year, the Company and its related corporations have in the normal course of business entered into transactions with affiliated parties and parties in which Mr Chua Thian Poh is deemed to have an interest. Such transactions comprised payments for rental expenses, printing expenses and other transactions carried out on normal commercial terms and in the normal course of the business of the Company and its related corporations. However, the director has neither received nor will he be entitled to receive any benefit arising out of these transactions other than those to which he may be entitled as a customer, supplier or member of these corporations.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 32 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or its related corporations with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share options

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in 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.

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

Audit & Risk Committee

The Company's Audit Committee was renamed as Audit & Risk Committee on 7 November 2012. The members of the Audit & Risk Committee at the date of this report are as follows:

Bobby Chin Yoke Choong	(Chairman, Independent Director)
Tan Keng Boon	(Lead Independent Director)
Ch'ng Jit Koon	(Independent Director)
Jeffery Chan Cheow Tong	(Independent Director)

The Audit & Risk Committee performs the functions specified in Section 201B(5) of the Companies Act (Cap. 50), the SGX-ST Listing Manual and the Singapore Code of Corporate Governance. These functions include a review of the financial statements of the Company and of the Group for the financial year and the auditors' report thereon.

Besides overseeing accountability and audit, the Audit & Risk Committee also assists the Board with risk governance and overseeing the Company's risk management framework and policies.

The Audit & Risk Committee has undertaken a review of the nature and extent of non-audit services provided by the firm acting as the auditors. In the opinion of the Audit & Risk Committee, these services would not affect the independence of the auditors.

Directors' report

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

In appointing the auditors of the Company, its subsidiaries and significant associated companies, the Group has complied with Rules 712 and 715 of the SGX-ST Listing Manual.

Auditors

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

On behalf of the Board of Directors

Chua Thian Poh
Chairman

Desmond Woon Choon Leng
Director

22 March 2013

Statement by Directors

In our opinion:

(a) the financial statements set out on pages 56 to 117 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

On behalf of the Board of Directors

Chua Thian Poh
Chairman

Desmond Woon Choon Leng
Director

22 March 2013

Independent auditors' report

Members of the Company
Ho Bee Investment Ltd

Report on the financial statements

We have audited the accompanying financial statements of Ho Bee Investment Ltd (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2012, the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 56 to 117.

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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' 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.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group 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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
22 March 2013

Statements of financial position

As at 31 December 2012

	Note	Group 2012 $'000	Group 2011 $'000 Restated	Company 2012 $'000	Company 2011 $'000
Non-current assets					
Property, plant and equipment	4	16,656	122,459	322	401
Investment properties	5	761,182	648,520	–	–
Subsidiaries	6	–	–	39,758	43,286
Associates	7	413,291	368,770	431,733	361,194
Jointly-controlled entities	8	5,244	10,853	1,500	1,500
Other assets	9	150	150	–	–
Financial assets	10	3,438	5,816	–	–
Other receivables	11	601,834	564,860	594,277	493,028
Deferred tax assets	12	582	728	–	–
		1,802,377	1,722,156	1,067,590	899,409
Current assets					
Inventories		44	18	–	–
Development properties	13	282,182	418,282	–	–
Trade and other receivables	14	56,783	106,367	30,720	216,742
Financial assets	10	1,433	96	58	46
Cash and cash equivalents	15	162,508	57,247	125,462	8,527
Assets held for sale	16	135,700	3,134	–	729
		638,650	585,144	156,240	226,044
Total assets		2,441,027	2,307,300	1,223,830	1,125,453
Equity attributable to equity holders of the Company					
Share capital	17	205,133	205,133	205,133	205,133
Reserves	18	1,581,557	1,440,111	619,265	537,247
		1,786,690	1,645,244	824,398	742,380
Non-controlling interests		19,512	21,001	–	–
Total equity		1,806,202	1,666,245	824,398	742,380
Non-current liabilities					
Loans and borrowings	19	275,800	390,873	–	77,573
Other liabilities	20	29,287	29,938	–	–
Deferred tax liabilities	12	12,536	7,910	–	–
Deferred income	21	1,801	2,784	–	–
		319,424	431,505	–	77,573
Current liabilities					
Trade and other payables	22	82,292	44,719	259,285	273,676
Loans and borrowings	19	186,106	117,914	139,937	31,614
Deferred income	21	982	982	–	–
Current tax payable		46,021	45,935	210	210
		315,401	209,550	399,432	305,500
Total liabilities		634,825	641,055	399,432	383,073
Total equity and liabilities		2,441,027	2,307,300	1,223,830	1,125,453

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

Consolidated income statement

Year ended 31 December 2012

	Note	2012 $'000	2011 $'000 Restated
Revenue	23	461,649	331,198
Cost of sales		(309,972)	(212,358)
Gross profit		151,677	118,840
Other income	24	46,870	80,716
Administrative expenses		(14,681)	(13,841)
Other expenses		(2,463)	(4,657)
Results from operating activities		181,403	181,058
Finance costs	26	(3,656)	(2,511)
Share of (loss) profits, net of tax, of:			
- associates		(484)	699
- jointly-controlled entities		29,492	44,927
Profit before income tax		206,755	224,173
Income tax expense	27	(23,533)	(23,497)
Profit from continuing operations		183,222	200,676
Discontinued operation			
Profit from discontinued operation (net of tax)	28	3,723	3,235
Profit for the year	29	186,945	203,911
Profit attributable to:			
Owners of the Company		187,065	202,514
Non-controlling interests		(120)	1,397
Profit for the year		186,945	203,911
Earnings per share			
Basic earnings per share (cents)	30	26.69	27.98
Diluted earnings per share (cents)	30	26.69	27.98

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

Consolidated statement of comprehensive income

Year ended 31 December 2012

	2012 $'000	2011 $'000
Profit for the year	186,945	203,911
Other comprehensive income		
Foreign currency translation differences relating to foreign operations	(4,473)	1,180
Share of foreign currency translation differences of equity-accounted investee	(25,535)	19,979
Net gain on hedge of net investment in foreign operations	2,602	–
Surplus on revaluation of property, plant and equipment	26,077	10,804
Other comprehensive income for the year, net of income tax	(1,329)	31,963
Total comprehensive income for the year	185,616	235,874
Attributable to:		
Owners of the Company	186,105	234,249
Non-controlling interests	(489)	1,625
Total comprehensive income for the year	185,616	235,874

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

Consolidated statement of changes in equity

Year ended 31 December 2012

	<------------------ Attributable to owners of the Company					-------------------->			
	Share capital $'000	Reserve for own shares $'000	Capital reserve $'000	Re-valuation reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group									
At 1 January 2011	205,133	(659)	2,230	57,795	(14,957)	1,226,764	1,476,306	23,376	1,499,682
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	202,514	202,514	1,397	203,911
Other comprehensive income									
Foreign currency translation differences relating to foreign operations	–	–	–	–	952	–	952	228	1,180
Share of foreign currency translation differences of equity-accounted investee	–	–	–	–	19,979	–	19,979	–	19,979
Surplus on revaluation of property, plant and equipment	–	–	–	10,804	–	–	10,804	–	10,804
Total other comprehensive income	–	–	–	10,804	20,931	–	31,735	228	31,963
Total comprehensive income for the year	–	–	–	10,804	20,931	202,514	234,249	1,625	235,874
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	(4,000)	(4,000)
Final tax exempt dividend paid of 3 cents per share in respect of 2010	–	–	–	–	–	(21,993)	(21,993)	–	(21,993)
Purchase of treasury shares	–	(43,318)	–	–	–	–	(43,318)	–	(43,318)
Total contributions by and distributions to owners of the Company	–	(43,318)	–	–	–	(21,993)	(65,311)	(4,000)	(69,311)
At 31 December 2011	205,133	(43,977)	2,230	68,599	5,974	1,407,285	1,645,244	21,001	1,666,245

Consolidated statement of changes in equity (cont'd)

Year ended 31 December 2012

	Share capital $'000	Reserve for own shares $'000	Capital reserve $'000	Re-valuation reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
	<------------------ Attributable to owners of the Company						-------------------->		
Group									
At 1 January 2012	205,133	(43,977)	2,230	68,599	5,974	1,407,285	1,645,244	21,001	1,666,245
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	187,065	187,065	(120)	186,945
Other comprehensive income									
Foreign currency translation differences relating to foreign operations	–	–	–	–	(4,104)	–	(4,104)	(369)	(4,473)
Share of foreign currency translation differences of equity-accounted investee	–	–	–	–	(25,535)	–	(25,535)	–	(25,535)
Net gain on hedge of net investment in foreign operations	–	–	–	–	2,602	–	2,602	–	2,602
Surplus on revaluation of property, plant and equipment	–	–	–	26,077	–	–	26,077	–	26,077
Total other comprehensive income	–	–	–	26,077	(27,037)	–	(960)	(369)	(1,329)
Total comprehensive income for the year	–	–	–	26,077	(27,037)	187,065	186,105	(489)	185,616
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	(1,000)	(1,000)
Final tax exempt dividend paid of 4 cents per share in respect of 2011	–	–	–	–	–	(28,136)	(28,136)	–	(28,136)
Purchase of treasury shares	–	(16,523)	–	–	–	–	(16,523)	–	(16,523)
Total contributions by and distributions to owners of the Company	–	(16,523)	–	–	–	(28,136)	(44,659)	(1,000)	(45,659)
At 31 December 2012	205,133	(60,500)	2,230	94,676	(21,063)	1,566,214	1,786,690	19,512	1,806,202

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

Consolidated statement of cash flows

Year ended 31 December 2012

	2012 $'000	2011 $'000
Cash flows from operating activities		
Profit for the year	186,945	203,911
Adjustments for:		
Depreciation of property, plant and equipment	1,761	1,958
Loss/(Gain) on disposal of property, plant and equipment	2	(44)
Unrealised exchange (gain)/loss	(1,564)	552
Interest income	(4,841)	(4,570)
Dividend income	(21)	(8)
Distribution income from financial assets designated at fair value through profit or loss	(570)	(322)
Finance costs	3,656	2,511
Fair value gain of investment properties	(17,600)	(41,300)
Net changes in fair value of financial assets at fair value through profit or loss	352	(325)
Gain on disposal of investment properties	(17,946)	(32,427)
Gain on sale of associate	(2,166)	–
Share of profits of:		
- associates	484	(699)
- jointly-controlled entities	(29,492)	(44,927)
Income tax expense	24,577	24,447
	143,577	108,757
Changes in working capital:		
Development properties	136,417	182,730
Inventories	(26)	–
Trade and other receivables	11,659	(2,530)
Trade and other payables	35,003	(21,930)
Cash generated from operations	326,630	267,027
Income taxes paid	(19,719)	(51,462)
Net cash generated from operating activities carried forward	306,911	215,565

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

Consolidated statement of cash flows (cont'd)

Year ended 31 December 2012

	Note	2012 $'000	2011 $'000
Net cash generated from operating activities brought forward		306,911	215,565
Cash flows from investing activities			
Net repayments from jointly-controlled entities		2,561	3,603
Purchase of property, plant and equipment		(5,583)	(6,917)
Proceeds from disposal of property, plant and equipment		–	397
Proceeds from disposal of investment properties		46,717	162,427
Proceeds from disposal of associate		6,819	–
Additional costs incurred on investment properties		(117,117)	(47,240)
Investment in associate		(70,539)	(50,753)
Interest received		1,224	3,233
Dividend received		32,007	26,008
Purchase of financial assets designated at fair value through profit or loss		(347)	(662)
Advances to an investee company		(3,850)	(7,520)
Distributions from financial assets designated at fair value through profit or loss		1,294	1,127
Net cash (used in) generated from investing activities		(106,814)	83,703
Cash flows from financing activities			
Amount due to a non-controlling shareholder (non-trade)		1,456	4,771
Proceeds from bank loans		141,059	112,590
Repayment of bank loans		(180,418)	(355,154)
Interest paid		(11,292)	(10,206)
Purchase of treasury shares		(16,523)	(43,318)
Dividends paid		(28,136)	(21,993)
Dividend paid to non-controlling shareholders		(1,000)	(4,000)
Net cash used in financing activities		(94,854)	(317,310)
Net increase (decrease) in cash and cash equivalents		105,243	(18,042)
Cash and cash equivalents at 1 January		57,247	75,280
Effect of exchange rate fluctuations on cash held		18	9
Cash and cash equivalents at 31 December	15	162,508	57,247

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 22 March 2013.

1 Domicile and activities

Ho Bee Investment Ltd (the Company) is incorporated in the Republic of Singapore. The address of the Company's registered office is 12 Tannery Road, #10-01 HB Centre 1, Singapore 347722.

The financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and jointly-controlled entities.

The Group is primarily involved in property development, property investment, hotel ownership and management, and investment holding. The immediate and ultimate holding company during the financial year is Ho Bee Holdings (Pte) Ltd, incorporated in the Republic of Singapore.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

Information about critical judgements in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements or have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 35 – valuation of financial instruments
- Note 37 – accounting estimates and judgements

Notes to the financial statements

3 Significant accounting policies

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

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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

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

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

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

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Notes to the financial statements

3 Significant accounting policies (cont'd)

3.1 Basis of consolidation (cont'd)

Loss of control

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

Investments in associates and jointly-controlled entities (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly-controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly-controlled entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investments includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly-controlled entities are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries, associates, jointly-controlled entities by the Company

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

Notes to the financial statements

3 Significant accounting policies (cont'd)

3.2 Foreign currency

Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:
- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

Foreign operations

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

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in other comprehensive income, and are presented in the translation reserve in equity.

Notes to the financial statements

3 Significant accounting policies (cont'd)

3.2 Foreign currency (cont'd)

Hedge of a net investment in foreign operation

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Company's functional currency (Singapore dollars), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

3.3 Financial instruments

Non-derivative financial assets

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

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

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

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

Financial assets at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is acquired principally for the purpose of selling in the short term or is designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management and investment strategies. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Notes to the financial statements

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

Available-for-sale financial assets

The Group's investments in certain equity securities and debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses, and foreign exchange gains and losses on available-for-sale monetary items (see note 3.2), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Equity instruments that do not have a quoted market price in an active market and in respect of which the range of fair value estimates is significant, are measured at cost less accumulated impairment losses if the probabilities of the various estimates cannot be reasonably assessed.

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Non-derivative financial liabilities

The Group initially recognises financial liabilities (including liabilities designated at fair value through profit or loss) initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, trade and other payables and other liabilities.

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

Notes to the financial statements

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

Impairment of financial assets

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

Impairment losses in respect of financial assets measured at amortised cost are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

Impairment losses once recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in fair value of such assets is recognised directly in equity.

Intra-group financial guarantees

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

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

Notes to the financial statements

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

Share capital

Ordinary shares are classified as equity.

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

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

3.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for hotel land and buildings, which are stated at their revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are carried out by independent professional valuers regularly such that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

Any increase in the revaluation amount is credited to the revaluation reserve unless it offsets a previous decrease in value of the same asset that was recognised in profit or loss. A decrease in value is recognised in profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to accumulated profits and is not taken into account in arriving at the gain or loss on disposal.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expense in profit or loss.

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

Freehold land, paintings and sculptures, and property under construction are not depreciated. Depreciation on other property, plant and equipment is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Notes to the financial statements

3 Significant accounting policies (cont'd)

3.4 Property, plant and equipment (cont'd)

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

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

Freehold property	50 years
Freehold land and hotel building	30 years
Leasehold improvements	5 to 10 years
Furniture, fittings and office equipment	5 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

Property, plant and equipment which are fully depreciated, are retained in the financial statements until they are no longer in use.

3.5 Goodwill

Goodwill and negative goodwill arise on the acquisition of subsidiaries, associates and jointly-controlled entities.

Goodwill represents the excess of:

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

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

3.6 Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. Rental income from investment properties is accounted for in the manner described in note 3.14.

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

Notes to the financial statements

3 Significant accounting policies (cont'd)

3.6 Investment properties (cont'd)

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

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

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

Where a property is expected to be sold within the foreseeable future, it is reclassified to current assets in the statement of financial position. The property is measured at fair value with any change recognised in profit or loss.

3.7 Leases

When the entities within the Group are lessors of an operating lease

Assets subject to operating leases are included in investment properties and are stated at fair value and not depreciated. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

When the entities within the Group are lessees of an operating lease

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

3.8 Impairment – non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated at each reporting date, and as and when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Notes to the financial statements

3 Significant accounting policies (cont'd)

3.8 Impairment – non-financial assets (cont'd)

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

3.9 Development properties

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost plus, where appropriate, a portion of attributable profit, and estimated net realisable value, net of progress billings. Net realisable value is the estimated selling price less costs to be incurred in selling the properties.

The cost of properties under development comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

Development properties which have been awarded Temporary Occupation Permit (TOP) and are not sold are transferred to properties held for sale.

Properties held for sale are those properties which are acquired as completed properties and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less costs to be incurred in selling the properties. The cost of properties held for sale comprises the cost of purchase of properties and associated costs.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value on the first-in, first-out basis.

3.11 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of associates and jointly controlled entities ceases once classified as held for sale or distribution.

Notes to the financial statements

3 Significant accounting policies (cont'd)

3.12 Employee benefits

Defined contribution plans

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

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.13 Interest-free related party loans – non-quasi equity

Loans to subsidiaries and associate

Interest-free loans to subsidiaries and associate are stated at fair value at inception. The difference between the fair value and the loan amount at inception is recognised as additional investments in subsidiaries and associate in the financial statements. Subsequently, these loans are measured at amortised cost using the effective interest method. The unwinding of the difference is recognised as interest income in profit or loss over the expected repayment period. Intra-group balances between the Company and its subsidiaries are eliminated in full in the Group's consolidated financial statements.

3.14 Revenue recognition

Sale of development properties in Singapore

Where property is under development and agreement has been reached to sell such property when construction is complete, the Group considers whether the contract comprise a contract to construct a property or a contract for the sale of a completed property.

Where a contract is judged to be for the construction of a property, revenue is recognised using percentage of completion method as construction progresses. Under the percentage of completion method, the percentage of completion is measured by reference to the work performed, based on the stage of completion certified by an architect or a quantity surveyor. Profits are recognised only in respect of finalised sale agreements to the extent that such profits relate to the progress of the construction work.

Where a contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer.

Notes to the financial statements

3 Significant accounting policies (cont'd)

3.14 Revenue recognition (cont'd)

Sale of development properties overseas

For overseas property development projects, where no progress payments are received from purchasers during construction, there is a risk that purchasers may not complete their obligations under the sale contracts. Accordingly, income from such sales is recognised in the period in which the purchaser takes possession of the property and when full payment is received.

Rental income

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

Hotel revenue

Revenue arising from hotel and leisure operations is recognised when the relevant services are rendered.

Dividend income

Dividend income is recognised on the date that the shareholder's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Interest income

Interest income from bank deposits is recognised as it accrues, using the effective interest method.

Distribution income

Distribution received from investment in private equity fund which constitute a return of capital is treated as a return of investment and is set off against the carrying value of the investment. Any other distributions are taken to profit or loss.

Management fee income

Fee from the provision of management services are recognised when the services have been rendered.

3.15 Finance costs

Borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

Capitalisation of interest for a development of property is discontinued upon the receipt of TOP issued by the relevant authority.

Notes to the financial statements

3 Significant accounting policies (cont'd)

3.16 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, temporary differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future, and taxable temporary differences arising on initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

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

3.17 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

Notes to the financial statements

3 Significant accounting policies (cont'd)

3.18 Earnings per share

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

3.19 Segment reporting

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

3.20 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

Notes to the financial statements

4 Property, plant and equipment

	Freehold land and building $'000	Freehold property $'000	Leasehold improvements $'000	Paintings and sculptures $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Group							
Cost/Valuation	**Valuation**	**Cost**	**Cost**	**Cost**	**Cost**	**Cost**	
At 1 January 2011, as previously reported	101,600	–	625	–	1,304	1,690	105,219
Reclassification from other assets	–	–	–	4,594	–	–	4,594
At 1 January 2011, as restated	101,600	–	625	4,594	1,304	1,690	109,813
Additions	–	–	–	5,131	404	1,382	6,917
Surplus on revaluation	10,804	–	–	–	–	–	10,804
Reversal of depreciation on revaluation	(1,404)	–	–	–	–	–	(1,404)
Disposals	–	–	–	–	(139)	(1,069)	(1,208)
At 31 December 2011	111,000	–	625	9,725	1,569	2,003	124,922
Additions	–	2,248	–	3,321	14	–	5,583
Surplus on revaluation	26,077	–	–	–	–	–	26,077
Reversal of depreciation on revaluation	(1,377)	–	–	–	–	–	(1,377)
Reclassification to assets held for sale	(135,700)	–	–	–	–	–	(135,700)
Disposals	–	–	–	–	(19)	–	(19)
At 31 December 2012	–	2,248	625	13,046	1,564	2,003	19,486

Notes to the financial statements

4 Property, plant and equipment (cont'd)

	Freehold land and building $'000	Freehold property $'000	Leasehold improvements $'000	Paintings and sculptures $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Group							
Accumulated depreciation and impairment losses	**Valuation**	**Cost**	**Cost**	**Cost**	**Cost**	**Cost**	
At 1 January 2011	–	–	612	–	1,126	1,026	2,764
Depreciation charge for the year	1,404	–	12	–	183	359	1,958
Reversal of depreciation on revaluation	(1,404)	–	–	–	–	–	(1,404)
Disposals	–	–	–	–	(124)	(731)	(855)
At 31 December 2011	–	–	624	–	1,185	654	2,463
Depreciation charge for the year	1,377	44	1	–	106	233	1,761
Reversal of depreciation on revaluation	(1,377)	–	–	–	–	–	(1,377)
Disposals	–	–	–	–	(17)	–	(17)
At 31 December 2012	–	44	625	–	1,274	887	2,830
Carrying amount							
At 1 January 2011	101,600	–	13	4,594	178	664	107,049
At 31 December 2011	111,000	–	1	9,725	384	1,349	122,459
At 31 December 2012	–	2,204	–	13,046	290	1,116	16,656

Notes to the financial statements

4 Property, plant and equipment (cont'd)

	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Company			
Cost			
At 1 January 2011	215	476	691
Additions	40	222	262
Disposals	–	(175)	(175)
At 31 December 2011	255	523	778
Additions	14	–	14
Disposals	(10)	–	(10)
At 31 December 2012	259	523	782
Accumulated depreciation and impairment losses			
At 1 January 2011	196	241	437
Depreciation charge for the year	14	76	90
Disposals	–	(150)	(150)
At 31 December 2011	210	167	377
Depreciation charge for the year	16	77	93
Disposals	(10)	–	(10)
At 31 December 2012	216	244	460
Carrying amount			
At 1 January 2011	19	235	254
At 31 December 2011	45	356	401
At 31 December 2012	43	279	322

Freehold land and building of the Group were revalued as at 31 December 2011 by Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("Colliers"), a firm of independent professional valuers, at open market value on an existing use basis. The surplus on revaluation of the property amounting to $10,804,000 was recognised in the revaluation reserve of the Group.

Security

At 31 December 2011, freehold land and building with a carrying amount of $111,000,000 were pledged to secure bank facilities granted to the Group (see note 19).

Notes to the financial statements

5 Investment properties

	Note	Group 2012 $'000	Group 2011 $'000
Freehold properties			
At 1 January		138,900	134,900
Additions		671	–
Disposals		(28,771)	(35,200)
Changes in fair value		14,500	39,200
At 31 December		125,300	138,900
Leasehold properties			
At 1 January		28,500	121,200
Disposals		–	(94,800)
Changes in fair value		3,100	2,100
At 31 December		31,600	28,500
Leasehold property under development			
At 1 January		481,120	427,286
Additions		123,162	53,834
At 31 December		604,282	481,120
Total investment properties		761,182	648,520
Interest capitalised during the year	26	6,716	6,594

Investment properties are stated at fair value based on desktop valuations carried out by Colliers. The fair values are based on market values, being the estimated amount for which a property 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 valuers have considered valuation techniques including the direct comparison method, and investment method in arriving at the open market value as at the balance sheet date. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties. The investment method involves the estimation and projection of an income stream over a period, using market rates on vacancy and expenses.

Investment properties comprise a number of commercial properties that are leased to third party customers. Each of the leases contains an initial non-cancellable period of 1 to 3 years. Subsequent renewals are negotiated with the lessee. No contingent rents are charged.

Certain investment properties with carrying value amounting to $682,182,000 (2011: $483,821,000) have been pledged to secure banking facilities granted to the Group (see note 19).

Notes to the financial statements

6 Subsidiaries

	Company 2012 $'000	Company 2011 $'000
Equity investments, at cost	38,599	41,599
Discount implicit in interest-free loans to subsidiaries	2,159	2,687
Impairment loss	(1,000)	(1,000)
	39,758	43,286

Details of the significant subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Effective equity held by the Group 2012 %	Effective equity held by the Group 2011 %
Ho Bee Developments Pte Ltd	Singapore	100	100
Ho Bee Realty Pte Ltd	Singapore	100	100
Ho Bee (One North) Pte. Ltd.	Singapore	100	100
Pacific Rover Pte Ltd	Singapore	100	100
Ho Bee Cove Pte. Ltd.	Singapore	90	90
HB Investments (China) Pte. Ltd.	Singapore	80	80

KPMG LLP are the auditors of all significant Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries.

Notes to the financial statements

7 Associates

The Group's associates include share of the associates' post-acquisition losses of $833,000 (2011: post-acquisition profits of $2,057,000).

Details of significant associates are as follows:

Name of associates	Country of incorporation	Effective equity held by the Group 2012 %	Effective equity held by the Group 2011 %
^ Shanghai Yanlord Hongqiao Property Co., Ltd	China	40	40
@ Zhuhai Yanlord Heyou Land Co., Ltd	China	20	20
@ Zhuhai Yanlord Youmei Land Co., Ltd	China	20	20

^ Audited by 上海中惠会计师事务所

@ Audited by 珠海德鸿会计师事务所有限公司

The summarised financial information is not adjusted for the percentage of ownership held by the Group. Summarised financial information on the associates is set out below:

	2012 $'000	2011 $'000
Results		
Revenue	–	1,167
(Loss)/Profit after taxation	(1,476)	2,687
Assets and liabilities		
Total assets	1,384,280	1,120,035
Total liabilities	63,468	50,892
Group's share of contingent liabilities	–	1,514

Notes to the financial statements

8 Jointly-controlled entities

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Investments in jointly-controlled entities	5,244	10,853	1,500	1,500

The Group's jointly-controlled entities include share of the jointly-controlled entities' post-acquisition profits of $7,939,000 (2011: $10,447,000).

In 2012, the Group received dividends of $32,000,000 (2011: $26,000,000) from its investments in jointly-controlled entities.

Included in the Company's investments in jointly-controlled entities are impairment losses amounting to $350,000 (2011: $350,000).

Details of significant jointly-controlled entities are as follows:

Name of jointly-controlled entities	Country of incorporation	Effective equity held by the Group 2012 %	Effective equity held by the Group 2011 %
@ Calne Pte Ltd	Singapore	50	50
@ Seaview (Sentosa) Pte Ltd	Singapore	50	50
@ Pinnacle (Sentosa) Pte Ltd	Singapore	35	35
[1] Yanlord Ho Bee Investment Pte. Ltd.	Singapore	40	40

@ Audited by KPMG LLP, Singapore.

[1] The jointly-controlled entity is audited by Deloitte & Touche LLP Singapore.

The Group's share of the jointly-controlled entities' results, assets and liabilities is as follows:

	2012 $'000	2011 $'000
Results		
Income	38,765	184,391
Expenses	(9,273)	(139,464)
Profit after income tax	29,492	44,927
Assets and liabilities		
Current assets	874,139	879,943
Current liabilities	(65,596)	(76,989)
Non-current liabilities	(803,299)	(792,101)
Net assets / (liabilities)	5,244	10,853
Group's share of jointly-controlled entities' capital commitments	8,700	94,626

Notes to the financial statements

9 Other assets

	Group 2012 $'000	Group 2011 $'000
At cost		
Club membership	150	150

10 Financial assets

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Non-current assets				
Investments designated at fair value through profit or loss				
Investments in private equity funds	3,438	4,403	–	–
Available-for-sale investments				
Unquoted equity investment	–	1,413	–	–
	3,438	5,816	–	–
Current assets				
Investments held for trading				
Quoted equity investments	107	96	58	46
Available-for-sale investments				
Unquoted equity investment	1,326	–	–	–
	1,433	96	58	46
Total financial assets	4,871	5,912	58	46

Investments designated at fair value through profit or loss are those that the Group intends to hold for the medium term and represent investments in companies that are strategic and are involved in emerging technologies.

The available-for-sale unquoted equity investment stated at cost less impairment losses was reclassified from non-current assets to current assets following management's intent to dispose of the investment within the next 12 months.

Notes to the financial statements

11 Other receivables

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Non-current assets				
Amounts due from subsidiaries (non-trade)				
- non-interest bearing	–	–	116,204	72,737
Amounts due from jointly-controlled entities (non-trade)				
- interest-bearing	534,706	477,673	534,706	477,673
- non-interest bearing	67,128	58,576	–	–
Impairment losses	–	–	(56,633)	(57,382)
	601,834	536,249	478,073	420,291
Amount due from an investee company (non-trade)				
- non-interest bearing	–	28,611	–	–
	601,834	564,860	594,277	493,028

The above amounts are unsecured and are not expected to be repaid within the next 12 months.

Included in non-interest bearing amounts due from subsidiaries is an amount of $114,490,000 (2011: $69,806,000) for which settlement is neither planned nor likely to occur in the foreseeable future. As this amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less accumulated impairment losses.

The settlement for the non-interest bearing amounts due from jointly-controlled entities of $67,128,000 (2011: $58,576,000) is neither planned nor likely to occur in the foreseeable future. As this amount is, in substance, a part of the Group's net investment in the jointly-controlled entity, it is stated at cost less accumulated impairment losses.

The amount due from an investee company was reclassified to current assets following management's intent to dispose of the investee company within the next twelve months.

Terms and conditions of the above outstanding amounts (excluding those amounts whereby, in substance, are part of the Group's and the Company's net investment in subsidiaries and jointly-controlled entities) are as follows:

	Effective interest rate %	Expected year of maturity	2012 Face value $'000	2012 Carrying amount $'000	2011 Face value $'000	2011 Carrying amount $'000
Group						
Amounts due from jointly-controlled entities	1.2 – 1.4	2014	534,706	534,706	477,673	477,673
Company						
Amounts due from subsidiaries	3.50 – 4.75*	2014	1,796	1,714	3,156	2,931
Amounts due from jointly-controlled entities	1.2 – 1.4	2014	534,706	534,706	477,673	477,673
			536,502	536,420	480,829	480,604

*The effective interest rates are the prevailing market interest rates of similar loans, which are used to discount the loans to subsidiaries to arrive at their fair values at inception.

Notes to the financial statements

12 Deferred tax

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

	At 1 January 2011 $'000	Recognised in income statement (note 27) $'000	At 31 December 2011 $'000	Recognised in income statement (note 27) $'000	At 31 December 2012 $'000
Group					
Deferred tax liabilities					
Development properties	7,345	408	7,753	4,626	12,379
Property, plant and equipment	4	49	53	–	53
Income not remitted into Singapore	104	–	104	–	104
Investment properties	5,303	(5,303)	–	–	–
Total	12,756	(4,846)	7,910	4,626	12,536
Deferred tax assets					
Tax loss carried forward	–	(88)	(88)	(21)	(109)
Deferred income	(807)	167	(640)	167	(473)
Total	(807)	79	(728)	146	(582)

13 Development properties

	Note	Group 2012 $'000	Group 2011 $'000
Properties held for sale		4,927	5,523
Properties under development:			
- Costs incurred and attributable profits		1,183,953	2,342,593
- Progress billings		(906,698)	(1,929,834)
		277,255	412,759
Total development properties		282,182	418,282
Interest capitalised during the year	26	398	1,161

The finance costs have been capitalised at rates ranging from 1.18% to 1.32% (2011: 0.71% to 1.28%) per annum for development properties.

Certain development properties with carrying value amounting to $145,527,000 (2011: $351,602,000) have been pledged to secure banking facilities granted to the Group (see note 19).

Notes to the financial statements

14 Trade and other receivables

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Trade receivables	311	18,387	–	–
Impairment losses	(28)	(36)	–	–
Net receivables	283	18,351	–	–
Other deposits	374	245	1	1
Amounts due from:				
- subsidiaries (non-trade)				
- interest-bearing	–	–	–	54,786
- non-interest bearing	–	–	12,563	87,640
- jointly-controlled entities (non-trade)				
- interest-bearing	–	53,512	–	53,512
- non-interest bearing	16	17	–	–
- associate (non-trade)	–	1,520	–	1,520
- joint venture partner (non-trade)	18,063	31,583	18,063	19,254
- an investee company (non-trade)	30,628	–	–	–
Goods and services tax recoverable	6,299	–	–	–
Other receivables	873	890	67	3
	56,536	106,118	30,694	216,716
Prepayments	247	249	26	26
	56,783	106,367	30,720	216,742

Amounts due from subsidiaries are unsecured and repayable within the next twelve months. For the interest-bearing amounts due from subsidiaries, interest rates are charged at 1.20% (2011: 1.25%) per annum.

Amounts due from jointly-controlled entities are unsecured and repayable within the next twelve months. For the interest-bearing amounts due from jointly-controlled entities, interest rates are charged at 1.41% (2011: 1.40%) per annum.

Amount due from an investee company is unsecured and interest-free, and is repayable within the next twelve months.

Amount due from joint venture partner is unsecured and interest-free, and is repayable within the next twelve months.

Notes to the financial statements

15 Cash and cash equivalents

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Cash at banks and in hand	111,500	16,947	90,462	8,527
Fixed deposits	51,008	40,300	35,000	–
	162,508	57,247	125,462	8,527

Included in cash and cash equivalents of the Group are amounts held under the Housing Developers (Project Account) (Amendment) Rules 1997, totalling $17,727,000 (2011: $43,268,000), the use of which is subject to restrictions imposed by the aforementioned rules.

The weighted average effective interest rates relating to fixed deposits at the balance sheet date for the Group is 0.72% (2011: 0.12%) per annum. Interest rates reprice at intervals of one, three or six months.

16 Assets held for sale

The Group's freehold land and hotel building is transferred from property, plant and equipment to assets held for sale pursuant to the option to purchase agreement exercised by an external buyer on 29 October 2012 to buy the freehold land and hotel building from the Group. The sale is expected to be completed by 13 May 2013. The carrying amount of the freehold land and hotel building held for sale as at 31 December 2012 is $135,700,000.

As at 31 December 2011, the associate, Hasidon Holdings Pte Ltd, was presented as assets held for sale in the previous financial year pursuant to the sale and purchase agreement entered into by the Group on 17 November 2011 to divest its entire interests in the associate. As at 31 December 2011, the carrying amount of the associate was $3,134,000, which included an implicit discount of $408,000. The disposal of the associate was completed during the financial year.

Notes to the financial statements

17 Share capital

	Group and Company 2012 Number of shares ('000)	Group and Company 2011 Number of shares ('000)
Fully paid ordinary shares, with no par value:		
At 1 January and 31 December	737,338	737,338

As at 31 December 2012, included in the total number of ordinary shares was 44,561,000 (2011: 33,931,000) shares purchased by the Company (the "Treasury Shares") by way of market acquisition at an average price of $1.36 per share. The Treasury Shares were deducted from total equity (see note 18).

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

Capital management

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders. The Group funds its operations and growth through a mix of equity and debts. This includes the maintenance of adequate lines of credit and assessing the need to raise additional equity where required.

From time to time, the Group may undertake share purchases or acquisitions under its approved Share Purchase Mandate if and when circumstances permit, as part of the Group's management mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. The purchases or acquisitions of its shares seek to increase shareholder' values and provide greater flexibility over the Group's share capital structure.

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

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

The gearing ratio is calculated as net debt divided by total equity (excluding non-controlling interests). Net debt is calculated as borrowings less cash and cash equivalents.

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Net debt	299,398	451,540	14,475	100,660
Total equity (excluding non-controlling interests)	1,786,690	1,645,244	824,398	742,380
Gearing ratio	0.17	0.27	0.02	0.14

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2011 and 31 December 2012.

Notes to the financial statements

18 Capital and reserves

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Reserve for own shares	(60,500)	(43,977)	(60,500)	(43,977)
Capital reserve	2,230	2,230	187	187
Foreign currency translation reserve	(21,063)	5,974	–	–
Revaluation reserve	94,676	68,599	–	–
Retained earnings	1,566,214	1,407,285	679,578	581,037
	1,581,557	1,440,111	619,265	537,247

Reserve for own shares

Reserve for own shares comprises the cost of the Company's shares held by the Group.

Capital reserve

The capital reserve which arose prior to 1 January 2001, comprises negative goodwill arising on acquisition of interests in subsidiaries and discount arising on the acquisition of a loan extended by a former shareholder to a subsidiary.

Foreign currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

Revaluation reserve

The revaluation reserve comprises the surpluses arising from the revaluation of freehold land and building.

Retained earnings

Included in retained earnings is a net accumulated profit of $43,924,000 (2011: $46,916,000) representing share of post acquisition results of associates and jointly-controlled entities.

Notes to the financial statements

19 Loans and borrowings

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Non-current liabilities				
Secured bank loans	275,800	390,873	–	77,573
Current liabilities				
Secured bank loans	186,106	117,914	139,937	31,614
	461,906	508,787	139,937	109,187

The bank loans are secured on the following assets:

	Note	Group 2012 $'000	Group 2011 $'000
Property, plant and equipment	4	–	111,000
Investment properties	5	682,182	483,821
Development properties	13	145,527	351,602
Carrying amounts		827,709	946,423

In addition, the Group's bank loans are secured by legal assignment of sales and rental proceeds, insurance, construction contracts and performance bonds in relation to the properties under development.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Effective interest rate %	Expected year of maturity	2012 Face value $'000	2012 Carrying amount $'000	2011 Face value $'000	2011 Carrying amount $'000
Group						
Secured bank loans						
- floating rate	1.95 – 4.14	2013 – 2014	461,906	461,906	508,787	508,787
Company						
Secured bank loans						
- floating rate	2.29 – 2.30	2013	139,937	139,937	109,187	109,187

Notes to the financial statements

19 Loans and borrowings (cont'd)

Intra-group guarantees

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to $538,737,000 (2011: $596,886,000) extended to its subsidiaries, associates and jointly-controlled entities. The periods in which the financial guarantees expire are as follows:

	Group		Company	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Less than 1 year	–	1,514	46,169	87,814
Between 1 and 5 years	195,773	195,773	471,573	509,072
	195,773	197,287	517,742	596,886

20 Other liabilities

	Group	
	2012 $'000	**2011 $'000**
Amount due to a non-controlling shareholder (non-trade)	15,213	19,141
Non-current retention sums payable	14,074	10,797
	29,287	29,938

Amount due to a non-controlling shareholder (non-trade) is unsecured and interest-free, and does not have fixed terms of repayment. As the amount represents, in substance, the non-controlling shareholder's net investment in the Group, it is stated at cost.

21 Deferred income

	Group	
	2012 $'000	**2011 $'000**
Deferred gain:		
- current	982	982
- non-current	1,801	2,784
	2,783	3,766

Deferred gain relates to the excess of sales proceeds over the fair value of the leasehold property disposed of under a sale and leaseback arrangement in 2010. Deferred gain is released to profit or loss on a straight-line basis over the leaseback period of 5 years.

Notes to the financial statements

22 Trade and other payables

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade payables	64	190	–	–
Deposits and advances from customers	1,883	1,913	–	–
Rental deposits	6,130	3,979	–	–
Accrued operating expenses and development expenditure	59,222	36,236	9,459	7,841
Amounts due to subsidiaries (non-trade)				
- interest bearing	–	–	–	20,813
- non-interest bearing	–	–	249,811	245,001
Amount due to non-controlling shareholder (non-trade)				
- non-interest bearing	5,384	–	–	–
Other payables	546	861	–	–
Sales option fees received	8,150	–	–	–
Goods and services tax payable	913	1,380	15	21
Retention sums payable	–	160	–	–
	82,292	44,719	259,285	273,676

Amounts due to subsidiaries are unsecured and repayable on demand. For interest-bearing amounts due to subsidiaries, interest was charged at 0.8% per annum.

Amount due to non-controlling shareholder is unsecured, interest-free and repayable within the next twelve months.

23 Revenue

Revenue represents property development income, and rental income and service charges, after eliminating inter-company transactions. Property development income consists of sales proceeds from properties held for resale, and in respect of property development projects, an appropriate portion of the contracted sales value on which profit has been recognised under the percentage of completion method.

The amount of each significant category of revenue is as follows:

	Group	
	2012 $'000	2011 $'000
Gross proceeds from properties sold	447,213	315,673
Rental income and service charges	14,436	15,525
	461,649	331,198

Included in rental income and service charges is lease income generated from investment properties of $8,788,000 (2011: $12,550,000).

Notes to the financial statements

24 Other income

	Group 2012 $'000	Group 2011 $'000
Interest income	4,841	4,570
Gross dividend income from:		
- quoted equity investments	7	8
- unquoted equity investments	14	–
Gain on disposal of investment properties	17,946	32,427
Gain on disposal of property, plant and equipment	–	44
Gain on disposal of associate company	2,166	–
Fair value gain on investment properties	17,600	41,300
Exchange gain, net	1,963	1,392
Distribution income from financial assets designated at fair value through profit or loss	570	322
Forfeiture income	1,222	–
Management fee income	705	64
Government grants received under Jobs Credit Scheme	1	1
Fair value (loss) gain on financial assets at fair value through profit or loss	(352)	325
Others	187	263
	46,870	80,716

25 Directors' remuneration

Number of directors in remuneration bands:

	2012 Number of Directors	2011 Number of Directors
$500,000 and above	3	3
$250,000 to $499,999	–	–
Below $250,000	5*	5*
Total	8	8

* Includes 5 (2011: 5) independent directors.

26 Finance costs

	Note	Group 2012 $'000	Group 2011 $'000
Interest expenses on loans and borrowings		10,770	10,266
Finance costs capitalised in properties under development	13	(398)	(1,161)
Finance costs capitalised in investment property under construction	5	(6,716)	(6,594)
		3,656	2,511

Notes to the financial statements

27 Income tax expense

	Group 2012 $'000	Group 2011 $'000
Current tax expense		
Current year	21,143	29,918
Adjustments for prior years	(1,338)	(704)
	19,805	29,214
Deferred tax expense		
Movements in temporary differences	4,772	(4,767)
Income tax expense	24,577	24,447
Income tax expense from continuing operations	23,533	23,497
Income tax expense from discontinued operations	1,044	950
Total income tax expense	24,577	24,447

Reconciliation of effective tax rate

	Group 2012 $'000	Group 2011 $'000
Profit for the year	186,945	203,911
Total income tax expense	24,577	24,447
Profit excluding income tax	211,522	228,358
Tax calculated using Singapore tax rate of 17% (2011: 17%)	35,959	38,821
Expenses not deductible for tax purposes	2,921	2,041
Tax exempt revenue	(130)	(104)
Income not subject to tax	(12,617)	(15,224)
Effect of different tax rates in other countries	44	2
Tax incentives	(262)	(385)
Adjustments for prior years	(1,338)	(704)
	24,577	24,447

Notes to the financial statements

28 Discontinued operations

In October 2012, the Group entered into option to purchase agreement with a third party customer to sell its freehold land and building. Following the reclassification of the freehold land and hotel building to assets held for sale, the Group's hotel operations will be discontinued. The comparative income statement has been re-presented to show the discontinued operation separately from continuing operations.

	Group	
	2012	**2011**
	$'000	**$'000**
Results of discontinued operation		
Revenue	10,936	10,324
Expenses	(6,169)	(6,139)
Results from operating activities	4,767	4,185
Tax	(1,044)	(950)
Profit for the year	3,723	3,235
Basic earnings per share (cents)	0.53	0.44
Diluted earnings per share (cents)	0.53	0.44

The profit from discontinued operation of $3,723,000 (2011: $3,235,000) is attributable entirely to the owners of the Company. Of the profit from continuing operations of $183,222,000 (2011: $200,676,000), an amount of $183,342,000 is attributable to the owners of the Company (2011: $199,279,000).

Cash flows from discontinued operations

	Group	
	2012	**2011**
	$'000	**$'000**
Net cash from operating activities	6,138	5,871
Net cash flows for the year	6,138	5,871

Notes to the financial statements

29 Profit for the year

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

	Note	Group 2012 $'000	Group 2011 $'000
Direct operating expenses from investment properties		3,303	2,488
Audit fees paid to auditors of the Company		284	227
Non-audit fees paid to auditors of the Company		189	126
Depreciation of property, plant and equipment	4	1,761	1,958
Amortisation of deferred gain on sale of leasehold property under a sale and leaseback arrangement	21	(982)	(982)
Staff costs		8,572	7,885
Contributions to defined contribution plans included in staff costs		429	400
Allowance for impairment loss made/(reversed) on trade receivables		(8)	9
Loss on disposal of property, plant and equipment		2	–

30 Earnings per share

	Group 2012 $'000	Group 2011 $'000
Basic earnings per share is based on:		
Net profit attributable to ordinary shareholders	187,065	202,514

	Group 2012 Number of shares ('000)	Group 2011 Number of shares ('000)
Ordinary shares in issue at beginning of the year	737,338	737,338
Effect of own shares held	(36,492)	(13,631)
Weighted average number of ordinary shares in issue during the year	700,846	723,707

The Company does not have any dilutive potential ordinary shares in existence for the current and previous financial years.

Notes to the financial statements

31 Dividends

After the balance sheet date, the Directors proposed the following dividends, which have not been provided for.

	Group and Company	
	2012	**2011**
	$'000	**$'000**
Proposed final tax-exempt dividend of 5 cents (2011: 4 cents) per share	34,639	28,136

32 Significant related party transactions

Key management personnel compensation

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

Key management personnel compensation comprises:

	Group	
	2012	**2011**
	$'000	**$'000**
Directors' fees	300	300
Directors' remuneration:		
- short-term employee benefits	7,834	7,026
	8,134	7,326

Other related party transactions

Other than as disclosed elsewhere in the financial statements, the transactions with related parties entered into on terms agreed between the parties are as follows:

		Group	
		2012	**2011**
		$'000	**$'000**
Related corporations			
Rental income		21	23
Operating expenses incurred		161	136
Purchase of motor vehicle		–	223
Other related parties			
Sale of properties	(i)	–	1,555
Donations made	(ii)	1,500	1,500

(i) The Group sold two units of its development properties to a company owned by a key management personnel of the Group and her spouse.

(ii) By virtue of Mr Chua Thian Poh's shareholdings in Ho Bee Holdings (Pte) Ltd, the immediate and ultimate holding company, he is deemed to have control over the financial and operating policies of the Company. Mr Chua is also a director and a key management personnel of Ho Bee Foundation.

Notes to the financial statements

33 Commitments

As at 31 December 2012, commitments for expenditure which have not been provided for in the financial statements were as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Authorised and contracted for:		
- development expenditure	164,677	57,525
- subscription for additional interest in private equity funds	490	888

The Group leases out its investment properties, property, plant and equipment and certain properties held for sale. Non-cancellable operating lease rentals are receivable as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Within 1 year	13,619	9,894
After 1 year but within 5 years	25,131	10,181
After 5 years	4,331	855
	43,081	20,930

34 Financial risk management

Overview

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financial assets. The Group has procedures in place to manage credit risk and exposure to such risk is monitored on an ongoing basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance is a specific loss component that relates to individually significant exposures. The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving derivative financial instruments are restricted with counterparties who meet the appropriate credit criteria and/or are of high credit standing. As such, management does not expect any counterparty to fail to meet its obligations.

Notes to the financial statements

34 Financial risk management (Cont'd)

Financial guarantee

The principal risk to which the Company is exposed to is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. Guarantees are only given to its subsidiaries, associate and jointly-controlled entities.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

The intra-group financial guarantees with subsidiaries are eliminated in preparing the consolidated financial statements. Estimates of the Company's obligations arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions may well vary from actual experience so that the actual liability may vary considerably from the best estimates.

Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient level of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level compared to its overall debt position. When necessary, the Group will raise committed funding from either the capital markets and/or financial institutions and prudently balance its portfolio with some short term funding so as to achieve overall cost effectiveness.

Market risk

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

Interest rate risk

The Group manages its interest rate exposure by actively reviewing its debt portfolio and switching to cheaper sources of funding in a low interest rate environment to achieve a certain level of protection against interest rate hikes.

Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in currencies other than the Singapore dollar. The Group tries to maintain a natural hedge whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue streams to be generated from its investments. The currencies giving rise to this risk are primarily the United States (US) dollar. Exposure to foreign currency risk is monitored on an ongoing basis by the Group to ensure that the net exposure is kept at an acceptable level.

The Group is also exposed to currency translation risk on its net investments in foreign operations. Such exposures are reviewed and monitored on a regular basis.

The Group's non-current amount owing from a jointly-controlled entity, amounting to \$67,128,000 (2011: \$58,576,000), which is denominated in the US dollar is hedged by a US dollar-denominated bank loan, which mitigates the currency translation risk arising from the jointly-controlled entity. The loan is designated as a net investment hedge.

Notes to the financial statements

35 Financial instruments

Credit risk

Exposure to credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Group's credit risk is primarily attributable to trade and other receivables and financial assets. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk is inherent in the Group's trade receivables.

At the balance sheet date, the Group has receivables due from jointly-controlled entities amounting to $601,850,000 (2011: $589,778,000) representing 91% (2011: 88%) of total gross trade and other receivables. Except for these receivables, there was no concentration of credit risk.

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross 2012 $'000	Impairment loses 2012 $'000	Gross 2011 $'000	Impairment loses 2011 $'000
Group				
Past due 0 – 30 days	148	–	17,894	–
Past due 31 – 120 days	98	–	363	–
More than 120 days past due	65	28	130	36
	311	28	18,387	36

The movements in impairment loss in respect of trade receivables during the year are as follows:

	Group 2012 $'000	Group 2011 $'000
At 1 January	36	89
Impairment loss made/(reversed)	(8)	9
Impairment loss utilised	–	(62)
At 31 December	28	36

Based on historical default rates and the Group's assessment on the recoverability of amounts due from specific customers, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due more than 30 days.

Receivables that were past due but not impaired relate to a wide range of customers for whom there has not been a significant change in the credit quality. Based on past experience, management believes that no impairment allowance is necessary and the balances are still considered fully recoverable.

Notes to the financial statements

35 Financial instruments (Cont'd)

Liquidity risk

The following are the expected contractual undiscounted cash inflows/(outflows) of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount	Cash flows			
	$'000	Contractual Cash flows $'000	Within 1 Year $'000	Within 2 to 5 Years $'000	More Than 5 Years $'000
Group					
2012					
Non-derivative financial liabilities					
Secured bank loans	461,906	(475,987)	(194,587)	(281,400)	–
Retention sums payable	14,074	(14,074)	–	(14,074)	–
Trade and other payables	82,292	(82,292)	(82,292)	–	–
	558,272	(572,353)	(276,879)	(295,474)	–
2011					
Non-derivative financial liabilities					
Secured bank loans	508,787	(533,594)	(128,759)	(404,835)	–
Retention sums payable	10,957	(10,957)	(160)	(10,797)	–
Trade and other payables	44,559	(44,559)	(44,559)	–	–
	564,303	(589,110)	(173,478)	(415,632)	–
Company					
2012					
Non-derivative financial liabilities					
Secured bank loans	139,937	(141,632)	(141,632)	–	–
Amounts due to subsidiaries	249,811	(249,811)	(249,811)	–	–
Trade and other payables	9,474	(9,474)	(9,474)	–	–
	399,222	(400,917)	(400,917)	–	–
2011					
Non-derivative financial liabilities					
Secured bank loans	109,187	(113,365)	(34,201)	(79,164)	–
Amounts due to subsidiaries	265,814	(265,981)	(265,981)	–	–
Trade and other payables	7,862	(7,862)	(7,862)	–	–
	382,863	(387,208)	(308,044)	(79,164)	–

The Group is not exposed to liquidity risk on the non-current amount due to a non-controlling shareholder as the settlement of such amount is neither planned nor likely to occur in the foreseeable future.

Notes to the financial statements

35 Financial instruments (Cont'd)

Currency risk

Exposure to currency risk

The Group's significant exposures to foreign currencies other than the Company's functional currency are as follows:

	2012 US dollar $'000	2011 US dollar $'000
Group		
Financial assets	4,763	5,816
Trade and other receivables	48,691	60,195
Cash and cash equivalents	104	328
Loans and borrowings	(139,937)	–
	(86,379)	66,339
Company		
Trade and other receivables	18,063	19,254
Loans and borrowings	(139,937)	–
	(121,874)	19,254

Sensitivity analysis

The foreign currency which the Group is significantly exposed to is the US dollar. A strengthening of the Singapore dollar against the US dollar at the reporting date would increase/(decrease) profit before income tax by amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant.

	Group	
	Profit before Income Tax $'000	Equity $'000
31 December 2012		
US dollar (10% strengthening of Singapore dollar)	1,925	6,713
31 December 2011		
US dollar (10% strengthening of Singapore dollar)	(6,634)	–

	Company Profit before Income Tax $'000
31 December 2012	
US dollar (10% strengthening of Singapore dollar)	12,187
31 December 2011	
US dollar (10% strengthening of Singapore dollar)	(1,925)

Notes to the financial statements

35 Financial instruments (Cont'd)

Sensitivity analysis (cont'd)

A weakening of the Singapore dollar against the above currency would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Profile

At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

	Group Carrying Amount		Company Carrying Amount	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Fixed rate instruments				
Financial assets	51,008	40,300	35,000	54,786
Variable rate instruments				
Financial assets	534,706	531,185	534,706	531,185
Financial liabilities	(461,906)	(508,787)	(139,937)	(109,187)
	72,800	22,398	394,769	421,998

Sensitivity analysis

Fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Variable rate instruments

For the interest rate swap and the other variable rate financial assets and liabilities, a change of 100 bp in interest rate at the reporting date would increase/(decrease) amounts capitalised or credited to the statement of financial position and amounts charged or credited to the income statement as shown below. This analysis assumes that all other variables, in particular, foreign currency rates, remain constant.

	Profit before income tax in income statement		Statement of financial position	
	100 bp increase $'000	**100 bp decrease $'000**	**100 bp increase $'000**	**100 bp decrease $'000**
Group				
31 December 2012				
Variable rate instruments	2,285	(2,285)	1,557	(1,557)
31 December 2011				
Variable rate instruments	1,189	(1,189)	965	(965)

Notes to the financial statements

35 Financial instruments (Cont'd)

Sensitivity analysis (Cont'd)

Variable rate instruments (Cont'd)

	Profit before income tax in income statement		Statement of financial position	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Company				
31 December 2012				
Variable rate instruments	3,948	(3,948)	–	–
31 December 2011				
Variable rate instruments	4,220	(4,220)	–	–

Amounts that would be capitalised or credited to the statement of financial position on variable rate instruments relate to interest payable on loans funding a development property capitalised, on a specific identification basis, as part of the cost of development property. Under the percentage of completion method, such cost is brought into the income statement only in respect of sales procured and to the extent that such cost relates to the progress of construction work.

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Company.

Financial assets

The fair value of the Group's and the Company's financial assets designated at fair value through profit or loss, and available-for-sale financial assets is determined by reference to their quoted bid price at the balance sheet date. If a quoted market price is not available, the fair value of the financial assets is estimated using valuation techniques. Valuation techniques include recent arm's length prices, comparisons to similar instruments for which market observable prices exist, valuation models or discounted cash flow techniques.

The fair value of the Group's unquoted investments in private equity funds are determined based on quotations from the fund managers.

It is not practicable to reliably estimate the fair value of unquoted available-for-sale financial assets due to the lack of quoted market prices in an active market, significant range of reasonable fair value estimates, and the inability to reasonably assess the probabilities of the various estimates.

Amounts due from/to subsidiaries, associate, jointly-controlled entities and non-controlling shareholders

The carrying values of amounts due from/to subsidiaries, associate, jointly-controlled entities and non-controlling shareholders that reprice within six months of the balance sheet date approximate their fair values. Fair value is calculated based on discounted expected future principal and interest cash flows. For non-interest bearing amounts, the prevailing market interest rates of similar loans are used to discount the loans to subsidiaries and associate to arrive at their fair values.

Notes to the financial statements

35 Financial instruments (Cont'd)

Estimation of fair values (Cont'd)

Interest-bearing bank loans (secured)

The carrying values of interest-bearing bank loans that reprice within six months of the balance sheet date approximate their fair values. Fair value is calculated based on discounted expected future principal and interest cash flows.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

Interest rates used in determining fair values

The interest rates used to discount estimated cash flows, where applicable, are as follows:

	2012 %	2011 %
Financial liabilities	1.1 – 4.7	1.3 – 3.0
Receivables	1.2 – 2.1	0.9 – 2.1
Payables	1.1 – 4.7	1.3 – 3.0

Fair values versus carrying amounts

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 2011.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

Notes to the financial statements

35 Financial instruments (Cont'd)

Fair value hierarchy (Cont'd)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
31 December 2012				
Financial assets designated at fair value through profit or loss	–	–	3,438	3,438
Financial assets held for trading	107	–	–	107
	107	–	3,438	3,545
31 December 2011				
Financial assets designated at fair value through profit or loss	–	–	4,403	4,403
Financial assets held for trading	96	–	–	96
	96	–	4,403	4,499

Assets measured at fair value based on level 3 fair value measurement as at 31 December 2012:

	Financial assets at fair value through profit or loss $'000
Group	
1 January 2012	4,403
Fair value changes	(363)
Distribution income	570
Exchange loss recognised in profit or loss	(225)
Purchases	347
Settlements	(1,294)
31 December 2012	3,438
Total loss for the year included in profit or loss for assets held as at 31 December 2012	(18)
1 January 2011	4,139
Fair value changes	349
Distribution income	322
Exchange gain recognised in profit or loss	58
Purchases	662
Settlements	(1,127)
31 December 2011	4,403
Total gain for the year included in profit or loss for assets held as at 31 December 2011	729

Notes to the financial statements

35 Financial instruments (Cont'd)

Fair value hierarchy (Cont'd)

Gain/(Loss) included in profit or loss for the year is presented in other income/other expenses as follows:

	2012 $'000	2011 $'000
Other income		
Fair value (loss)/gain	(363)	349
Distribution income	570	322
	207	671
Other expense		
Exchange (loss)/gain recognised	(225)	58
Total (loss)/gain included in profit or loss for the year	(18)	729

The fair value of financial assets designated at fair value through profit or loss has been measured at fair value as determined by the investment manager or fund manager. Because of the inherent uncertainty of valuations of financial assets, the estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. As such, these investments are valued at cost until occurrence of a valuation event as defined below:

(a) Buy-out/later stage investments for which subsequent rounds of financing are not anticipated: once the investment has been held in the portfolio for one year, an analysis of the fair market value of the investment will be performed. The analysis will typically be based on a discounted multiple of earnings, revenues, earnings before interest and taxes (EBIT) or EBIT adjusted for certain non-cash changes (EBITDA) (depending on what is appropriate for that particular company/industry). Valuations may also be based on pending sale or initial public offering prices.

(b) Private equity investments are initially valued based upon transaction price, with subsequent adjustments to values which reflect the consideration of available market data, including primarily observations of the trading multiples of public companies considered comparable to the privately held companies being valued. Valuations are also adjusted to give consideration to the financial condition and operating results specific to the issuer. Any investment in a privately-held company, suffering an impairment in its value is written down to anywhere from 75% to 100% of the carrying value of the investment depending on the severity of the situation.

(c) Public stocks, not restricted to sale or transfer, are valued at the bid price on their principal exchange as of the valuation date. If any listed security was not traded on such date, then the mean of the high bid and low ask prices as of the close of such date is used. Public stocks restricted as to sale or transfer are discounted by analyzing the nature and length of the restriction and the relative volatility of the market prices of such security.

Accordingly, the use of different factors or estimation methodologies may not be indicative of the amounts the private equity funds could realise in a current market. However, these differences on the estimated fair values will not lead to a significant effect on the Group's financial statements.

Notes to the financial statements

35 Financial instruments (Cont'd)

Financial instruments by category

	Loan and receivables $'000	Financial assets at fair value through profit or loss $'000	Available-for-sale financial assets $'000	Financial liabilities at amortised cost $'000	Total $'000
Group					
31 December 2012					
Available-for-sale financial assets	–	–	1,326	–	1,326
Financial assets held for trading	–	107	–	–	107
Trade and other receivables*	591,242	–	–	–	591,242
Financial assets at fair value through profit or loss	–	3,438	–	–	3,438
Cash and cash equivalents	162,508	–	–	–	162,508
Loans and borrowings	–	–	–	(461,906)	(461,906)
Trade and other payables^	–	–	–	(96,366)	(96,366)
	753,750	3,545	1,326	(558,272)	200,349
31 December 2011					
Available-for-sale financial assets	–	–	1,413	–	1,413
Financial assets held for trading	–	96	–	–	96
Trade and other receivables*	583,791	–	–	–	583,791
Financial assets at fair value through profit or loss	–	4,403	–	–	4,403
Cash and cash equivalents	57,247	–	–	–	57,247
Loans and borrowings	–	–	–	(508,787)	(508,787)
Trade and other payables^	–	–	–	(55,516)	(55,516)
	641,038	4,499	1,413	(564,303)	82,647

Notes to the financial statements

35 Financial instruments (Cont'd)

Financial instruments by category (Cont'd)

	Loan and receivables $'000	Financial assets at fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Total $'000
Company				
31 December 2012				
Financial assets held for trading	–	58	–	58
Trade and other receivables*	510,481	–	–	510,481
Cash and cash equivalents	125,462	–	–	125,462
Trade and other payables^	–	–	(259,285)	(259,285)
Loans and borrowings	–	–	(139,937)	(139,937)
	635,943	58	(399,222)	236,779
31 December 2011				
Financial assets held for trading	–	46	–	46
Trade and other receivables*	639,938	–	–	639,938
Cash and cash equivalents	8,527	–	–	8,527
Trade and other payables^	–	–	(273,676)	(273,676)
Loans and borrowings	–	–	(109,187)	(109,187)
	648,465	46	(382,863)	265,648

* Excludes prepayments and amounts whereby, in substance, are part of the Group's and the Company's net investment in subsidiaries and jointly-controlled entities.

^ Excludes amount due to non-controlling shareholder (non-current) which, in substance, is part of the non-controlling shareholder's net investment in the Group.

Notes to the financial statements

36 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Property investment : Investment in properties.
- Property development : The development and trading in properties.
- Hotel : The ownership and management of a hotel

Other operations include investing in quoted and unquoted securities and private equity funds. These segments do not meet any of the quantitative thresholds for determining reportable segments in 2012 or 2011.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment gross profit, as included in the internal management reports that are reviewed by the Group's CEO. Segment gross profit is used to measure performance as management believe that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

(a) Operating segments

	Property investment $'000	Property development $'000	Hotel (Discontinued) $'000	Others $'000	Total $'000
2012					
Revenue from external customers	10,975	450,674	10,936	–	472,585
Reportable segment gross profit	7,624	144,054	8,946	–	160,624
Other operating income					42,161
Other operating expenses					(21,456)
Profit from operations					181,329
Interest income					4,841
Finance costs					(3,656)
Share of profits of associates					(484)
Share of profits of jointly-controlled entities					29,492
Profit before income tax					211,522
Other material non-cash items:					
- Fair value changes on investment properties	17,600	–	–	–	17,600
- Depreciation of property, plant and equipment	–	–	(1,377)	–	(1,377)
Reportable segment assets	767,466	300,167	137,310	35,499	1,240,442
Investments in associate and jointly-controlled entities	–	418,535	–	–	418,535
Reportable segment liabilities	321,969	155,151	–	12,563	489,683

Notes to the financial statements

36 Operating segments (Cont'd)

(a) Operating segments (Cont'd)

	Property investment $'000	Property development $'000	Hotel (Discontinued) $'000	Others $'000	Total $'000
2011					
Revenue from external customers	14,916	316,282	10,324	–	341,522
Reportable segment gross profit	10,354	108,486	8,310	–	127,150
Other operating income					74,879
Other operating expenses					(21,356)
Profit from operations					180,673
Interest income					4,570
Finance costs					(2,511)
Share of profits of associates					699
Share of profits of jointly-controlled entities					44,927
Profit before income tax					228,358
Other material non-cash items:					
- Fair value changes on investment properties	41,300	–	–	–	41,300
- Depreciation of property, plant and equipment	–	–	(1,404)	–	(1,404)
Reportable segment assets	651,272	481,003	112,673	34,523	1,279,471
Investments in associate and jointly-controlled entities	3,134	379,623	–	–	382,757
Reportable segment liabilities	313,300	210,573	–	4,055	527,928

Notes to the financial statements

36 Operating segments (Cont'd)

(a) Operating segments (Cont'd)

Reconciliations of reportable segment assets and liabilities and other material items

	2012 $'000	2011 $'000
Assets		
Total assets for reportable segments	1,204,943	1,244,948
Other assets	35,499	34,523
Investments in equity accounted investees	418,535	382,757
Other unallocated amounts	782,050	645,072
Consolidated total assets	2,441,027	2,307,300
Liabilities		
Total liabilities for reportable segments	477,120	523,873
Other liabilities	12,563	4,055
Other unallocated amounts	145,142	113,127
Consolidated total liabilities	634,825	641,055

Other material items	Reportable segment totals $'000	Unallocated amounts $'000	Consolidated totals $'000
2012			
Capital expenditure	–	5,583	5,583
Depreciation of property, plant and equipment	1,377	385	1,762
2011			
Capital expenditure	–	1,786	1,786
Depreciation of property, plant and equipment	1,404	554	1,958

Notes to the financial statements

36 Operating segments (Cont'd)

(b) Geographical segments

The Group operates principally in Singapore.

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

	SIngapore $'000	China $'000	Others $'000	Consolidated Total $'000
2012				
Revenue	470,395	–	2,190	472,585
Non-current assets*	783,285	411,034	2,204	1,196,523
2011				
Revenue	341,377	–	145	341,522
Non-current assets*	783,425	367,327	–	1,150,752

* Excludes financial assets, other receivables and deferred tax assets.

The Group has a large and diversified customer base which consists of individuals and corporations. There was no single customer that contributed 10% or more to the Group's revenue.

37 Accounting estimates and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group believes the following critical accounting policies involved the most significant judgements and estimates used in the preparation of the financial statements.

Impairment loss on trade receivables

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivables balance, credit-worthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than the amount estimated.

Notes to the financial statements

37 Accounting estimates and judgements (Cont'd)

Assessment of stage of completion and estimated total construction costs of development properties and allowance for foreseeable loss on development properties

The Group recognises profits on development projects using the percentage of completion method for development properties sold under normal payment scheme. The progress of construction is determined based on the certification by an architect or a quantity surveyor of the stage of completion of the development project.

The estimation of total project costs is based on historical experience and contractual arrangements with contractors/suppliers. The estimated total costs for each project is reviewed on a regular basis by the Group to determine whether any allowance for foreseeable loss is required to be set up. Actual costs could differ from the estimates.

Where necessary, allowance for foreseeable loss would be set up for estimated losses which may result from deterioration in the estimated market values for unsold development properties. The Group estimates the level of allowance based on the prevailing selling prices of the development properties or similar development properties within the vicinity at the reporting date. In the absence of current prices in an active market, valuations are obtained from an external and independent property valuer.

Valuation of investment properties

The fair values of investment properties are estimated based on desktop valuations carried out by an external and independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuations reflect when appropriate, comparable sales of similar properties or estimated market values based on projection of income and expense streams over period of leases, using market rates of return.

For investment properties under construction, the estimation of the fair value takes into consideration the depreciated reproduction of the building under construction plus the market value of the land site. This approach is based on the principle of substitution which asserts that no prudent buyer or investor will pay more for a property than that amount for which the site could be acquired and which improvements can be constructed without undue delay.

Income taxes

Significant judgement is required in determining the capital allowances, taxability of certain income and deductibility of certain expenses during the estimation of the provision for income taxes and deferred tax liabilities.

The Group exercises significant judgement to determine that the deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

38 Subsequent event

In February 2013, the Group entered into a share repurchase agreement for the sale of its entire stake in an investee company back to the investee company. The consideration for the sale of shares in the investee company is $48.1 million. The Group's expected gain from the sale of the shares is $32.7 million.

Amounts owing from the investee company amounting to $30.6 million as at 31 December 2012 would be repaid upon disposal of the investee company.

Notes to the financial statements

39 Comparative information

Paintings and sculptures with a carrying amount of $9,725,000 has been reclassified from other assets to property, plant and equipment in the comparative amounts of the financial statements so as to reflect more appropriately the Group's intent for the property. The impact on the statement of financial position as at 31 December 2011 and 31 December 2010 is summarised as follows:

	As restated 2011 $'000	As previously reported 2011 $'000	As restated 2010 $'000	As previously reported 2010 $'000
Consolidated statement of financial position				
Property, plant and equipment	122,459	112,734	107,049	102,455
Other assets	150	9,875	150	4,744

Following the reclassification of the freehold land and hotel building to assets held for sale, the Group's hotel operations will be discontinued. The comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

Additional information

As At 31 December 2012

Development Properties

	Location	Description	Land Tenure	Stage of completion	Site area (Sqm)	Gross Floor Area (Sqm)	Expected Date of Completion	Group's effective interest
	Singapore							
1	Cape Royale Cove way, Sentosa Cove	302-unit condominium	Leasehold-99 years	80%	21,523	55,960	July 2013	35%
	Australia							
1	Surfers Paradise, Gold Coast	223-unit apartment	Freehold	-	2,382	17,627	-	100%
2	Broadbeach, Gold Coast	Apartments & retail units	Freehold	-	11,342	73,723	-	100%
3	Ferny Avenue, Gold Coast	Apartments	Freehold	-	1,055	6,858	-	100%

Developed Properties

	Location	Description	Land Tenure	Type of Development	Net Lettable/ Saleable Area (Sq ft)	Group's effective interest
1	Turquoise Cove Drive, Sentosa Cove	48 units of apartment	Leasehold -99 years	Residential	11,438	90%
2	Seascape Cove way, Sentosa Cove	104 units of apartment	Leasehold -99 years	Residential	26,457	50%
3	Trilight Newton Road	1 unit of apartment	Freehold	Residential	481	100%

Additional information

As At 31 December 2012

Investment Properties

	Location	Description	Tenure of Land	Lettable Area (sqm)	Group's effective interest
1	623A Bukit Timah Rd	SPC petrol station	Leasehold - 999 yrs	1,857	100%
2	Eastwood Centre 20 Eastwood Road	2 units of retail space	Leasehold - 99 yrs	972	100%
3	HB Centre I 12 Tannery Road	A block of 10-storey high-tech industrial building	Freehold	7,662	100%
4	HB Centre 2 31 Tannery Lane	A block of 8-storey light industry building	Freehold	3,216	100%
5	Forte 29 New Industrial Road	A block of 8-storey high-tech industrial building	Freehold	9,128	100%
6	The Metropolis* North Buona Vista Drive	Two office towers with retail component	Leasehold - 99 yrs	100,230	100%

* The Metropolis is expected to be completed by third quarter of 2013

Properties held for Sale

	Location	Description	Tenure of Land	Lettable Area (sqm)	Group's effective interest
	Shanghai				
1	Changyuan 888 Yu Yuan Road, Shanghai	1 unit of apartment	Leasehold - 70 yrs	190	100%
	London				
1	Parliament View	3 units of apartments	Freehold	383	70%

Shareholdings Statistics

as at 15 March 2013

SHARE CAPITAL

Class of shares	- Ordinary shares with equal voting rights @
Voting rights	- On a show of hands : 1 vote for each member
	- On a poll : 1 vote for each ordinary share

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 15 March 2013, 26.71% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	10	0.12	3,050	0.00
1,000 - 10,000	7,170	86.97	23,070,387	3.28
10,001 - 1,000,000	1,037	12.58	48,398,137	6.88
1,000,001 and above	27	0.33	631,866,426	89.84
	8,244	100.00	703,338,000	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%**
1	Ho Bee Holdings (Pte) Ltd	480,681,000	70.76
2	Citibank Nominees Singapore Pte Ltd	30,416,601	4.48
3	HSBC (Singapore) Nominees Pte Ltd	13,645,038	2.01
4	DBS Nominees Pte Ltd	12,688,692	1.87
5	DBSN Services Pte Ltd	8,556,791	1.26
6	Maybank Kim Eng Securities Pte Ltd	7,149,000	1.05
7	Estate Of Chua Pin Chong, Deceased	6,610,000	0.97
8	Lee Pineapple Company Pte Ltd	5,000,000	0.74
9	United Overseas Bank Nominees Pte Ltd	4,653,882	0.69
10	Phillip Securities Pte Ltd	4,268,000	0.63
11	BNP Paribas Nominees Singapore Pte Ltd	4,047,750	0.60
12	Nanyang Gum Benjamin Manufacturing (Pte) Ltd	3,638,000	0.54
13	Chua Thiam Chok	3,459,000	0.51
14	Yap Boh Sim	3,300,000	0.49
15	DB Nominees (S) Pte Ltd	3,041,745	0.45
16	Woon Choon Leng Desmond	2,100,000	0.31
17	Raffles Nominees (Pte) Ltd	1,996,927	0.29
18	Hexacon Construction Pte Ltd	1,865,000	0.27
19	Ong Chong Hua	1,800,000	0.26
20	Bank of Singapore Nominees Pte Ltd	1,739,000	0.26
		600,656,426	88.44

@ Ordinary shares purchased and held as treasury shares by the Company will have no voting rights. As at 15 March 2013, the Company has 24,025,000 shares held as treasury shares and this represents approximately 3.54% against the total number of issued shares excluding treasury shares as at that date.

** The percentage is calculated based on the number of issued ordinary shares of the Company as at 15 March 2013, excluding 24,025,000 shares held as treasury shares as at that date.

Shareholdings Statistics

as at 15 March 2013

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Substantial Shareholders	**No. of Shares**	**%[1]**	**No. of Shares**	**%[1]**
Ho Bee Holdings (Pte) Ltd[2]	480,681,000	70.76	-	-
Mr Chua Thian Poh[2] [3] [4]	-	-	480,681,000	70.76
Mdm Ng Noi Hinoy[2] [3]	-	-	480,681,000	70.76
Mr Chua Kong Chian[2] [4]	-	-	480,681,000	70.76

Notes:-

(1) The percentage is calculated based on the number of issued ordinary shares of the Company as at 15 March 2013, excluding 24,025,000 ordinary shares held as treasury shares as at that date.

(2) Mr Chua Thian Poh, Mdm Ng Noi Hinoy and Mr Chua Kong Chian have a deemed interest in the 480,681,000 shares held by Ho Bee Holdings (Pte) Ltd.

(3) Mr Chua Thian Poh and Mdm Ng Noi Hinoy are husband and wife.

(4) Mr Chua Thian Poh and Mr Chua Kong Chian are brothers.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 25th annual general meeting of Ho Bee Investment Ltd (the **"Company"**) will be held at 12 Tannery Road #10-01, HB Centre 1, Singapore 347722 on Tuesday, 30 April 2013 at 10.30 a.m. to transact the following business:-

Ordinary Business

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2012 and the reports of the directors and the auditors thereon.

(Resolution 1)

2. To declare a one-tier tax exempt first and final dividend of 5 cents per share for the financial year ended 31 December 2012.

(Resolution 2)

3. To approve directors' fees of S$300,000 for the financial year ended 31 December 2012. (2011: S$300,000)

(Resolution 3)

4. To re-appoint Mr Ch'ng Jit Koon pursuant to Section 153(6) of the Companies Act, Chapter 50 as a director to hold such office from the date of this annual general meeting until the next annual general meeting of the Company.

(Resolution 4)

5. To re-appoint Mr Tan Eng Bock pursuant to Section 153(6) of the Companies Act, Chapter 50 as a director to hold such office from the date of this annual general meeting until the next annual general meeting of the Company.

(Resolution 5)

6. To re-elect Mr Tan Keng Boon, a director who will retire by rotation pursuant to Article 104 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

(Resolution 6)

7. To re-appoint KPMG LLP as auditors of the Company and to authorise the directors to fix their remuneration.

(Resolution 7)

Special Business

To consider and, if thought fit, to pass with or without any modifications, the following ordinary resolutions:-

8. That authority be and is hereby given to the directors of the Company 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 resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the directors while this resolution was in force,

Notice of Annual General Meeting

provided that:-

(1) the aggregate number of the shares to be issued pursuant to this resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this resolution), does not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of instruments made or granted pursuant to this resolution) does not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the 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 shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this 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 resolution is passed; and

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

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

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

(Resolution 8)

9. That:-

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the **"Companies Act"**), the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (**"shares"**) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:-

(i) market purchase(s) (each a **"Market Purchase"**) on the Singapore Exchange Securities Trading Limited (**"SGX-ST"**); and/or

(ii) off-market purchase(s) (each an **"Off-Market Purchase"**) effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the directors of the Company as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the **"Share Buyback Mandate"**);

Notice of Annual General Meeting

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the directors of the Company pursuant to the Share Buyback Mandate may be exercised by the directors at any time and from time to time during the period commencing from the date of passing of this resolution and expiring on the earlier of:-

(i) the date on which the next annual general meeting of the Company is held or required by law to be held;

(ii) the date on which the purchases or acquisitions of shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buyback Mandate is varied or revoked by shareholders in a general meeting;

(c) in this resolution:-

"Average Closing Price" means the average of the closing market prices of a share over the last five market days on which the transactions of the shares are recorded on the SGX-ST, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"day of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase of shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the basis herein stated) for each share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"Highest Last Dealt Price" means the highest price transacted for a share recorded on the Market Day on which there were trades in the shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase;

"Maximum Price" in relation to a share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:-

(i) in the case of a Market Purchase, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase, 120% of the Highest Last Dealt Price;

"Prescribed Limit" means the number of shares representing 10% of the total number of issued shares of the Company as at the date of passing of this resolution (excluding any shares which are held as treasury shares as at that date); and

(d) the directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution.

(Resolution 9)

Notice of Annual General Meeting

10. To transact any other business as may properly be transacted at an annual general meeting.

By Order of the Board

Desmond Woon
Executive Director
Ho Bee Investment Ltd

11 April 2013

Explanatory Notes and Statement Pursuant to Article 64 of the Company's Articles of Association

Ordinary Resolution 4: Mr Ch'ng Jit Koon will, upon re-appointment, remain a member of the Audit & Risk Committee and a member of the Nominating Committee. He is considered an independent director. Key information on Mr Ch'ng is set out on page 33 of the Annual Report.

Ordinary Resolution 5: Mr Tan Eng Bock will, upon re-appointment, remain a member of the Remuneration Committee. He is considered an independent director. Key information on Mr Tan is set out on page 34 of the Annual Report.

Ordinary Resolution 6: Mr Tan Keng Boon will, upon re-election, remain as the chairman of the Nominating Committee and a member of the Audit & Risk Committee. He is considered an independent director. Key information on Mr Tan is set out on page 32 of the Annual Report.

Ordinary Resolution 8: This resolution is to empower the directors from the date of this resolution being passed until the date of the next annual general meeting of the Company, or the date by which the next annual general meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares or to make or grant instruments convertible into shares, and to issue shares in pursuance of such instruments. The maximum number of shares and instruments which the directors may issue shall not exceed the quantum set out in this resolution.

Ordinary Resolution 9: This resolution is to renew the Share Buyback Mandate, which was originally approved by shareholders on 29 April 2008 and was last renewed at the annual general meeting of the Company held on 27 April 2012. Please refer to the Appendix to this Notice of Annual General Meeting for details.

Notice of Annual General Meeting

Books Closure Date and Payment Date for First and Final Dividend

Subject to the approval of the shareholders for the first and final dividend being obtained at the 25th annual general meeting, the register of members and the transfer book of the Company will be closed on 15 May 2013 for the purpose of determining shareholders' entitlements to the proposed first and final dividend for the financial year ended 31 December 2012.

Duly completed transfers received by the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902 up to 5.00 p.m. on 14 May 2013 will be registered before entitlements to the proposed first and final dividend are determined.

Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 14 May 2013 will be entitled to the proposed first and final dividend.

The proposed first and final dividend, if approved by the shareholders at the 25th annual general meeting will be paid on 31 May 2013.

Notes

A member entitled to attend and vote at the annual general meeting may appoint not more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, M&C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902 not less than 48 hours before the time appointed for the meeting.

HO BEE INVESTMENT LTD

Company Registration No. 198702381M
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT:

1. For investors who have used their CPF monies to buy Ho Bee Investment Ltd's shares, this annual report is forwarded to them at the request of their CPF approved nominees and is sent solely FOR INFORMATION ONLY.
2. This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ ,NRIC/Passport no. ________________

of ____

being a member/members of **Ho Bee Investment Ltd** (the "Company") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%
and/or (delete as appropriate)				

as my/our proxy/proxies to attend and to vote on my/our behalf and, if necessary, to demand a poll at the 25th annual general meeting of the Company to be held at 12 Tannery Road #10-01, HB Centre 1, Singapore 347722 on Tuesday, 30 April 2013 at 10.30 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of annual general meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the annual general meeting.)

No.	Resolutions	For	Against
	Ordinary Business		
1	To receive and adopt the audited financial statements for the financial year ended 31 December 2012 and the reports of the directors and the auditors thereon.		
2	To declare a one-tier tax exempt first and final dividend of 5 cents per share for the financial year ended 31 December 2012.		
3	To approve directors' fees of S$300,000 for the financial year ended 31 December 2012 (2011: S$300,000).		
4	To re-appoint Mr Ch'ng Jit Koon as director.		
5	To re-appoint Mr Tan Eng Bock as director.		
6	To re-elect Mr Tan Keng Boon as director.		
7	To re-appoint KPMG LLP as auditors and to authorise the directors to fix their remuneration.		
	Special Business		
8	To approve the authority to issue shares and make or grant instruments convertible into shares.		
9	To approve the renewal of the Share Buyback Mandate.		

Dated this __________ day of __________ 2013

Total Number of Shares Held

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

IMPORTANT
PLEASE READ NOTES OVERLEAF

Notes

1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2 A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3 The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, M&C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902 not less than 48 hours before the time appointed for the meeting.

4 Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

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

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

7 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 meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8 The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

HO BEE INVESTMENT LTD

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Tel: 65 6749 0833 Fax: 65 6745 9167
www.hobee.com

(Company Registration Number: 198702381M)