



HONG FOK CORPORATION LIMITED

BUILDING  
**FOUNDATIONS  
FOR GROWTH**  
Annual Report 2011

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# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of HONG FOK CORPORATION LIMITED (the "Company"), I am pleased to present to you our annual report of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2011.

## REVIEW OF RESULTS

The Group's revenue for 2011 increased from approximately \$50.2 million to \$129.2 million. This was mainly due to the commencement of the recognition of sales revenue from the residential units of Concourse Skyline based on the percentage of completion method and sales revenue from its completed development properties. However, there was a decrease in rental income from its investment properties due to lower rental rates, although occupancy rates remain relatively stable.

The Group's other income decreased mainly due to lower compensation income relating to the leases of its investment properties.

With the recognition of the sales revenue from the residential units of Concourse Skyline and its completed development properties, the Group recorded the cost of sales of these properties.

There was a significant gain on the revaluation of its investment properties, as assessed by professional valuers.

The Group incurred a loss on remeasurement of other investments due to the recorded bid price being lower as compared to 2010.

There was a loss on dilution of interest in an associate arising from the issuance and allotment of shares by the associate for the purchase of certain properties in Singapore.

The associates contributed a loss in 2011 as compared to a profit in the previous year due mainly to a smaller gain on revaluation of its investment properties in Hong Kong, as assessed by professional valuers.

There was an increase in deferred tax expense in line with the recognition of profits from Concourse Skyline and the gain on revaluation of the Group's investment properties as at December 2011. Correspondingly, there was an increase in deferred tax liability for 2011.

The Group's profit for the year, therefore, increased by approximately \$40.4 million as compared to the previous year.

The Group recorded an increase in value of its investment properties due to the revaluation of these properties as at December 2011.

There was a decrease in other investments due mainly to the sale of certain quoted equity securities and its loss on remeasurement.

The increase in trade and other receivables was mainly due to progressive amounts billed to purchasers of Concourse Skyline.

The increase in cash and cash equivalents arose from the monies collected from the sales of residential units of Concourse Skyline placed in fixed deposits as the use of such monies is subject to restriction imposed by the Housing Developers (Project Account) Rules.

The trade and other payables under non-current liabilities were attributed to retention sum payable to contractors for work done on properties under development.

## **DIVIDEND AND BONUS ISSUE**

The Board does not recommend the payment of dividend for the year ended 31 December 2011.

The Company had on 22 March 2012 announced a proposed bonus share issue of up to 131,910,939 new ordinary shares in the Company.

## **REVIEW OF OPERATIONS**

For the year ended 31 December 2011, the Group continued to enjoy good occupancy for its investment properties at The Concourse and International Building at satisfactory rental rates.

The Group's construction of a part 4/part 7-storey podium car park and apartments with commercial units on the 1st storey, 2 blocks of part 20/part 28-storey and part 34/part 40-storey housing a total of 360 residential units and 9 retail units known as Concourse Skyline is progressing satisfactorily.

The Group sold 12 residential units of Concourse Skyline for a total value of about \$28.8 million in 2011.

## **PROSPECTS**

The Group expects the occupancy rate of the office property market to remain stable.

The Group will continue to recognise revenue from the sold residential units of Concourse Skyline based on the percentage of completion method.

## **ACKNOWLEDGEMENT**

On behalf of the Board, I express my sincere thanks to all our valued shareholders for your continued support.

I thank our tenants, customers and business associates for their loyalty to the Group.

I also thank all my colleagues on the Board, the management and staff for their valuable contribution and hard work.

**CHEONG KIM PONG**  
Chairman



# CORPORATE INFORMATION

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

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

**Mr Cheong Kim Pong**  
Chairman & Managing Director

**Mr Cheong Pin Chuan**  
Managing Director

**Ms Cheong Hooi Kheng**  
**Mr Cheong Sim Eng**

### NON-EXECUTIVE DIRECTORS

**Mr Jackson Lee**  
**Mr Tan Tock Han**  
**Mr Lai Meng Seng**

## AUDIT COMMITTEE

**Mr Jackson Lee**  
Chairman

**Mr Tan Tock Han**  
**Mr Lai Meng Seng**

## SECRETARIES

**Ms Koh Chay Tiang**  
**Ms Dorothy Ho**

## AUDITORS

### KPMG LLP

Public Accountants and  
Certified Public Accountants  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581  
Tel : 6213 3388  
Fax : 6225 4142  
**Ms Yvonne Chiu Sok Hua**  
Partner-in-charge  
Year of Appointment : 2007

## REGISTRARS

### B.A.C.S. Private Limited

63 Cantonment Road  
Singapore 089758  
Tel : 6593 4848  
Fax : 6593 4847

## REGISTERED OFFICE

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

# PROPERTY SUMMARY

Property	Description	Lot Nos.	Stage of Completion/ Expected Date of Completion	Existing Use	Approximate		Percentage Owned (%)	Tenure of Land
					Site Area (m <sup>2</sup> )	Gross Floor Area (m <sup>2</sup> )		
INVESTMENT PROPERTIES								
International Building at Orchard Road, Singapore	A 12-storey commercial building	956X of Town Subdivision 25	Completed	Offices/ Shops/ Restaurants	4,224	14,674 <sup>(1)</sup>	100	Freehold
Land at Claymore Hill, Singapore	Vacant land	1719L of Town Subdivision 25	–	–	832	–	100	Freehold
The Concourse at Beach Road, Singapore	A 41-storey office tower block with 2 basements	1110V of Town Subdivision 13	Completed	Offices/ Cafe	11,715	62,931	100	99 years lease from 13/3/2008
Concourse Skyline at Beach Road, Singapore	Retail units at 1st storey	1110V of Town Subdivision 13	Piling works completed and reinforced concrete works in progress/ December 2013	–	115	619	100	99 years lease from 13/3/2008

## DEVELOPMENT PROPERTIES

<b>Concourse Skyline</b> at Beach Road, Singapore	A part 4/part 7-storey podium car park and apartments with 2 blocks of part 20/part 28-storey and part 34/ part 40-storey residential flats with communal facilities	1110V of Town Subdivision 13	Piling works completed and reinforced concrete works in progress/ December 2013	–	8,662	46,529	100	99 years lease from 13/3/2008
<b>Jewel of Balmoral</b> at Balmoral Park, Singapore	A 10-storey residential development	U2179A, U2180P, and U2193V of Town Subdivision 26	Completed	Residential	1,651	427 <sup>(2)</sup>	100	Freehold
<b>ten@suffolk</b> at Suffolk Road, Singapore	A part 13/part 15-storey residential development	U3594K of Town Subdivision 28	Completed	Residential	1,653	126 <sup>(3)</sup>	100	Freehold

### NOTES:

(1) Excludes 593m<sup>2</sup> of floor space which are held by third parties on 999 years lease.

(2) This represents 3 out of 16 units at Jewel of Balmoral.

(3) This represents 1 out of 37 units at ten@suffolk.

# SUMMARY OF THE GROUP

## SUMMARY OF THE RESULTS OF THE GROUP

For the last 5 financial years are as follows:

	2011 \$	2010 \$	2009 \$	2008 \$	2007 \$
Revenue	129,236,139	50,177,323	54,514,114	52,446,801	58,183,058
Profit/(Loss) before share of results of associates	168,852,238	100,030,511	8,236,293	(84,809,686)	223,377,555
Share of results of associates	(536,518)	15,583,847	7,766,039	(6,105,158)	4,628,991
Profit/(Loss) before income tax	168,315,720	115,614,358	16,002,332	(90,914,844)	228,006,546
Income tax expense	(28,660,400)	(16,371,216)	3,965,451	21,088,017	(16,539,504)
Profit/(Loss) for the year	139,655,320	99,243,142	19,967,783	(69,826,827)	211,467,042
Dividend	–	–	–	–	35,975,711

## SUMMARY OF THE ASSETS AND LIABILITIES OF THE GROUP

For the last 5 financial years are as follows:

	2011 \$	2010 \$	2009 \$	2008 \$	2007 \$
Fixed assets	345,693	312,238	431,080	1,222,787	907,809
Associates	147,573,831	153,056,249	151,600,761	116,708,545	122,470,536
Investment properties	1,257,660,184	1,104,802,636	1,014,823,524	1,094,530,479	1,331,022,040
Other non-current assets	398,986	396,580	377,098	731,397	64,661,023
Current assets	340,908,561	330,930,834	318,346,166	335,746,825	43,030,921
Total Assets	1,746,887,255	1,589,498,537	1,485,578,629	1,548,940,033	1,562,092,329
Share capital	186,688,384	186,688,384	186,688,384	186,688,384	186,688,384
Reserves	841,660,071	700,653,340	616,473,313	606,115,907	678,120,657
Non-controlling interest	–	–	–	22,061,043	19,256,863
Total Equity	1,028,348,455	887,341,724	803,161,697	814,865,334	884,065,904
Non-current liabilities	691,057,741	670,430,227	656,198,494	708,140,073	653,565,703
Current liabilities	27,481,059	31,726,586	26,218,438	25,934,626	24,460,722
Total Liabilities	718,538,800	702,156,813	682,416,932	734,074,699	678,026,425
Total Equity and Liabilities	1,746,887,255	1,589,498,537	1,485,578,629	1,548,940,033	1,562,092,329

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# CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2011

The Board of Directors of the Company (the “Board”) is committed to raising the standard of corporate governance within the Group in order to enhance the transparency in disclosure of material information. The Board strives to implement the best practices embodied in the Code of Corporate Governance 2005 (the “Code”) where feasible and as far as practicable.

## BOARD MATTERS

### The Board’s Conduct of its Affairs (Principle 1 of the Code)

The Board consists of seven members who have appropriate corporate experience.

The Board holds meetings on a regular basis during the year to review the Company’s and the Group’s operations and financial results. Details of attendance of the directors of the Company (the “Directors”) at the Board meetings and Audit Committee meetings are set out on page 12.

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

### Board Composition and Balance (Principle 2 of the Code)

Of the seven Directors, three are non-executive. Mr Jackson Lee, Mr Tan Tock Han and Mr Lai Meng Seng, the three non-executive Directors are deemed to be independent, by definition of the Code. This is in compliance with the Code which recommends that independent directors make up at least one-third of the board of directors. The Board is of the view that the present size of the Board is appropriate for the current needs and demands of the Company’s and the Group’s operations.

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

### Chairman and Chief Executive Officer (Principle 3 of the Code)

Mr Cheong Kim Pong is both the Chairman of the Board, as well as the Group’s Chief Executive Officer (“CEO”)/Managing Director. Given the size and that the Company’s and the Group’s current business operations and administration have been relatively stable and straightforward, the Board is satisfied that one person is able to effectively discharge the duties of both positions. Additionally, the Board has at least one-third majority of independent Directors, which complies with the recommendation from the Code. This helps to maintain a certain balance of power within the Board. However, going forward, the Board will review from time to time, the need to separate the roles of the Chairman and the CEO if the situation warrants it.

### Board Membership (Principle 4 of the Code)

Currently, the Board does not have a Nominating Committee as the Board has been relatively stable with a low turnover in the past few years. However, if the need arises, the Board as a whole, will decide on the nomination and appointment of new directors. Details of the Directors’ qualifications, directorships and other particulars are set out on page 12.

### Board Performance (Principle 5 of the Code)

The Board supervises the management of the business and affairs of the Company and the Group. Apart from its statutory duties, the Board reviews and approves the Company’s and the Group’s strategic plans, key operational initiatives, major investments and funding decisions, annual business plans, reviews the financial performance of the Company and the Group and evaluates the performance and compensation of senior management personnel.

Currently, the Board does not have a Remuneration Committee. Annually, the Board conducts an informal assessment of the individual Director’s contribution. No Director decides his or her own remuneration. The Group’s remuneration policy is to provide compensation packages which will reward, retain and motivate its executives and Directors.

### Access to Information (Principle 6 of the Code)

The Board has separate and independent access to management and the Company Secretary. The Company Secretary attends Board meetings and ensures that board procedures, applicable rules and regulations are complied with. Management provides the Board with reports of the Company’s and the Group’s performance, financial position and prospects, and these are reviewed by the Board at each Board meeting. Directors may obtain independent professional advice in furtherance of their duties, at the Company’s and the Group’s expense.

# CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2011

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

Summary of Directors' remunerations for the financial year ended 31 December 2011:

Remuneration Band Name of Director	Salary %	Fees %	Bonus %	Other Benefits %	Total %
<b>Less than \$250,000</b>					
Mr Jackson Lee	–	100	–	–	100
Mr Tan Tock Han	–	100	–	–	100
Mr Lai Meng Seng	–	100	–	–	100
<b>\$250,000 to \$1,749,999</b>					
–	–	–	–	–	–
<b>\$1,750,000 to \$1,999,999</b>					
Ms Cheong Hooi Kheng	52	–	46	2	100
<b>\$2,000,000 to \$2,249,999</b>					
Mr Cheong Pin Chuan	47	–	53	–	100
<b>\$2,250,000 to \$2,749,999</b>					
–	–	–	–	–	–
<b>\$2,750,000 to \$2,999,999</b>					
Mr Cheong Kim Pong	56	–	40	4	100
Mr Cheong Sim Eng	57	–	39	4	100

Summary of key executives' remunerations for the financial year ended 31 December 2011:

Remuneration Band Designation of Executive	Salary %	Fees %	Bonus %	Other Benefits %	Total %
<b>\$250,000 to \$499,999</b>					
Vice President (Projects)	72	–	27	1	100
Personal Assistant to Directors	60	–	23	17	100
Vice President (Accounts and Finance)/ Company Secretary	73	–	27	–	100
Vice President (Marketing)	66	–	25	9	100
<b>\$500,000 to \$749,999</b>					
Vice President (Property Maintenance)	69	–	26	5	100
<b>\$750,000 to \$999,999</b>					
Vice President (Administration and Personnel)	66	–	25	9	100

### Remuneration Packages of Employees who are related to the Directors, or CEO of the Company

For the current financial year, the Personal Assistant to Directors, Vice President (Administration and Personnel) and Vice President (Property Maintenance) were the employees of the Group whose remuneration exceeded \$150,000 each during the financial year who are related to Mr Cheong Kim Pong, Mr Cheong Pin Chuan, Ms Cheong Hooi Kheng and Mr Cheong Sim Eng, who are Directors.

Information of the key executive officers is set out on page 13.

The Company does not have any employee share option scheme.

# CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2011

## ACCOUNTABILITY AND AUDIT (Principles 10, 11, 12 and 13 of the Code)

### Audit Committee

The Audit Committee comprises three independent non-executive Directors who have accounting or related financial management experience.

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

The Audit Committee is satisfied that the Company's external auditors and the audit engagement partner assigned to the audit have adequate resources and experience to meet its audit obligations. In this connection, the Company has complied with Rule 712 of the Listing Manual of the SGX-ST.

The Audit Committee meets periodically with management and auditors of the Company to discuss and review:

- (a) the annual and quarterly financial statements and announcements to shareholders of the Company (the "Shareholders") before submission to the Board for adoption;
- (b) the Company's and the Group's accounting policies and system of internal controls;
- (c) the audit plan of the Company's external and internal auditors;
- (d) the results of the Company's external and internal auditors' examination and their evaluation of the Company's and the Group's internal control system;
- (e) the independence and objectivity of the Company's external auditors;
- (f) the assistance given by the Company's and the Group's officers to the Company's external and internal auditors;
- (g) interested party transactions; and
- (h) recommendation to the Board regarding the appointment or re-appointment of external auditors of the Company at the Annual General Meeting.

To enable the Audit Committee to discharge its functions more effectively, the Company has outsourced its internal audit function to a reputable international accounting firm which is not the external auditor. The internal audit function reports to the Audit Committee. The Audit Committee reviews and approves the internal audit plan for execution.

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

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

Risk assessment and evaluation take place as an integral part of the annual strategic planning cycle. Having identified the risks to achievement of their strategic objectives, each business is required to document the management and mitigating actions in place and proposed in respect of each significant risk.

The Audit Committee has reviewed the volume of non-audit services to the Company and the Group by the Company's external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Hence, the Audit Committee has recommended to the Board that the auditors, KPMG LLP, be nominated for re-appointment as the Company's external auditors at the forthcoming Annual General Meeting of the Company.

# CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2011

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

The audit and non-audit fees paid/payable to auditors are stated in Note 21 (Profit Before Income Tax) to the Financial Statements.

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

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

The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company and the Group are made to the Shareholders. Any such information, should they arise, are communicated to the Shareholders through the Company's annual reports and announcements to the SGX-ST. The Board and management are present at Annual General Meetings to address any questions that the Shareholders may have. The external auditors of the Company are also present to assist the Board in addressing relevant queries by the Shareholders. Shareholders have the opportunity to vote in person or by proxy.

## INTERESTED PERSON TRANSACTIONS

During the financial year, the following interested person transactions were entered into by the Company, its subsidiaries and/or its associates:

Name of Interested Person	Aggregate value of all interested person transactions (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST)	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST (excluding transactions less than \$100,000)
<b>Associates of certain Directors</b> Associates of Mr Cheong Kim Pong, Mr Cheong Pin Chuan and Mr Cheong Sim Eng	\$7,749,326	N.A.

## MATERIAL CONTRACTS

Save for the interested person transactions disclosed above and in Note 28 (Related Party Transactions) to the Financial Statements, there were no other material contracts of the Company or its subsidiaries involving the interests of the chief executive officer, each Director or controlling Shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

## SECURITIES TRANSACTIONS

The Company has adopted the Hong Fok Corporation Limited Best Practices Guide (Dealings in Company's Securities) (the "Guide"). The Guide sets out, inter alia, the restrictions on insider trading under the Securities and Futures Act, Chapter 289, the implications of insider trading as well as guidelines on dealings in securities. In addition, the Guide further elaborates that an officer of the Company should not deal in the securities of the Company on short-term considerations and the Company and its officers should not deal in the securities of the Company during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before its half year or financial year, as the case may be, and ending on the date of announcement of the relevant results.

# CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2011

## DIRECTORS' ATTENDANCE AT BOARD AND AUDIT COMMITTEE MEETINGS

	Board		Audit Committee	
	No. of Meetings <sup>(1)</sup>	Attendance	No. of Meetings <sup>(1)</sup>	Attendance
<b>Executive Directors</b>				
Mr Cheong Kim Pong	4	4	N.A.	N.A.
Mr Cheong Pin Chuan <sup>(2)</sup>	4	–	N.A.	N.A.
Ms Cheong Hooi Kheng	4	4	N.A.	N.A.
Mr Cheong Sim Eng	4	4	N.A.	N.A.
<b>Non-Executive Directors</b>				
Mr Jackson Lee	4	4	5	5
Mr Tan Tock Han	4	4	5	5
Mr Lai Meng Seng	4	4	5	5

- (1) In addition to these meetings, operational matters that require the Board's or Audit Committee's attention are also dealt with via circular resolutions.
- (2) Mr Cheong Pin Chuan, who is working in Hong Kong, is either consulted on proposed resolutions and other matters to be discussed at meetings or participates in meetings via teleconference.

N.A.: Not applicable

## INFORMATION OF THE DIRECTORS

Name of Director	Age	Academic and Professional Qualifications	Board Committees Served on as Chairman or Member	Directorship: Date First Appointed	Directorship: Date Last Re-elected
Mr Cheong Kim Pong	69	Attended Civil Engineering at The Technical College in Australia	Chairman of the Board	13 January 1968	28 April 2011
Mr Cheong Pin Chuan	62	Graduate of the Footscray Institute of Technology in Australia. Member of the Australian Society of Certified Practising Accountants and the Hong Kong Institute of Certified Public Accountants	–	26 July 1971	29 April 2009
Ms Cheong Hooi Kheng <sup>(1)</sup>	59	Bachelor of Science Master of Business Administration	–	1 March 1989	28 April 2010
Mr Cheong Sim Eng	51	Bachelor of Arts	–	14 May 1990	28 April 2010
Mr Jackson Lee <sup>(2)</sup>	79	Fellow of the Institute of Chartered Accountants in Australia	Chairman of Audit Committee	1 April 1976	28 April 2011
Mr Tan Tock Han <sup>(1)</sup>	65	–	Member of Audit Committee	18 October 2001	29 April 2009
Mr Lai Meng Seng <sup>(3)</sup>	63	Advanced Diploma in Quantity Surveying from the Royal Melbourne Institute of Technology Australia	Member of Audit Committee	21 May 2007	28 April 2011

- (1) Ms Cheong Hooi Kheng and Mr Tan Tock Han are also directors of KTL Global Limited.
- (2) Mr Jackson Lee is also a director of Hong Leong Finance Limited.
- (3) Mr Lai Meng Seng is also a director of KSH Holdings Limited.

# CORPORATE GOVERNANCE STATEMENT

Year Ended 31 December 2011

## INFORMATION OF THE KEY EXECUTIVE OFFICERS

### **Ms Cheong Puay Kheng, Vice President (Administration and Personnel)**

Ms Cheong's job responsibilities essentially cover the planning, organisation and control of office administration and personnel management of the Group. She graduated from the Armstrong College of Berkeley in the United States of America with a Bachelor of Science degree. She has 33 years of experience at management level.

### **Ms Cheong Loo Kheng, Vice President (Property Maintenance)**

Ms Cheong oversees the management and maintenance of some of the Group's properties in Singapore. She graduated from the University of Hawaii with a Bachelor of Business Administration degree. She has 32 years of experience at management level.

### **Mr Jimmy Yeo, Vice President (Marketing)**

Mr Yeo is responsible for the marketing and leasing of the Group's real estate properties in Singapore. He holds a Master of Business Administration degree from the University of Hull in the United Kingdom and a Diploma in Marketing from the Chartered Institute of Marketing in the United Kingdom. He is a Fellow of the Marketing Institute of Singapore. He has 31 years of real estate marketing experience at management level.

### **Mr Lok Nam Moon, Vice President (Projects)**

Mr Lok is responsible for all projects developments undertaken by the Group in Singapore. He holds a Bachelor of Science degree in Civil Engineering and a Master of Science degree in Structural Engineering both from the University of Strathclyde in the United Kingdom. He is a Professional Engineer, a Chartered Engineer and a Chartered Professional Engineer registered with the Singapore Professional Engineers Board, Engineering Council in the United Kingdom and the Institute of Engineers (Australia) respectively. He is also a senior member of the Institution of Engineers in Singapore, a member of the Institute of Engineers in Australia and an Associate of the Institution of Structural Engineers in the United Kingdom. He has 31 years of experience in project management in Singapore.

### **Ms Koh Chay Tiang, Vice President (Accounts and Finance)/Company Secretary**

Ms Koh is responsible for the accounts and finance functions of the Group in Singapore. She holds a Bachelor of Accountancy degree from the University of Singapore and is a Certified Public Accountant of Singapore. She has 29 years of experience at management level in Singapore.

### **Mr Cheong Aik Yen, Roy, Personal Assistant to Directors**

Mr Cheong's job responsibilities cover identification and development of new business opportunities in the construction and property industry as well as in other areas. He graduated from the Western New England College in Massachusetts with a Bachelor of Science degree in Mechanical Engineering. He has 2 years of experience in the merchant banking field and 16 years of experience at management level in Singapore.



# DIRECTORS' REPORT

Year Ended 31 December 2011

We are pleased to submit this annual report to the members of the Company together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2011.

## DIRECTORS

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

### Executive Directors

Mr Cheong Kim Pong  
Mr Cheong Pin Chuan  
Ms Cheong Hooi Kheng  
Mr Cheong Sim Eng

### Non-Executive Directors

Mr Jackson Lee  
Mr Tan Tock Han  
Mr Lai Meng Seng

Pursuant to Section 153(2) of the Companies Act, Chapter 50, Mr Jackson Lee, who is over seventy years of age, retires and being eligible, offers himself for re-election as director under the provision of Section 153(6) of the said Companies Act to hold office until the next Annual General Meeting.

## DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, particulars of interests of Directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares or debentures in the Company and any other related corporations (other than wholly-owned subsidiaries) are as follows:

Name of Director	Holdings at Beginning of the Year	Holdings at End of the Year
<b>Hong Fok Corporation Limited</b>		
<b>Ordinary shares</b>		
Mr Cheong Kim Pong		
- interest held	2,829,178	2,829,178
- deemed interests	104,612,103	104,612,103
Mr Cheong Pin Chuan		
- interest held	8,539,454	8,539,454
- deemed interests	105,296,633	105,296,633
Ms Cheong Hooi Kheng		
- interest held	10,569,000	10,569,000
Mr Cheong Sim Eng		
- interest held	74,020,300	76,229,300
- deemed interests	31,521,363	31,915,363
Mr Tan Tock Han		
- interest held	163,000	163,000
- deemed interests	14,712,999	14,712,999
Mr Lai Meng Seng		
- interest held	77,000	77,000

# DIRECTORS' REPORT

Year Ended 31 December 2011

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares or debentures of the Company or of related corporations (other than wholly-owned subsidiaries) either at the beginning or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2012.

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

## DIRECTORS' INTERESTS IN CONTRACTS

Since the end of the previous financial year, a wholly-owned subsidiary of the Company has in the normal course of business entered into contract services transactions with certain directors of the Group and parties in which these said directors are deemed to have an interest. Such transactions are carried out on normal commercial terms.

Except as disclosed above and in Note 28 (Related Party Transactions) to the Financial Statements, since the end of the last financial year, no Director has received or become entitled to receive a benefit (other than a benefit or any fixed salary of a full-time employee of the Company included in the aggregate amount of emoluments shown in the financial statements, or any emoluments received from related corporations) by reason of a contract made by the Company or a related corporation 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.

There were no material contracts entered into between the Company and its subsidiaries involving the interests of the Directors during the financial year.

## SHARE OPTIONS

During the financial year, there were:

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

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

## AUDIT COMMITTEE

The Audit Committee members at the date of this report are as follows:

Mr Jackson Lee (Chairman)  
Mr Tan Tock Han  
Mr Lai Meng Seng

The financial statements, accounting policies and system of internal accounting controls are the responsibility of the Board acting through the Audit Committee. The Audit Committee met during the year to review the scope of work of the Company's internal and external auditors, and the results arising therefrom, including their evaluation of the system of internal controls. The Audit Committee also reviewed the assistance given by the Company's and the Group's officers to the auditors. The financial statements of the Company and the consolidated financial statements of the Group were reviewed by the Audit Committee prior to their submission to the Directors for adoption.

The Audit Committee reviewed the independence of the auditors and determined that the auditors were independent in carrying out their audit of the financial statements.

The Audit Committee has recommended to the Board that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.





# DIRECTORS' REPORT

Year Ended 31 December 2011

## AUDITORS

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

## ON BEHALF OF THE BOARD OF DIRECTORS

### CHEONG KIM PONG

Director

### CHEONG SIM ENG

Director

Singapore

23 March 2012



# STATEMENT BY DIRECTORS

Year Ended 31 December 2011

In our opinion:

- (a) the financial statements set out on pages 19 to 54 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 2011 and the results, changes in equity and cash flows of the Group and the results and changes in equity of the Company for the year ended on that date in accordance with the provisions of the 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

**CHEONG KIM PONG**

Director

**CHEONG SIM ENG**

Director

**Singapore**

23 March 2012



# INDEPENDENT AUDITORS' REPORT

Year Ended 31 December 2011

## MEMBERS OF THE COMPANY HONG FOK CORPORATION LIMITED

### Report on the Financial Statements

We have audited the accompanying financial statements of Hong Fok Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2011, the statements of comprehensive income and the statements of changes in equity of the Group and the Company and the cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 19 to 54.

### 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 balance sheet, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results and changes in equity of the Group and of the Company and the 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

23 March 2012

# BALANCE SHEETS

As At 31 December 2011

	Note	Group		Company	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>Non-current Assets</b>					
Fixed assets	3	345,693	312,238	–	–
Subsidiaries	4	–	–	234,615,503	238,310,336
Associates	5	147,573,831	153,056,249	–	–
Investment properties	6	1,257,660,184	1,104,802,636	–	–
Other investments	7	2	2	–	–
Other assets	8	398,984	396,578	–	–
		<b>1,405,978,694</b>	<b>1,258,567,703</b>	<b>234,615,503</b>	<b>238,310,336</b>
<b>Current Assets</b>					
Other investments	7	311,302	675,221	–	–
Development properties	9	280,566,606	283,673,325	–	–
Trade and other receivables	10	3,022,211	2,369,217	3,210	3,210
Cash and cash equivalents	11	57,008,442	44,213,071	314,372	314,112
		<b>340,908,561</b>	<b>330,930,834</b>	<b>317,582</b>	<b>317,322</b>
<b>Total Assets</b>		<b>1,746,887,255</b>	<b>1,589,498,537</b>	<b>234,933,085</b>	<b>238,627,658</b>
<b>Equity Attributable to Owners of the Company</b>					
Share capital	12	186,688,384	186,688,384	186,688,384	186,688,384
Reserves	13	841,660,071	700,653,340	45,149,234	44,739,882
<b>Total Equity</b>		<b>1,028,348,455</b>	<b>887,341,724</b>	<b>231,837,618</b>	<b>231,428,266</b>
<b>Non-current Liabilities</b>					
Trade and other payables	17	1,643,549	–	–	–
Obligations under finance leases	14	11,001	55,806	–	–
Loans	14	598,253,191	606,388,621	–	–
Financial guarantees	14	–	–	–	2,348,755
Deferred tax liability	15	91,150,000	63,985,800	–	–
		<b>691,057,741</b>	<b>670,430,227</b>	<b>–</b>	<b>2,348,755</b>
<b>Current Liabilities</b>					
Trade and other payables	17	25,215,690	28,807,539	746,712	720,105
Obligations under finance leases	14	44,804	44,804	–	–
Financial guarantees	14	–	–	2,348,755	4,130,532
Tax payable		2,220,565	2,874,243	–	–
		<b>27,481,059</b>	<b>31,726,586</b>	<b>3,095,467</b>	<b>4,850,637</b>
<b>Total Liabilities</b>		<b>718,538,800</b>	<b>702,156,813</b>	<b>3,095,467</b>	<b>7,199,392</b>
<b>Total Equity and Liabilities</b>		<b>1,746,887,255</b>	<b>1,589,498,537</b>	<b>234,933,085</b>	<b>238,627,658</b>

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



# STATEMENTS OF COMPREHENSIVE INCOME

Year Ended 31 December 2011

	Note	2011 \$	Group 2010 \$	2011 \$	Company 2010 \$
<b>Revenue</b>	18	<b>129,236,139</b>	50,177,323	–	–
Other income	19	352,288	528,912	–	–
		<b>129,588,427</b>	50,706,235	–	–
Cost of sales of development properties		(66,365,172)	(2,054,591)	–	–
Depreciation of fixed assets	3	(249,052)	(186,816)	–	–
Exchange (loss)/gain, net		(489)	(175,901)	<b>228,186</b>	(2,634,698)
Gain on acquisition of a subsidiary	25	–	–	–	10,547,167
Gain on fair value of previously-held equity interest in associates	25	–	1,377,927	–	–
Gain on revaluation of investment properties		<b>151,070,875</b>	88,241,999	–	–
Impairment loss (made)/written back on investment in a subsidiary		–	–	(3,517,650)	974,533
Loss on dilution of interest in an associate	5	(6,328,418)	–	–	–
Negative goodwill	25	–	232,618	–	–
Other expenses		(29,757,182)	(28,712,071)	(431,716)	(753,580)
		<b>177,958,989</b>	109,429,400	<b>(3,721,180)</b>	8,133,422
Finance income	20	–	–	<b>4,130,532</b>	3,926,791
Finance expense	20	(9,106,751)	(9,398,889)	–	–
<b>Net finance (expense)/income</b>		<b>(9,106,751)</b>	(9,398,889)	<b>4,130,532</b>	3,926,791
Share of results of associates, net of tax		(536,518)	15,583,847	–	–
<b>Profit before income tax</b>	21	<b>168,315,720</b>	115,614,358	<b>409,352</b>	12,060,213
Income tax expense	23	(28,660,400)	(16,371,216)	–	–
<b>Profit for the year attributable to Owners of the Company</b>		<b>139,655,320</b>	99,243,142	<b>409,352</b>	12,060,213
<b>Other comprehensive income</b>					
Exchange differences on translation of financial statements of foreign subsidiaries and associates		927,917	(11,454,926)	–	–
Exchange differences on monetary items forming part of net investments in foreign subsidiaries		250,265	(2,872,016)	–	–
Effect of realisation of exchange reserves previously-held as interest in associates		–	(824,215)	–	–
Change in fair value of available-for-sale investments		173,229	88,042	–	–
<b>Other comprehensive income for the year, net of income tax</b>		<b>1,351,411</b>	(15,063,115)	–	–
<b>Total comprehensive income for the year attributable to Owners of the Company</b>		<b>141,006,731</b>	84,180,027	<b>409,352</b>	12,060,213
<b>Earnings per share (cents):</b>					
Basic	24	21.17	15.05		
Diluted	24	21.17	15.05		

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2011

Group	Share Capital \$	Capital and Other Reserves \$	Translation Reserves \$	Retained Profit \$	Total Attributable to Owners of the Company \$
At 1 January 2010	186,688,384	2,378,571	(36,683,877)	650,778,619	803,161,697
<b>Total comprehensive income for the year</b>					
Profit for the year	–	–	–	99,243,142	99,243,142
<b>Other comprehensive income</b>					
Exchange differences on translation of financial statements of foreign subsidiaries and associates	–	–	(11,454,926)	–	(11,454,926)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	–	–	(2,872,016)	–	(2,872,016)
Effect of realisation of exchange reserves previously-held as interest in associates	–	–	(824,215)	–	(824,215)
Change in fair value of available-for-sale investments	–	88,042	–	–	88,042
Total other comprehensive income	–	88,042	(15,151,157)	–	(15,063,115)
<b>Total comprehensive income for the year</b>	–	88,042	(15,151,157)	99,243,142	84,180,027
At 31 December 2010	186,688,384	2,466,613	(51,835,034)	750,021,761	887,341,724
At 1 January 2011	186,688,384	2,466,613	(51,835,034)	750,021,761	887,341,724
<b>Total comprehensive income for the year</b>					
Profit for the year	–	–	–	139,655,320	139,655,320
<b>Other comprehensive income</b>					
Exchange differences on translation of financial statements of foreign subsidiaries and associates	–	–	927,917	–	927,917
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	–	–	250,265	–	250,265
Change in fair value of available-for-sale investments	–	173,229	–	–	173,229
Total other comprehensive income	–	173,229	1,178,182	–	1,351,411
<b>Total comprehensive income for the year</b>	–	173,229	1,178,182	139,655,320	141,006,731
At 31 December 2011	186,688,384	2,639,842	(50,656,852)	889,677,081	1,028,348,455

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



# STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2011

Company	Share Capital \$	Retained Profit \$	Total \$
At 1 January 2010	186,688,384	32,679,669	219,368,053
Profit for the year – Total comprehensive income for the year	–	12,060,213	12,060,213
At 31 December 2010	186,688,384	44,739,882	231,428,266
At 1 January 2011	186,688,384	44,739,882	231,428,266
Profit for the year – Total comprehensive income for the year	–	409,352	409,352
At 31 December 2011	186,688,384	45,149,234	231,837,618

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

# CONSOLIDATED CASH FLOW STATEMENT

Year Ended 31 December 2011

	Note	2011 \$	2010 \$
<b>Operating Activities</b>			
Profit before income tax		168,315,720	115,614,358
Adjustments for:			
Share of results of associates, net of tax		536,518	(15,583,847)
Amortisation of transaction cost of loans		736,420	732,037
Depreciation of fixed assets		249,052	186,816
Gain on disposal of other investments		(33,179)	(12,921)
Gain on fair value of previously-held equity interest in associates		–	(1,377,927)
Gain on revaluation of investment properties		(151,070,875)	(88,241,999)
Impairment in trade and other receivables and bad debts written off, net		56,149	150,824
Impairment loss written back on other assets		(2,000)	(24,000)
Loss on dilution of interest in an associate		6,328,418	–
Loss/(Gain) on disposal of fixed assets, net		48	(109)
Loss/(Gain) on remeasurement of other investments		139,919	(85,041)
Negative goodwill		–	(232,618)
Write-back of allowance for diminution in value of development properties		(48,503)	–
Interest income		(70,689)	(94,100)
Interest expense		8,370,331	8,666,852
		<b>33,507,329</b>	<b>19,698,325</b>
Changes in working capital:			
Development properties		3,665,453	2,855,053
Trade and other receivables		(708,163)	892,326
Trade and other payables		(1,883,428)	5,831,164
Cash generated from operations		<b>34,581,191</b>	<b>29,276,868</b>
Income tax paid		(2,260,778)	(2,469,973)
Interest income received		82,829	76,982
Income tax refund		110,900	–
<b>Cash Flows from Operating Activities</b>		<b>32,514,142</b>	<b>26,883,877</b>
<b>Investing Activities</b>			
Capital expenditure on investment properties		(1,786,673)	(1,737,113)
Purchase of fixed assets		(285,265)	(50,456)
Purchase of other investments		–	(11,000)
Proceeds from disposal of fixed assets		2,710	2,921
Proceeds from disposal of other investments		257,179	117,431
Acquisition of a subsidiary, net of cash acquired	25	–	(9,492,045)
<b>Cash Flows from Investing Activities</b>		<b>(1,812,049)</b>	<b>(11,170,262)</b>
<b>Financing Activities</b>			
Interest expense paid		(8,945,675)	(9,201,893)
Payment of finance lease rentals		(44,805)	(54,604)
Repayment of loans		(9,000,000)	(8,700,000)
Proceeds from loans		83,150	4,473,500
<b>Cash Flows from Financing Activities</b>		<b>(17,907,330)</b>	<b>(13,482,997)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>12,794,763</b>	<b>2,230,618</b>
Cash and cash equivalents at beginning of the year		44,213,071	42,449,150
Effect of exchange rate fluctuations		608	(466,697)
<b>Cash and Cash Equivalents at End of the Year</b>	11	<b>57,008,442</b>	<b>44,213,071</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 23 March 2012.

## 1 DOMICILE AND ACTIVITIES

Hong Fok Corporation Limited is a company incorporated in the Republic of Singapore and has its registered office at 300 Beach Road #41-00, The Concourse, Singapore 199555.

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

The consolidated financial statements relate to the Company and its subsidiaries (referred to as the Group) and the Group's interests in associates.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

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

The financial statements have been prepared on the historical cost basis except for the following material items in the balance sheet:

- Financial instruments at fair value through profit or loss are measured at fair value
- Available-for-sale financial assets are measured at fair value
- Investment properties are measured at fair value

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information is presented in Singapore dollars, unless otherwise stated.

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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 6 – revaluation of investment properties
- Note 9 – estimation of allowance for foreseeable losses and percentage of completion for properties under development

Starting as of 1 January 2011, on adoption of new/revised FRSs, the Group has changed its accounting policies in the following areas:

- Revised FRS 24 *Related Party Disclosures* (2010) requires the identification of parties that are related to the Group and the determination of the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of FRS 24 (2010) has no impact on earnings per share.

- INT FRS 115 *Agreements for the Construction of Real Estate and the Accompanying Note on Application of INT FRS 115 in Singapore* ("AN") in its accounting for revenue from sales of development properties for the year ended 31 December 2011.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

Prior to the adoption of INT FRS 115 and the AN, revenue from sales of development properties was recognised using the percentage of completion (“POC”) method as allowed under Recommended Accounting Practice 11 – *Pre-Completion Contracts For The Sale Of Development Property* (“RAP 11”). RAP 11 was withdrawn with effect from 1 January 2011 following the adoption of INT FRS 115.

Under INT FRS 115 and the AN, the Group continues to recognise revenue and profit based on the POC method for sale of development properties under the progressive payment scheme in Singapore.

Except for the above changes, the accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

## 2.2 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 in 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.

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.

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.

### **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.

### **Loss of Control**

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest 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.

### **Associates**

Associates are entities in which the Group has significant influence, but not control, over their financial and operational policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of these entities.

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

In the Group’s financial statements, they are accounted for using the equity method of accounting. When the Group’s share of losses exceeds its interest in an associate, 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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

Dilution of interest in associate (while maintaining the original significant influence) is determined between the carrying amount of the investment in the equity-accounted investee, immediately before and after the transaction that resulted in the dilution. Any surplus or deficit arising on the dilution of interest is recognised in profit or loss.

## ***Transactions Eliminated on Consolidation***

Intra-group balances and transactions, and any unrealised income or expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates 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 of Subsidiaries and Associates***

Investment in subsidiaries and associates are stated in the Company's balance sheet at cost less impairment loss.

## **2.3 Foreign Currencies**

### ***Translation of Foreign Currencies***

Foreign currency transactions are translated to the respective functional currencies of the Group entities at rates ruling on transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at rates of exchange closely approximate to those ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Translation differences are dealt with through profit or loss, except for differences arising from retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation.

### ***Foreign Operations***

The assets and liabilities of foreign operations are translated into Singapore dollars at rates of exchange closely approximate to those ruling at the balance sheet date. The results of foreign operations are translated to Singapore dollars at exchange rates prevailing at date of transactions. Exchange differences resulting from the translation are taken directly to translation reserves. On disposal of the foreign operation, the accumulated translation differences are recognised in profit or loss as part of the gain or loss on sale.

### ***Net Investment in a Foreign Operation***

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's profit or loss. Such exchange differences are reclassified to equity in the consolidated financial statements. When the foreign operation is disposed of, the cumulative amount in equity is transferred to profit or loss as an adjustment to profit or loss arising on disposal.

## **2.4 Fixed Assets**

### ***Owned Assets***

Fixed assets are stated in the financial statements at cost less accumulated depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.

Gain or loss on disposal of an item of fixed assets is determined by comparing the proceeds from disposal with the carrying amount of fixed assets, and is recognised net within other income in profit or loss.

The cost of replacing a part of an item of fixed assets 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 carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

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## **Leased Assets**

Where fixed assets are financed by finance leases that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at the values equivalent to the present value of the total rental payable during the periods of the finance lease and the corresponding lease obligations are included under liabilities. The excess of the lease payments over the recorded lease obligations is treated as finance charges which are allocated over each finance lease term to give a constant rate of interest on the outstanding balance at the end of each period. Leased assets are stated in the financial statements at cost less accumulated depreciation and impairment loss. Assets acquired under finance leases are depreciated in accordance with the policy set out in Note 2.16.

## **Depreciation**

Fixed assets are depreciated on a straight-line basis to write off their costs over their estimated useful lives at the following annual rates:

Office equipment and furniture	– 20% to 100%
Motor vehicles	– 20%
Plant and equipment	– 20% to 30%
Furniture	– 20%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

## **2.5 Investment Properties**

Investment properties are commercial properties which are not held with the intention of sale in the ordinary course of business and are held for their income or investment potential.

Investment properties under development are commercial properties that are under construction and are held for their rental income or investment potential.

Investment properties are measured at cost on initial recognition and subsequently at fair value with any change recognised in profit or loss. The fair value is determined annually by independent professional valuers. Rental income from investment properties is accounted for in the manner described in Note 2.9.

When the Group holds a property interest under an operating lease to earn rental income or capital appreciation, the interest is classified and accounted for as investment properties on a property-by-property basis. Any such property interest which has been classified as investment properties is accounted for as if it is held under finance lease (see Note 2.16), and is accounted for in the same way as other investment properties leased under finance leases. Lease payments are accounted for as described in Note 2.16.

## **2.6 Financial Instruments**

### **Non-derivative Financial Instruments**

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans, financial guarantees, obligations under finance leases and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, that is, the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the balance sheet 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

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Cash and cash equivalents comprise fixed deposits, cash at banks and in hand. For the purpose of the consolidated cash flow statement, cash and cash equivalents are presented net of bank overdraft which is repayable on demand and which form an integral part of the Group's cash management.

## **Available-for-sale financial assets**

The Group's investments in certain equity 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 loss, and foreign exchange gain or loss on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

When an equity instrument does not have a quoted market price in an active market and other methods of determining fair value do not result in a reliable estimate, the investment is measured at cost less impairment loss.

## **Investments at fair value through profit or loss**

An instrument is classified as at fair value through profit or loss if it is held for trading 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. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

The fair value of financial assets classified as held for trading is determined as the quoted bid price at the balance sheet date.

## **Others**

Other non-derivative financial instruments which comprise of loans and receivable and other financial liabilities are measured at amortised cost using the effective interest method, less any impairment loss.

## **Intra-group Financial Guarantees**

Financial guarantees are classified as financial liabilities.

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

## **Share Capital**

Ordinary shares are classified as equity.

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

## **2.7 Development Properties**

Development properties are properties which are held with the intention of sale in the ordinary course of business. They include completed properties and properties under development.

Completed properties are stated at the lower of cost and Directors' estimate of net realisable value. Cost includes cost of land, borrowing costs and other related expenditure. Capitalisation of interest cost and other related expenditure ceases when the temporary occupation permit for the development is issued by the authorities or when active development is suspended for extended periods. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

Properties under development are stated at cost less any allowance for foreseeable losses considered necessary by the Directors, net of progress instalments received and receivable. Cost comprises specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding properties under development are capitalised, on a specific identification basis, as part of the cost of the development properties until the completion of development.

Allowance for foreseeable losses is made in the period in which such loss is determined.

# NOTES TO THE FINANCIAL STATEMENTS

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## 2.8 Impairment

### *Impairment of Financial Assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 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.

Financial assets are tested for impairment on an individual basis. Any impairment loss is recognised in 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 loss in respect of financial assets measured at amortised cost and available-for-sale debt securities is reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

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

### *Impairment of Non-financial Assets*

The carrying amounts of the Group's non-financial assets, other than development properties, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is charged to profit or loss unless it reverses a previous revaluation, credited in equity, in which case it is charged to equity.

### *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its value in use and its fair value to use less cost 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### *Reversals of impairment*

Impairment loss recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists for all assets. 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, if no impairment loss has been recognised.

## 2.9 Revenue Recognition

Revenue from sales of development properties is recognised using the percentage of completion method when the Group determines that (a) control and the significant risks and rewards of ownership of the work-in-progress transfer to the buyer in its current state as construction progresses, (b) sales price is fixed and collectible, (c) the percentage of completion can be measured reliably, (d) there is no significant uncertainty as to the ability of the Group to complete the development, and (e) costs incurred or to be incurred can be measured reliably.

The percentage of completion is measured by reference to the surveys of work performed. Profits are recognised only in respect of finalised sales contracts to the extent that such profits relate to the progress of the construction work.

Rental income and maintenance fees are recognised in profit or loss on a straight-line basis over the term of the leases.

# NOTES TO THE FINANCIAL STATEMENTS

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Revenue upon disposal of investments is recognised in profit or loss at the contractual date.

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

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

Property management income is recognised in profit or loss upon rendering of the services.

## 2.10 Key Management Personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entities. The Directors of the Group and its subsidiaries, Vice Presidents of the respective departments and Personal Assistant to Directors are considered as key management personnel of the Group.

## 2.11 Employee Benefits

### *Defined Contribution Plans*

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

## 2.12 Borrowing Costs

Borrowing costs comprise interest and other costs incurred in connection with the borrowing of funds.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset less any income on the temporary investment of these borrowings. The capitalisation rate is based on the attributable cost of the specific borrowings. All other borrowing costs are written off to profit or loss in the year in which they are incurred except for fees for the arrangement of financing facilities which are recognised over the period of the facilities on an effective interest basis.

## 2.13 Income Tax Expense

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of the prior 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:

- 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 related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## 2.14 Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.



# NOTES TO THE FINANCIAL STATEMENTS

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## 2.15 Finance Income and Expense

Finance income relates to amortisation of financial guarantees that are recognised in profit or loss.

Finance expense comprises interest expense on loans and amortisation of transaction costs capitalised. All 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.

## 2.16 Leases

### *When Entities within the Group are Lessees of a Finance Lease*

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, fixed assets acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

### *When 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.

## 2.17 Government Grants – Jobs Credit Scheme

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised upon receipt. Such grants are provided to defray the wage costs incurred by the Group and are offset against staff costs in the financial statements.

## 2.18 Segment Reporting

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



# NOTES TO THE FINANCIAL STATEMENTS

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## 3 FIXED ASSETS

Group	Office Equipment and Furniture \$	Motor Vehicles \$	Plant and Equipment \$	Furniture \$	Total \$
<b>Cost</b>					
At 1 January 2010	1,276,553	876,358	1,177,590	129,027	3,459,528
Translation differences	–	(5,475)	–	–	(5,475)
Additions	47,306	–	3,150	–	50,456
Disposals	(33,120)	(2,299)	(7,065)	(10,670)	(53,154)
Acquisition of a subsidiary	39,274	–	12,715	80,429	132,418
At 31 December 2010	1,330,013	868,584	1,186,390	198,786	3,583,773
At 1 January 2011	1,330,013	868,584	1,186,390	198,786	3,583,773
Translation differences	–	471	–	–	471
Additions	85,634	–	68,450	131,181	285,265
Disposals	(26,151)	–	–	(51,395)	(77,546)
At 31 December 2011	1,389,496	869,055	1,254,840	278,572	3,791,963
<b>Accumulated Depreciation</b>					
At 1 January 2010	1,259,285	554,969	1,089,032	125,162	3,028,448
Translation differences	–	(5,475)	–	–	(5,475)
Depreciation for the year	45,080	103,833	23,805	14,098	186,816
Disposals	(32,897)	(2,299)	(7,065)	(8,081)	(50,342)
Acquisition of a subsidiary	39,274	–	12,715	60,099	112,088
At 31 December 2010	1,310,742	651,028	1,118,487	191,278	3,271,535
At 1 January 2011	1,310,742	651,028	1,118,487	191,278	3,271,535
Translation differences	–	471	–	–	471
Depreciation for the year	81,433	99,083	36,115	32,421	249,052
Disposals	(25,570)	–	–	(49,218)	(74,788)
At 31 December 2011	1,366,605	750,582	1,154,602	174,481	3,446,270
<b>Carrying Amount</b>					
At 1 January 2010	17,268	321,389	88,558	3,865	431,080
At 31 December 2010	19,271	217,556	67,903	7,508	312,238
At 1 January 2011	19,271	217,556	67,903	7,508	312,238
At 31 December 2011	22,891	118,473	100,238	104,091	345,693

Fixed assets included in the financial statements at a carrying value of approximately \$116,000 (2010: \$215,000) were acquired under finance lease agreements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 4 SUBSIDIARIES

Company	2011 \$	2010 \$
Unquoted ordinary shares at cost	183,430,562	183,430,562
Impairment loss	(40,505,862)	(36,988,212)
	<b>142,924,700</b>	146,442,350
Financial guarantees	23,387,022	23,387,022
	<b>166,311,722</b>	169,829,372
Amounts due from subsidiaries (mainly non-trade)	125,082,009	124,886,175
Impairment loss	(8,960,400)	(8,960,400)
	<b>116,121,609</b>	115,925,775
Amounts due to subsidiaries (mainly non-trade)	(47,817,828)	(47,444,811)
	<b>68,303,781</b>	68,480,964
	<b>234,615,503</b>	238,310,336

As at the balance sheet date, the Company carried out a review on the recoverable amount of its investments in subsidiaries. The review led to an impairment loss of approximately \$3,518,000 that has been recognised in profit or loss of the Company. The recoverable amount was arrived at based on the net asset value of the investment at the balance sheet date as in the opinion of the Directors of the Company, the net asset value of the investment reasonably approximate the fair value.

As at 31 December 2010, the Company carried out a review on the recoverable amount of its investments in subsidiaries. The review led to a write-back of impairment loss of approximately of \$975,000 that has been recognised in profit or loss of the Company. The recoverable amount was arrived at based on the observable market values of the investment at the balance sheet date.

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

Details of the subsidiaries are as follows:

Name of Subsidiary	Country of Incorporation	Effective Equity Held by the Group	
		2011 %	2010 %
Yat Yuen Hong Holdings Pte. Ltd.	Singapore	100	100
Yat Yuen Hong Company Limited and its subsidiary:	Singapore	100	100
Super Homes Pte. Ltd.	Singapore	100	100
Hong Fok Homes Pte Ltd	Singapore	100	100
Cecil Land Development Pte. Ltd.	Singapore	100	100
Hong Fok Land Ltd and its subsidiary:	Singapore	100	100
Jemmax Investments Pte Ltd	Singapore	100	100
Hong Fok Realty Pte. Ltd.	Singapore	100	100
Vista Parking Services Pte Ltd	Singapore	100	100
Hong Fok Nominees Pte. Ltd.	Singapore	100	100
Broadway Development Pte Ltd	Singapore	100	100
Turie Pte Ltd	Singapore	100	100
Defoe Pte Ltd and its subsidiary:	Singapore	100	100
Brisco Pte Ltd	Singapore	100	100



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Name of Subsidiary	Country of Incorporation	Effective Equity Held by the Group	
		2011	2010
		%	%
Rasco Pte Ltd	Singapore	100	100
Biogem International Pte Ltd	Singapore	100	100
HFC Ventures.com Co Pte Ltd	Singapore	100	100
Highfeature.com Co Pte Ltd	Singapore	100	100
Warranty Management Pte Ltd	Singapore	100	100
Maincon (Building) Pte. Ltd. and its subsidiary: Elegant Homes Pte. Ltd.	Singapore	100	100
Goldease Investments Limited and its subsidiaries: Arundel Trading Pte Ltd	British Virgin Islands	100	100
Firth Enterprises Pte Ltd	Singapore	100	100
Hong Fok Development (Newton) Pte Ltd	Singapore	100	100
Bishopgate Holdings Limited	British Virgin Islands	100	100
Gold Triumph Assets Limited	British Virgin Islands	100	100
Yorkwin Investments Limited	British Virgin Islands	100	100
@ Hong Fok Corporation (H.K.) Limited and its subsidiaries: Hong Fok Investment Holding Company Limited	Hong Kong	100	100
Hong Fok Land International Limited	Hong Kong	100	100
Hong Fok Nominees Limited	Hong Kong	100	100
Supreme Homes Company Limited	Hong Kong	100	100
Hong Fok Enterprises Limited and its subsidiary: Hong Fok Corporation Limited	Hong Kong Cayman Islands	100	100

Wholly-owned subsidiaries incorporated in Singapore are audited by KPMG LLP, Singapore.

@ The consolidated financial statements are audited by CCIF CPA Limited, Hong Kong.

## 5 ASSOCIATES

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Investments in associates	149,573,831	155,056,249	2,000,000	2,000,000
Impairment loss	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
	147,573,831	153,056,249	–	–
Amounts due from associates	1,909,169	1,890,863	1,909,169	1,890,863
Impairment loss	(1,909,169)	(1,890,863)	(1,909,169)	(1,890,863)
	–	–	–	–
	147,573,831	153,056,249	–	–

As at 31 December 2011, the Group's share of the contingent liabilities of the associates amounted to approximately \$11,000 (2010: \$1,307,000).

On 30 December 2011, the Group's associate, Hong Fok Land International Limited ("HFLIL"), issued and allotted a total of 137,360,956 ordinary shares of HK\$0.05 each to the vendors in connection with the acquisition of certain properties in Singapore. Accordingly, the Group's effective interest in HFLIL decreased from 40.38% to 36.98%. The Group's loss on dilution of interest in HFLIL amounted to \$6,328,418, which has been recognised in profit or loss of the Group.

The Group's effective interest in Winfoong International Limited ("WIL") has also decreased from 48.57% to 47.75% (38.92% direct interest in WIL and 8.83% interest in WIL through HFLIL) following the dilution of its interest in HFLIL.

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Details of the significant associates are as follows:

Name of Associate	Place of Incorporation and Business	Effective Equity Held by the Group	
		2011	2010
		%	%
@ Hong Fok Land International Limited	Bermuda/Hong Kong	37	40
Hong Fok Land Asia Limited	British Virgin Islands	37	40
Hong Fok Land Investment Limited	Hong Kong	37	40
Hugoton Limited	Hong Kong	37	40
Bossiney Limited	Hong Kong	37	40
Wellow Investment Limited	Republic of Liberia	37	40
Giant Yield Limited	Hong Kong	37	40
Hong Fok Land Holding Limited	Hong Kong	37	40
Allied Crown Limited	Hong Kong	37	40
First Strategy Investments Limited	British Virgin Islands	37	40
Prestige Century Limited	British Virgin Islands	37	–
Hong Fok Land Assets Pte. Ltd.	Singapore	37	–
Jiangmen Tangquan Real Estate Company Limited	The People's Republic of China	#34	#37
^ Winfoong International Limited	Bermuda/Hong Kong	48	49
Winfoong Assets Limited	British Virgin Islands	48	49
Sui Chong International Resources Limited	Hong Kong	48	49
Sui Chong International (H.K.) Limited	Hong Kong	48	49
Donwin Property Limited	Hong Kong	48	49
Sui Chong Finance Limited	Hong Kong	48	49
Vision Capital Limited	Hong Kong	48	49
Fort Property Management Limited	Hong Kong	48	49
Cheung Kee Garden Limited	Hong Kong	48	49
Super Homes Limited	Hong Kong	48	49
Century Elegant Limited	Hong Kong	48	49

@ The consolidated financial statements are audited by CCIF CPA Limited, Hong Kong.

# Includes 92.0% held indirectly by Hong Fok Land International Limited.

^ Winfoong International Limited is listed on The Stock Exchange of Hong Kong Limited and its consolidated financial statements are audited by CCIF CPA Limited, Hong Kong.

Summarised financial information on the associates (without any adjustment for the percentage of ownership held by the Group) is as follows:

Associates	2011	2010
	\$	\$
<b>Assets and Liabilities</b>		
Total assets	605,419,126	584,661,252
Total liabilities	207,335,392	200,966,511
<b>Results</b>		
Revenue	13,648,724	72,210,814
(Loss)/Profit for the year	(1,768,571)	39,409,616
Fair value of quoted associate	12,330,110	34,963,400



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

## 6 INVESTMENT PROPERTIES

Group	2011 \$	2010 \$
Investment properties under development	7,935,184	7,567,636
Completed investment properties	1,249,725,000	1,097,235,000
	<u>1,257,660,184</u>	<u>1,104,802,636</u>

### Investment Properties Under Development

At 1 January	7,567,636	7,398,524
Additions arising from subsequent expenditure recognised in carrying amount	309,690	201,640
Increase/(Decrease) in fair values	57,858	(32,528)
At 31 December	<u>7,935,184</u>	<u>7,567,636</u>

Investment properties under development have been revalued as follows:

Leasehold properties under development – 31 December 2011 (2010: 31 December 2010)	<u>7,935,184</u>	<u>7,567,636</u>
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### Completed Investment Properties

At 1 January	1,097,235,000	1,007,425,000
Additions arising from subsequent expenditure recognised in carrying amount	1,476,983	1,535,473
Increase in fair values	151,013,017	88,274,527
At 31 December	<u>1,249,725,000</u>	<u>1,097,235,000</u>

Completed investment properties have been revalued as follows:

Leasehold properties – 31 December 2011 (2010: 31 December 2010)	919,730,000	768,340,000
Freehold properties – 31 December 2011 (2010: 31 December 2010)	329,995,000	328,895,000
	<u>1,249,725,000</u>	<u>1,097,235,000</u>

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.

### Leasehold Properties

For both 2011 and 2010, leasehold properties are revalued by Jones Lang LaSalle Property Consultants Pte Ltd, a firm of independent professional valuers that has appropriate recognised professional qualifications and recent experience in the locations and categories of the properties being valued, on an open market value basis. Completed leasehold properties are valued using the Sales Comparison Method and the Investment Method. Leasehold properties under development are valued using the Residual Method.

Under the Sales Comparison Method, the market value of the property is assessed having regard to transactions of comparable properties within the vicinity and elsewhere with due adjustments made to account for differences in terms of location, tenure, size, shape, design and layout, age and condition of buildings, dates of transactions, etc. and also taking into account the prevailing market conditions.

Under the Investment Method, the market value of the property is assessed having regard to the value of income-producing properties, which takes into account the existing committed rentals and the estimated current market rentals achievable by the property. Outgoings such as property tax and service charge are then deducted from the rental income to arrive at a net income which is then capitalised at an appropriate rate to arrive at the market value of the property.

Under the Residual Method, the value is determined by the estimation of the capital value of the proposed development assuming it is completed and from which the various estimated costs of development such as building costs, developer's profit, stamp duty and legal fees and other expenses are deducted to give a residual figure which would represent the amount a prudent developer would pay for the site.

# NOTES TO THE FINANCIAL STATEMENTS

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## Freehold Properties

For both 2011 and 2010, freehold properties are revalued by Knight Frank Pte Ltd, a firm of independent professional valuers that has appropriate recognised professional qualifications and recent experience in the locations and categories of the properties being valued, on an open market value basis. Completed freehold properties are valued using both the Comparable Sales Method and the Investment Method, each method being used as a check against the other, except for the Land Lot 1719L TS25 at Claymore Hill which is valued using the Residual Land Value Method.

Under the Comparable Sales Method, a comparison is made with sales of similar properties in the vicinity and other locations with adjustments made for differences in location, floor area, floor level, age/quality of development, tenure, date of sale, etc., before arriving at the value of the subject property.

Under the Investment Method, the net rent of the subject property is capitalised at a suitable rate of return to arrive at its value. The net rent is the balance sum after deducting service charge, property tax and a reasonable percentage of vacancy from the gross rent.

Under the Residual Land Value Method, the value is determined by the value of a property which has potential for development, redevelopment or refurbishment. The estimated total cost of work, including fees and other associated expenditure, plus an allowance for interest, developer's risk and profit, is deducted from the gross development value of the proposed project assuming satisfactory completion. After accounting for land holding costs such as property tax, stamp and legal fees and finance cost, the resultant figure then gives rise to the residual value of the property. The gross development value of the proposed project is derived by Comparable Sales Method.

Investment properties are commercial properties that are mainly leased to external customers. Each of the leases contains an initial non-cancellable period of usually two to three years. Subsequent renewals are negotiated with the lessee.

The carrying amount of investment properties of the Group under operating leases at 31 December 2011 is approximately \$1,166,185,000 (2010: \$1,014,795,000).

The investment properties are mortgaged for credit facilities extended to the Group (Note 14).

## 7 OTHER INVESTMENTS

Group	2011 \$	2010 \$
<b>Non-current Investments</b>		
Available-for-sale unquoted equity securities:		
Cost	6,510,134	6,499,134
Impairment loss	(6,510,132)	(6,499,132)
	<u>2</u>	<u>2</u>
<b>Current Investments</b>		
Quoted equity securities, held for trading	161,559	501,888
Unquoted equity securities, held for trading	149,743	173,333
	<u>311,302</u>	<u>675,221</u>

Certain investments with a carrying value of approximately \$161,000 as at 31 December 2011 (2010: \$501,000) have been pledged as collateral to secure a share margin trading facility granted to a subsidiary. As at 31 December 2011, the amount utilised under the facility granted was \$Nil (2010: \$Nil).

It is not practicable to estimate the fair value of certain of the Group's available-for-sale securities because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. These securities are thus stated at cost less impairment loss.

# NOTES TO THE FINANCIAL STATEMENTS

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## Fair Value Hierarchy

The following table analyses financial instruments carried at fair value, by valuation method as at 31 December 2011 and 31 December 2010. The different levels have been defined as follows:

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

Group	Total \$	Level 1 \$	Level 2 \$	Level 3 \$
<b>2011</b>				
<b>Current Investments</b>				
Quoted equity securities, held for trading	161,559	161,559	–	–
Unquoted equity securities, held for trading	149,743	–	149,743	–
	<b>311,302</b>	<b>161,559</b>	<b>149,743</b>	<b>–</b>
<b>2010</b>				
<b>Current Investments</b>				
Quoted equity securities, held for trading	501,888	501,888	–	–
Unquoted equity securities, held for trading	173,333	–	173,333	–
	<b>675,221</b>	<b>501,888</b>	<b>173,333</b>	<b>–</b>

There was no transfer between levels for 2011 and 2010.

## 8 OTHER ASSETS

Group	2011 \$	2010 \$
Club membership	531,484	531,078
Impairment loss	(132,500)	(134,500)
	<b>398,984</b>	<b>396,578</b>

During the year, a write-back of impairment loss amounting to approximately \$2,000 (2010: \$24,000) was made to adjust the carrying value of club membership to its recoverable amount, which was represented by the fair value of each club membership referenced from independent sources at the balance sheet date.

## 9 DEVELOPMENT PROPERTIES

Group	Note	2011 \$	2010 \$
Properties under development		273,424,509	272,033,325
Completed properties		7,142,097	11,640,000
		<b>280,566,606</b>	<b>283,673,325</b>
<b>Properties Under Development</b>			
Costs incurred		371,833,024	342,942,851
Attributable profits		18,800,122	–
Interest income on fixed deposits		(339,186)	(161,587)
		<b>390,293,960</b>	<b>342,781,264</b>
Progress instalments received and receivable		(116,869,451)	(70,747,939)
		<b>273,424,509</b>	<b>272,033,325</b>
Amount of interest capitalised during the year	20	<b>510,231</b>	<b>556,298</b>

The interest expense has been capitalised at rates ranging from approximately 1.2% to 1.5% (2010: 1.3% to 1.7%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

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The Group adopts the percentage of completion method of revenue recognition for its residential project under the progressive payment scheme in Singapore. The stage of completion is measured in accordance with the accounting policy stated in Note 2.9. Significant assumptions are required in determining the stage of completion and the total estimated development costs. In making the assumptions, the Group evaluates them by relying on their past experience and the work of specialists.

In assessing for net realisable value of the properties, management takes into account the Group's recent experience in estimating net realisable values of completed units and properties under development by reference to comparable properties, timing of sales, location of property, expected selling costs and development expenditure. Market conditions may, however, change which may affect the future selling prices on the remaining unsold residential units of the development properties and accordingly, the carrying value of development properties for sale may be subject to adjustments in future periods.

Certain development properties are mortgaged for credit facilities extended to the Group (Note 14).

## 10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Trade receivables	1,660,745	1,434,415	–	–
Impairment loss	(256,593)	(580,119)	–	–
	1,404,152	854,296	–	–
Other receivables	60,980	56,006	–	–
Deposits	99,482	69,379	–	–
Loans and receivables	1,564,614	979,681	–	–
Prepayments and others	1,457,597	1,389,536	3,210	3,210
	3,022,211	2,369,217	3,210	3,210

Concentration of credit risk relating to loans and receivables is limited due to the Group's many varied customers. These customers are individuals and corporations, both local and multinational with different business activities. The Group's historical experience in the collection of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for impairment loss is inherent in the Group's trade receivables.

The maximum exposure to credit risk for financial assets included in loans and receivables at the balance sheet date by geographic region was:

	Carrying Amount	
	2011	2010
	\$	\$
Group		
Singapore	1,564,614	979,681

### Impairment Loss

The ageing of loans and receivables as at 31 December is:

	Total	Past Due but Not Impaired	Individually Impaired	Neither Past Due Nor Impaired
	\$	\$	\$	\$
Group				
2011				
Within 1 month	1,030,080	159,336	–	870,744
1 month to 3 months	264,597	264,597	–	–
3 months to 12 months	328,555	220,637	107,918	–
More than 12 months	197,975	49,300	148,675	–
	1,821,207	693,870	256,593	870,744



# NOTES TO THE FINANCIAL STATEMENTS

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Group	Total \$	Past Due but Not Impaired \$	Individually Impaired \$	Neither Past Due Nor Impaired \$
<b>2010</b>				
Within 1 month	438,651	226,366	–	212,285
1 month to 3 months	373,420	373,420	–	–
3 months to 12 months	233,911	98,949	134,962	–
More than 12 months	513,818	68,661	445,157	–
	<u>1,559,800</u>	<u>767,396</u>	<u>580,119</u>	<u>212,285</u>

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

Group	2011 \$	2010 \$
At 1 January	580,119	525,825
Impairment loss recognised	106,042	150,503
Impairment loss written back	(49,893)	–
Impairment loss written off	(379,675)	(96,209)
At 31 December	<u>256,593</u>	<u>580,119</u>

Based on historical default rates, the Group believes that no impairment loss is necessary in respect of trade receivables past due up to 30 days. These receivables comprise customers that have a good credit history with the Group. For receivables aged greater than 1 month and are past due, amounts are deemed to be not impaired if fully covered by deposits held by the Group.

## 11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 \$	2010 \$	2011 \$	2010 \$
Cash at banks and in hand	2,008,442	2,213,071	314,372	314,112
Fixed deposits	55,000,000	42,000,000	–	–
Cash and cash equivalents in the consolidated cash flow statement	<u>57,008,442</u>	<u>44,213,071</u>	<u>314,372</u>	<u>314,112</u>

Included in the above is an amount held under the Housing Developers (Project Account) Rules of approximately \$56,098,000 (2010: \$42,497,000) the use of which is subject to restriction imposed by the said Rules.

The effective interest rate for the cash at banks and fixed deposits ranges from approximately 0% to 0.3% (2010: 0% to 0.3%) per annum at balance sheet date. Interest rate reprices within 6 months of the balance sheet date.

## 12 SHARE CAPITAL

	Group and Company	
	2011 No. of Shares	2010 No. of Shares
<b>Issued and Fully Paid Ordinary Shares</b>		
At 1 January and 31 December	<u>659,554,698</u>	<u>659,554,698</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

## 13 RESERVES

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Capital reserves	2,371,049	2,371,049	–	–
Fair value reserve	268,793	95,564	–	–
Capital and other reserves	2,639,842	2,466,613	–	–
Translation reserves	(50,656,852)	(51,835,034)	–	–
Retained profit	889,677,081	750,021,761	45,149,234	44,739,882
	<b>841,660,071</b>	<b>700,653,340</b>	<b>45,149,234</b>	<b>44,739,882</b>

Capital and other reserves comprise the Group's share of fair value reserves of associates and other discretionary transfers from retained profit in prior years.

The translation reserves comprise 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 and the exchange differences on monetary items which form part of the Company's net investment in foreign subsidiaries.

The retained profit of the Group include retained profit of approximately \$40,997,000 (2010: \$47,766,000) attributable to associates.

## 14 FINANCIAL LIABILITIES

	Note	Group		Company	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>Non-current Liabilities</b>					
Singapore dollar secured floating rate loans from financial institutions	b	463,000,000	463,000,000	–	–
Singapore dollar secured revolving loan from financial institutions	c	6,000,000	6,000,000	–	–
Singapore dollar secured revolving bank loan	d	126,000,000	135,000,000	–	–
Hong Kong dollar secured revolving bank loan	e	5,072,150	4,944,000	–	–
Unamortised transaction cost		(1,818,959)	(2,555,379)	–	–
Loans		598,253,191	606,388,621	–	–
Obligations under finance leases	f	11,001	55,806	–	–
Intra-group financial guarantees		–	–	–	2,348,755
		<b>598,264,192</b>	<b>606,444,427</b>	<b>–</b>	<b>2,348,755</b>
<b>Current Liabilities</b>					
Obligations under finance leases	f	44,804	44,804	–	–
Intra-group financial guarantees		–	–	2,348,755	4,130,532
		<b>44,804</b>	<b>44,804</b>	<b>2,348,755</b>	<b>4,130,532</b>

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

- (i) mortgages on and assignment of rental income from investment properties with carrying values of approximately \$1,257,660,000 as at 31 December 2011 (2010: \$1,104,803,000);
- (ii) mortgages on development properties with carrying values of approximately \$390,294,000 as at 31 December 2011 (2010: \$350,531,000) and assignment of the rights, titles and interest in the tenancy agreements, sale and purchase agreements, building contract, performance bonds and insurances from the development properties; and
- (iii) guarantees by the Company (Note 16).

# NOTES TO THE FINANCIAL STATEMENTS

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- (b) **Singapore Dollar Secured Floating Rate Loans from Financial Institutions**  
During the year, the floating rate loans' repayment due date was extended from July 2012 to July 2014.
- (c) **Singapore Dollar Secured Revolving Loan from Financial Institutions**  
During the year, the revolving loans' repayment due date was extended from July 2012 to July 2014.
- (d) **Singapore Dollar Secured Revolving Bank Loan**  
The revolving bank loan is repayable by September 2014.
- (e) **Hong Kong Dollar Secured Revolving Bank Loan**  
The revolving bank loan is repayable by September 2014.
- (f) At 31 December, the Group has obligations under finance leases that are payable as follows:

Group	2011			2010		
	Principal \$	Interest \$	Payments \$	Principal \$	Interest \$	Payments \$
Repayable:						
Within 1 year	44,804	5,261	50,065	44,804	5,261	50,065
After 1 year but within 5 years	11,001	1,225	12,226	55,806	6,485	62,291
	<b>55,805</b>	<b>6,486</b>	<b>62,291</b>	<b>100,610</b>	<b>11,746</b>	<b>112,356</b>

Interest on the above finance leases is charged at rates ranging from approximately 4.5% to 5.2% (2010: 4.5% to 5.2%) per annum at balance sheet date.

- (g) **Interest Rates**  
The effective interest rate for floating rate loans and revolving loans is approximately 1.5% to 2.1% (2010: 1.3% to 2.0%) per annum at balance sheet date. Floating interest rates reprice within six months of the balance sheet date.

## 15 DEFERRED TAX LIABILITY

Deferred tax liability is attributable to the following:

Group	Recognised in Profit or Loss		Recognised in Profit or Loss		At 31/12/2011
	At 1/1/2010	31/12/2010	At 31/12/2010	31/12/2011	
	\$	\$	\$	\$	\$
Fair value changes of investment properties	49,914,800	14,071,000	63,985,800	25,502,500	89,488,300
Profits recognised on percentage of completion	–	–	–	1,661,700	1,661,700
	<b>49,914,800</b>	<b>14,071,000</b>	<b>63,985,800</b>	<b>27,164,200</b>	<b>91,150,000</b>

## 16 INTRA-GROUP FINANCIAL GUARANTEES

Intra-group financial guarantees comprise guarantees granted by the Company to financial institutions in respect of credit facilities amount to \$703,750,000 (2010: \$709,350,000). The periods in which the financial guarantees expire are as follows:

Company	2011 \$	2010 \$
Within 1 year	5,750,000	11,350,000
After 1 year but within 5 years	698,000,000	698,000,000
	<b>703,750,000</b>	<b>709,350,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

## 17 TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Non-current</b>				
Trade payables	1,643,549	–	–	–
<b>Current</b>				
Trade payables	3,814,673	4,577,040	–	–
Accrued operating expenses	5,354,418	5,103,491	270,514	243,850
Accrued development expenditure	4,147,526	6,368,259	–	–
Tenancy and other deposits	11,298,261	12,271,230	–	–
Unclaimed dividends	288,408	288,804	288,408	288,804
Other payables	312,404	198,715	187,790	187,451
	<b>25,215,690</b>	<b>28,807,539</b>	<b>746,712</b>	<b>720,105</b>

At 31 December 2011, trade and other payables denominated in currencies other than the Group's functional currency comprise approximately \$38,000 (2010: \$26,000) denominated in Hong Kong dollars.

Trade payables include retention sum of approximately \$2,651,000 (2010: \$1,118,000) relating to properties under development.

## 18 REVENUE

	2011	2010
Group	\$	\$
Gross dividend income from quoted investments	8,478	12,040
Gross rental income	34,102,983	38,276,326
Maintenance fee	7,184,150	6,999,733
Car park income	1,456,152	1,435,055
Property management income	1,006,166	1,005,283
Sale of completed development properties	5,090,623	2,347,527
Sale of development properties under development	80,293,779	–
Gain on disposal of other investments	33,179	12,921
Interest income on late payments	60,629	88,438
	<b>129,236,139</b>	<b>50,177,323</b>

## 19 OTHER INCOME

	2011	2010
Group	\$	\$
(Loss)/Gain on disposal of fixed assets, net	(48)	109
Forfeiture/Compensation income	60,225	367,182
Interest income	10,060	5,662
Others	282,051	155,959
	<b>352,288</b>	<b>528,912</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

## 20 NET FINANCE (EXPENSE)/INCOME

	Note	Group		Company	
		2011	2010	2011	2010
		\$	\$	\$	\$
Financial guarantees amortised		–	–	4,130,532	3,926,791
Finance income		–	–	4,130,532	3,926,791
Interest expense:					
Loans		8,875,301	9,216,664	–	–
Obligations under finance leases		5,261	6,486	–	–
Amortisation of transaction cost previously capitalised		736,420	732,037	–	–
		9,616,982	9,955,187	–	–
Interest expense capitalised in development properties	9	(510,231)	(556,298)	–	–
Finance expense		9,106,751	9,398,889	–	–
Net finance (expense)/income recognised in profit or loss		(9,106,751)	(9,398,889)	4,130,532	3,926,791

## 21 PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before income tax:

	Note	Group		Company	
		2011	2010	2011	2010
		\$	\$	\$	\$
Write-back of allowance for diminution in value of development properties		(48,503)	–	–	–
Impairment loss written back on other assets		(2,000)	(24,000)	–	–
Loss/(Gain) on remeasurement of other investments		139,919	(85,041)	–	–
Audit fees paid to:					
Auditors of the Company		205,500	284,400	82,500	173,400
Other auditors		20,917	15,741	–	–
Non-audit fees paid to:					
Auditors of the Company		40,900	25,100	4,100	1,400
Other auditors		4,183	4,547	–	–
Directors' fees		130,000	115,000	130,000	115,000
Staff costs	22	15,237,907	14,716,586	–	–
Rental income from investment properties		(33,889,880)	(37,887,557)	–	–
Operating lease expense		81,973	82,384	–	–
Impairment in trade and other receivables and bad debts written off, net		56,149	150,824	–	–
Bad debts recovered		(25)	(28,531)	–	–
Impairment made in receivables from subsidiaries		–	–	–	455,400
Direct operating expenses arising from investment properties:					
that generated rental income		11,327,579	10,568,698	–	–
that did not generate rental income		189,014	176,744	–	–

Short-term employee benefits, excluding Directors' fees, paid to key management personnel during the year amounted to \$12,053,652 (2010: \$11,745,468).

# NOTES TO THE FINANCIAL STATEMENTS

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## 22 STAFF COSTS

Group	2011 \$	2010 \$
Salaries and wages	15,856,719	15,021,638
Contributions to defined contribution plans	590,604	468,145
Others	533,906	444,758
Government grants – Jobs Credit Scheme	–	(43,369)
	<b>16,981,229</b>	<b>15,891,172</b>
Staff costs capitalised in properties under development	(1,743,322)	(1,174,586)
	<b>15,237,907</b>	<b>14,716,586</b>

## 23 INCOME TAX EXPENSE

	Group		Company	
	2011 \$	2010 \$	2011 \$	2010 \$
<b>Income Tax Expense</b>				
Current year	1,496,200	2,306,700	–	–
Overprovision in prior years	–	(6,484)	–	–
	<b>1,496,200</b>	<b>2,300,216</b>	<b>–</b>	<b>–</b>
<b>Deferred Tax Expense</b>				
Movements in temporary differences	27,164,200	14,071,000	–	–
	<b>28,660,400</b>	<b>16,371,216</b>	<b>–</b>	<b>–</b>
<b>Reconciliation of Effective Tax Rate</b>				
Profit before income tax	168,315,720	115,614,358	409,352	12,060,213
Income tax using Singapore tax rate at 17%	28,613,672	19,654,441	69,590	2,050,236
Effect of different tax rates in other countries	34,988	27,922	–	–
Income not subject to tax	(1,581,768)	(1,397,767)	(740,982)	(2,626,243)
Expenses not deductible for tax purposes	1,578,094	679,669	671,392	576,007
Tax benefits not recognised	46,787	42,083	–	–
Utilisation of previously unrecognised tax losses	(121,746)	(57,931)	–	–
Effects of results of associates, net of tax	88,525	(2,571,335)	–	–
Overprovision in prior years	–	(6,484)	–	–
Others	1,848	618	–	–
	<b>28,660,400</b>	<b>16,371,216</b>	<b>–</b>	<b>–</b>

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

Group	2011 \$	2010 \$
Deductible temporary differences	162,097	23,788
Unutilised tax losses	34,474,072	34,796,730
	<b>34,636,169</b>	<b>34,820,518</b>

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the subsidiaries of the Group can utilise the benefits. However, the unutilised tax losses are available for offset against future taxable income subject to agreement with the relevant tax authorities.

## 24 EARNINGS PER SHARE

The basic and diluted earnings per share of the Group are calculated based on the consolidated profit for the year of \$139,655,320 (2010: \$99,243,142) and the weighted average number of ordinary shares outstanding of 659,554,698 (2010: 659,554,698).

# NOTES TO THE FINANCIAL STATEMENTS

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## 25 ACQUISITION OF A SUBSIDIARY

On 25 January 2010, the Company acquired the entire issued share capital of an associate, Goldease Investments Limited (“Goldease”) and to take an assignment of the loans owing from the subsidiaries of Goldease to subsidiaries of Winfoong International Limited (an associate of the Company), for a net cash consideration of \$10,150,000.

The following summarises the consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

The net assets of Goldease and its subsidiaries as at the date of acquisition were as follows:

	Carrying Amounts 2010 \$	Fair Value Adjustments 2010 \$	Recognised Values 2010 \$
Fixed assets	20,330	–	20,330
Development properties	12,499,972	1,140,028	13,640,000
Trade and other receivables	3,734	–	3,734
Cash and cash equivalents	657,955	–	657,955
Trade and other payables	(122,100)	–	(122,100)
Amounts due to associates	(39,301)	–	(39,301)
Tax payable	(78,000)	–	(78,000)
Loans	(3,700,000)	–	(3,700,000)
Inter-company loans	(20,697,165)	–	(20,697,165)
Net assets acquired	(11,454,575)	1,140,028	(10,314,547)
Negative goodwill			(232,618)
			(10,547,165)
Transfer of inter-company loans			20,697,165
Cash consideration paid			10,150,000
Cash acquired			(657,955)
Net cash outflow on acquisition			9,492,045

The remeasurement to fair value of the Group’s 48.57% interest in the previously-held equity interest resulted in a gain of \$1,377,927, which has been recognised in profit or loss of the Group.

There was no such transaction in 2011.

## 26 FINANCIAL RISK MANAGEMENT

### *Financial Risk Management Objectives and Policies*

The Group and the Company are exposed to credit risk, liquidity risk and market risk (including interest rate, foreign currency and price risks) arising from its diversified portfolio business. Risk management is integral to the whole business of the Group. The Group’s risk management approach seeks to minimise the potential material adverse effects from these exposures.

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. 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. The management continually monitors the Group’s risk management process to ensure that an appropriate balance between risk and control is achieved.

Exposure to currency, interest rate and credit risks arises in the normal course of the Group’s business. This section provides details of the Group’s exposure to financial risk and describes the methods used by management to control such risk.

# NOTES TO THE FINANCIAL STATEMENTS

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## Credit Risk

Credit risk is the potential risk of financial loss resulting from failure of a customer or counter party in meeting its financial and contractual obligations to the Group, as and when they fall due.

The Group's primary exposure to credit risk arises mainly from its other investments, trade and other receivables and cash and cash equivalents. The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The credit policy also requires a security deposit from customers to secure tenancy commitments.

Investments and transactions involving derivative financial instruments are allowed only with counter parties that are of high credit quality.

Cash is placed with regulated financial institutions.

## Liquidity Risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The following are the expected contractual maturities of financial liabilities, including interest payments which are computed using contractual rates or, if floating, based on rates at the balance sheet date and the earliest date the Group can be required to pay:

Group	Carrying Amount \$	Contractual Cash Outflows \$	Cash Outflows		
			Within 1 Year \$	After 1 Year But Within 5 Years \$	After 5 Years \$
<b>2011</b>					
<b>Non-derivative Financial</b>					
<b>Liabilities</b>					
Loans*	600,072,150	(624,979,382)	(9,646,153)	(615,333,229)	–
Obligations under finance leases	55,805	(62,291)	(50,065)	(12,226)	–
Trade and other payables	26,859,239	(26,859,239)	(17,082,455)	(9,776,784)	–
	<u>626,987,194</u>	<u>(651,900,912)</u>	<u>(26,778,673)</u>	<u>(625,122,239)</u>	<u>–</u>
<b>2010</b>					
<b>Non-derivative Financial</b>					
<b>Liabilities</b>					
Loans*	608,944,000	(628,896,494)	(9,023,892)	(619,872,602)	–
Obligations under finance leases	100,610	(112,356)	(50,065)	(62,291)	–
Trade and other payables	28,807,539	(28,807,539)	(20,999,356)	(7,596,681)	(211,502)
	<u>637,852,149</u>	<u>(657,816,389)</u>	<u>(30,073,313)</u>	<u>(627,531,574)</u>	<u>(211,502)</u>

\* Gross of unamortised transaction cost.

## Market Risk

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

## Interest rate risk

The Group's exposure to changes in interest rates relates primarily to loans. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which interest income and expense could be impacted from an adverse movement in interest rates.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

## **Sensitivity analysis – interest rate risk**

An increase/decrease of 100 basis points in interest rates on loans, would decrease/increase the Group's profit before income tax for 2011 by \$5,183,702 (2010: \$5,284,783). The analysis assumes that all other variables, in particular foreign currency rates, remain constant and that there is no change during the year in the amount of loans as at balance sheet date. The analysis is performed on the same basis for 2010.

## **Foreign currency risk**

The Group is not exposed to significant foreign currency risk on currencies other than the respective functional currencies of Group entities.

The Company is exposed to foreign currency risk on amounts due from subsidiaries (mainly non-trade) that are denominated in Hong Kong dollar. The exposure to foreign currency risk amounts to \$23,398,637 (2010: \$23,192,045) at the balance sheet date.

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

## **Sensitivity analysis – foreign currency risk**

A 10% strengthening/weakening of the Singapore dollar against the Hong Kong dollar at the balance sheet date would decrease/increase the Company's profit before income tax for 2011 by \$2,339,864 (2010: \$2,319,205). This analysis assumes that all other variables, in particular interest rates, remain constant.

There is no direct impact on the Company's equity arising from the foreign currency change in Singapore dollar against the Hong Kong dollar.

## **Equity price risk**

The Group has investments in quoted equity securities and is exposed to price risk. These securities are listed on the Singapore Exchange Securities Trading Limited. The Group is not exposed to commodity price risk.

## **Sensitivity analysis – equity price risk**

A 10% increase/decrease in the underlying equity prices on the quoted equity securities would increase/decrease the Group's profit before income tax by \$16,156 (2010: \$50,189). There is no direct impact on the Group's equity.

## **Accounting Classification and Fair Values**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Group	Note	Loans and Receivables \$	Held for Trading \$	Available- for-sale \$	Other Financial Liabilities Within the Scope of FRS 39 \$	Other Financial Liabilities Outside the Scope of FRS 39 \$	Total Carrying Amount \$	Fair Value \$
<b>2011</b>								
Other investments	7	–	311,302	2	–	–	311,304	311,304
Other assets	8	398,984	–	–	–	–	398,984	398,984
Trade and other receivables	10	1,564,614	–	–	–	–	1,564,614	1,564,614
Cash and cash equivalents	11	57,008,442	–	–	–	–	57,008,442	57,008,442
		<u>58,972,040</u>	<u>311,302</u>	<u>2</u>	<u>–</u>	<u>–</u>	<u>59,283,344</u>	<u>59,283,344</u>
Loans	14	–	–	–	598,253,191	–	598,253,191	598,253,191
Obligations under finance leases	14	–	–	–	–	55,805	55,805	55,805
Trade and other payables	17	–	–	–	26,859,239	–	26,859,239	26,859,239
		<u>–</u>	<u>–</u>	<u>–</u>	<u>625,112,430</u>	<u>55,805</u>	<u>625,168,235</u>	<u>625,168,235</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

Group	Note	Loans and Receivables \$	Held for Trading \$	Available- for-sale \$	Other Financial Liabilities Within the Scope of FRS 39 \$	Other Financial Liabilities Outside the Scope of FRS 39 \$	Total Carrying Amount \$	Fair Value \$
<b>2010</b>								
Other investments	7	–	675,221	2	–	–	675,223	675,223
Other assets	8	396,578	–	–	–	–	396,578	396,578
Trade and other receivables	10	979,681	–	–	–	–	979,681	979,681
Cash and cash equivalents	11	44,213,071	–	–	–	–	44,213,071	44,213,071
		<u>45,589,330</u>	<u>675,221</u>	<u>2</u>	<u>–</u>	<u>–</u>	<u>46,264,553</u>	<u>46,264,553</u>
Loans	14	–	–	–	606,388,621	–	606,388,621	606,388,621
Obligations under finance leases	14	–	–	–	–	100,610	100,610	100,610
Trade and other payables	17	–	–	–	28,807,539	–	28,807,539	28,807,539
		<u>–</u>	<u>–</u>	<u>–</u>	<u>635,196,160</u>	<u>100,610</u>	<u>635,296,770</u>	<u>635,296,770</u>

Company	Note	Loans and Receivables \$	Other Financial Liabilities \$	Total Carrying Amount \$	Fair Value \$
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## 2011

Cash and cash equivalents	11	<u>314,372</u>	–	<u>314,372</u>	<u>314,372</u>
Financial guarantees	14	–	2,348,755	2,348,755	2,348,755
Trade and other payables	17	–	<u>746,712</u>	<u>746,712</u>	<u>746,712</u>
		–	<u>3,095,467</u>	<u>3,095,467</u>	<u>3,095,467</u>

## 2010

Cash and cash equivalents	11	<u>314,112</u>	–	<u>314,112</u>	<u>314,112</u>
Financial guarantees	14	–	6,479,287	6,479,287	6,479,287
Trade and other payables	17	–	<u>720,105</u>	<u>720,105</u>	<u>720,105</u>
		–	<u>7,199,392</u>	<u>7,199,392</u>	<u>7,199,392</u>

### Estimation of Fair Values

The carrying amounts of financial assets and liabilities with a maturity or repricing of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values as they are short-term in nature or reprice on a short-term basis.

The fair values of other instruments are determined in accordance with Note 2.6 and Note 7.

### Intra-group Financial Guarantees

The value of financial guarantees provided by the Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the financial institutions with these guarantees made available, with the estimated rates that the financial institutions would have charged had these guarantees not been available.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

## 27 CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group's business. The Board defines capital as total equity, excluding non-controlling interest. The Board manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Board may adjust the dividend payment to shareholders or issue new shares or other financial instruments.

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

	2011 \$	2010 \$
Gross borrowings	600,127,955	609,044,610
Cash and cash equivalents	(57,008,442)	(44,213,071)
Net debt	543,119,513	564,831,539
Total equity	1,028,348,455	887,341,724
Net debt to equity ratio	0.53	0.64

The Company seeks shareholders' approval annually to renew its share purchase mandate which authorises the Directors of the Company to make purchases of the Company's shares on the market subject to terms and conditions stated in the share purchase mandate. There were no changes in the Group's approach to capital management during the financial year. The Company and its subsidiaries are not subject to externally imposed capital requirement.

## 28 RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

Group	2011 \$	2010 \$
Contract services provided to key management personnel	38,046	52,176

During the financial year ended 31 December 2011, there was no transaction (2010: \$6,442,740) relating to the sale of residential units in the development property known as "Concourse Skyline" at Beach Road by a wholly-owned subsidiary of the Company to related parties being the Directors and the chief executive officer and their relatives and controlling shareholders. During the year, progress instalments of \$3,389,836 (2010: \$1,288,548) were received for all units sold to related parties.

## 29 SEGMENT REPORTING

The Group has 3 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different services, and are managed separately because they require different operating and marketing strategies. For each of the strategic business units, the Company's Board of Directors reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Property investment – includes investments in investment properties
- Property development and construction – develops retail and residential units and sell residential units
- Property management – provides maintenance and management services

Other operations include investment holding and dormant companies. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2011 or 2010.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

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

## Information About Reportable Segments

### Business Segments

Group	Property Investment \$	Property Development and Construction \$	Property Management \$	Other Operations \$	Total \$
<b>2011</b>					
External revenue	42,590,792	85,597,524	1,006,166	41,657	129,236,139
Inter-segment revenue	160,410	23,541,159	264,330	–	23,965,899
Interest revenue	60,610	19	–	–	60,629
Finance expense	(8,588,018)	(434,786)	–	(83,947)	(9,106,751)
Reportable segment profit/ (loss) before income tax	163,275,236	12,395,827	199,573	(689,980)	175,180,656
Share of results of associates, net of tax					(536,518)
Other material non-cash items:					
Depreciation and amortisation	(842,316)	(142,417)	(739)	–	(985,472)
Gain on revaluation of investment properties	151,070,875	–	–	–	151,070,875
Allowances and impairment loss, net of reversals	(54,149)	48,503	–	(139,919)	(145,565)
Reportable segment assets	1,259,621,130	338,833,069	156,225	703,000	1,599,313,424
Associates					147,573,831
Capital expenditure	1,927,115	144,823	–	–	2,071,938
Reportable segment liabilities	554,535,233	64,484,000	277,009	5,871,993	625,168,235
<b>2010</b>					
External revenue	46,410,633	2,736,446	1,005,283	24,961	50,177,323
Inter-segment revenue	161,353	15,213,840	274,400	–	15,649,593
Interest revenue	88,288	150	–	–	88,438
Finance expense	(8,905,809)	(412,807)	–	(80,273)	(9,398,889)
Reportable segment profit/ (loss) before income tax	105,256,456	(6,412,804)	210,052	(633,738)	98,419,966

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

Group	Property Investment \$	Property Development and Construction \$	Property Management \$	Other Operations \$	Total \$
<b>2010</b>					
Share of results of associates, net of tax					15,583,847
Other material non-cash items:					
Depreciation and amortisation	(833,578)	(77,247)	(8,028)	–	(918,853)
Gain on revaluation of investment properties	88,241,999	–	–	–	88,241,999
Allowances and impairment loss, net of reversals	(126,503)	–	–	85,041	(41,462)
Reportable segment assets	1,107,701,781	327,440,288	184,318	1,115,901	1,436,442,288
Associates					153,056,249
Capital expenditure	1,770,827	13,052	3,690	–	1,787,569
Reportable segment liabilities	563,397,188	65,941,847	247,918	5,709,817	635,296,770

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

Group	2011 \$	2010 \$
<b>Revenue</b>		
Total revenue for reportable segments	153,160,381	65,801,955
Revenue for other operations	41,657	24,961
Elimination of inter-segment revenue	(23,965,899)	(15,649,593)
	<u>129,236,139</u>	<u>50,177,323</u>
<b>Profit or Loss</b>		
Total profit for reportable segments	175,870,636	99,053,704
Loss for other operations	(689,980)	(633,738)
Elimination of inter-segment profit	–	–
	<u>175,180,656</u>	<u>98,419,966</u>
Other unallocated profit or loss items:		
Gain on fair value of previously-held equity interest in associates	–	1,377,927
Negative goodwill	–	232,618
Loss on dilution of interest in an associate	(6,328,418)	–
Share of results of associates, net of tax	(536,518)	15,583,847
	<u>168,315,720</u>	<u>115,614,358</u>
<b>Assets</b>		
Total assets for reportable segments	1,598,610,424	1,435,326,387
Assets for other operations	703,000	1,115,901
Associates	147,573,831	153,056,249
	<u>1,746,887,255</u>	<u>1,589,498,537</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	619,296,242	629,586,953
Liabilities for other operations	5,871,993	5,709,817
Deferred tax liability	91,150,000	63,985,800
Tax payable	2,220,565	2,874,243
	<u>718,538,800</u>	<u>702,156,813</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

## Other Material Items

Group	Reportable Segment \$	Other Operations \$	Total \$
<b>2011</b>			
Interest revenue	60,629	–	60,629
Finance expense	(9,022,804)	(83,947)	(9,106,751)
Depreciation and amortisation	(985,472)	–	(985,472)
Gain on revaluation of investment properties	151,070,875	–	151,070,875
Allowances and impairment loss, net of reversals	(5,646)	(139,919)	(145,565)
Capital expenditure	2,071,938	–	2,071,938
<b>2010</b>			
Interest revenue	88,438	–	88,438
Finance expense	(9,318,616)	(80,273)	(9,398,889)
Depreciation and amortisation	(918,853)	–	(918,853)
Gain on revaluation of investment properties	88,241,999	–	88,241,999
Allowances and impairment loss, net of reversals	(126,503)	85,041	(41,462)
Capital expenditure	1,787,569	–	1,787,569

## Geographical Segments

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

Group	Singapore \$	Hong Kong \$	Total \$
<b>2011</b>			
External revenue	129,236,139	–	129,236,139
Non-current assets	1,258,359,879	44,984	1,258,404,863
<b>2010</b>			
External revenue	50,177,323	–	50,177,323
Non-current assets	1,105,466,876	44,578	1,105,511,454

## 30 COMMITMENTS

As at 31 December 2011, the Group's commitments in respect of development and construction and capital expenditure contracted but not provided for in the financial statements amounted to approximately \$142,950,000 (2010: \$118,433,000).

The Group leases out its investment and development properties. Non-cancellable operating lease rentals receivable as at 31 December are as follows:

Group	2011 \$	2010 \$
Within 1 year	35,299,561	36,912,531
After 1 year but within 5 years	46,393,705	50,570,960
After 5 years	–	384,350
	81,693,266	87,867,841

As at 31 December 2011, the Group has entered into commitments to sell certain of its completed development properties at a value of approximately \$Nil (2010: \$1,343,000).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2011

## 31 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

New standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2011 have not been applied in preparing these financial statements. The Group is assessing the impact of the adoption of these new standards (including their consequential amendments). The Group has not considered the impact of accounting standards issued after the balance sheet date.

# STATEMENT OF SHAREHOLDINGS

As At 22 March 2012

No. of Shares : 659,554,698  
 Class of Shares : Ordinary Shares  
 Voting Rights : 1 Vote Per Share  
 No. of Treasury Shares : Nil

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	245	4.23	107,634	0.01
1,000 - 10,000	3,352	57.85	18,208,985	2.76
10,001 - 1,000,000	2,161	37.30	106,496,980	16.15
1,000,001 and above	36	0.62	534,741,099	81.08
	5,794	100.00	659,554,698	100.00

## TOP TWENTY SHAREHOLDERS

Name of Shareholder	No. of Shares	%
1 Hong Fok Land Holding Limited	134,537,600	20.40
2 P.C. Cheong Pte Ltd	70,295,140	10.66
3 K.P. Cheong Investments Pte Ltd	63,695,140	9.66
4 UOB Nominees (2006) Pte Ltd	39,000,000	5.91
5 Cheong Sim Eng	32,536,900	4.93
6 Citibank Nominees Singapore Pte Ltd	30,318,200	4.60
7 United Overseas Bank Nominees Pte Ltd	18,414,500	2.79
8 Maybank Kim Eng Securities Pte Ltd	16,993,967	2.58
9 CIMB Securities (Singapore) Pte Ltd	15,424,092	2.34
10 Goodyear Realty Co Pte Ltd	12,116,863	1.84
11 OCBC Securities Private Ltd	11,368,278	1.72
12 Cheong Puay Kheng	10,673,000	1.62
13 Cheong Lay Kheng	10,438,000	1.58
14 Cheong Pin Chuan	8,539,454	1.29
15 UOB Kay Hian Pte Ltd	7,570,022	1.15
16 Corporate Development Limited	6,146,800	0.93
17 DBS Vickers Securities (S) Pte Ltd	5,275,600	0.80
18 DBS Nominees Pte Ltd	5,127,228	0.78
19 HSBC (Singapore) Nominees Pte Ltd	4,701,933	0.71
20 Phillip Securities Pte Ltd	3,623,600	0.55
	506,796,317	76.84

Approximately 28.07% of the issued ordinary shares are held in the hands of the public. Rule 723 of the Listing Manual of the SGX-ST has accordingly been complied with.



# STATEMENT OF SHAREHOLDINGS

As At 22 March 2012

## SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	No. of Shares	
	Shareholdings in which Substantial Shareholder has a direct interest	Shareholdings in which Substantial Shareholder is deemed to have an interest
1 K.P. Cheong Investments Pte Ltd	72,795,140	–
2 P.C. Cheong Pte Ltd	72,795,140	–
3 Cheong Sim Eng	76,229,300	31,915,363 <sup>(a)</sup>
4 Cheong Kim Pong	2,829,178	104,612,103 <sup>(b)</sup>
5 Cheong Pin Chuan	8,539,454	105,296,633 <sup>(c)</sup>
6 Cheong Pin Seng	12,640,000	33,763,663 <sup>(d)</sup>
7 Hong Fok Land Holding Limited	134,537,600 <sup>(e)</sup>	–

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

(b) This represents Cheong Kim Pong's deemed interest in the Shares held by his wife, K.P. Cheong Investments Pte Ltd, CDL and Goodyear.

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

(d) This represents Cheong Pin Seng's deemed interest in the Shares held by P.S. Cheong Pte Ltd (in liquidation), CDL and Goodyear.

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

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Forty-Fourth Annual General Meeting of **HONG FOK CORPORATION LIMITED** will be held at the Company's Registered Office at 300 Beach Road #41-00, The Concourse, Singapore 199555 on Thursday, 26 April 2012 at 4.00 p.m. to transact the following business:

- 1 To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2011.  
(Resolution 1)
- 2 To approve the payment of Directors' fees of \$130,000 (2010: \$115,000).  
(Resolution 2)
- 3 To re-elect Mr Cheong Pin Chuan as Director retiring under Article 104 of the Articles of Association of the Company.  
(Resolution 3)
- 4 To re-elect Mr Tan Tock Han as Director retiring under Article 104 of the Articles of Association of the Company.  
(Resolution 4)
- 5 To re-appoint Mr Jackson Lee as Director retiring pursuant to Section 153(6) of the Companies Act, Chapter 50 to hold office until the next Annual Meeting of the Company.  
(Resolution 5)
- 6 To re-appoint Messrs KPMG LLP, Public Accountants and Certified Public Accountants, Singapore, as auditors and to authorise the Directors to fix their remuneration.  
(Resolution 6)
- 7 **As Special Business**  
To consider and, if thought fit, to pass the following as Ordinary Resolutions with or without any modification:
  - 7.1 "That pursuant to Section 161 of the Companies Act, Chapter 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to issue shares and convertible securities in the capital of the Company, including additional convertible securities issued pursuant to adjustments and new shares arising from the conversion of convertible securities and additional convertible securities (whether by way of rights, bonus or otherwise or in pursuance of any offer, agreement or option made or granted by the Directors during the continuance of this authority which would or might require shares or convertible securities to be issued during the continuance of this authority or thereafter) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit (notwithstanding that such issue of shares pursuant to the offer, agreement or option or the conversion of the convertible securities may occur after the expiration of the authority contained in this Resolution), provided that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares excluding treasury shares of the Company, and provided further that where shareholders of the Company with registered addresses in Singapore are not given an opportunity to participate in the same on a pro-rata basis, then the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to all existing shareholders of the Company must not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this Resolution, the percentage of the total number of issued shares excluding treasury shares shall be based on the Company's total number of issued shares excluding treasury shares at the time this Resolution is passed (after adjusting for (i) new shares arising from the conversion or exercise of convertible securities, (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST and (iii) any subsequent bonus issue, consolidation or subdivision of shares), and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."  
(Resolution 7)
  - 7.2 "That the Directors of the Company be and are hereby authorised to make purchases from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to 10% of the total number of issued shares excluding treasury shares of the Company as at the date of this Resolution at any price up to but not exceeding the Maximum Price (as defined in the "Guidelines on Share Purchases" (the "Guidelines") set out in the Appendix of the Addendum dated 11 April 2012 to shareholders of the Company (being an addendum to the Annual Report of the Company for the year ended 31 December 2011)) in accordance with the Guidelines and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier."  
(Resolution 8)

# NOTICE OF ANNUAL GENERAL MEETING

- 8 To transact any other ordinary business of the Company.

## BY ORDER OF THE BOARD

**KOH CHAY TIANG**  
**DOROTHY HO**  
Company Secretaries

Singapore  
11 April 2012

### Notes:

- (a) A member of the Company entitled to attend and vote at the above Meeting is entitled to appoint not more than two proxies to attend and vote at the same Meeting. A proxy need not be a member of the Company.
- (b) Where a member appoints two proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
- (c) The instrument appointing a proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time appointed for holding the Meeting.
- (d) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

### Explanatory Notes:

- (i) Mr Jackson Lee, if re-elected, will remain as the Audit Committee Chairman and will be considered as an Independent Director under the Listing Manual of the SGX-ST.
- (ii) Mr Tan Tock Han, if re-elected, will remain as a member of the Audit Committee and will be considered as an Independent Director under the Listing Manual of the SGX-ST.
- (iii) The Ordinary Resolution proposed in item 7.1 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting, to issue shares and convertible securities in the capital of the Company, without seeking any further approval from shareholders in general meeting but within the limitation imposed by the Resolution, for such purposes as the Directors may consider to be in the interests of the Company.
- (iv) The Ordinary Resolution proposed in item 7.2 above relates to the renewal of a mandate approved by shareholders of the Company at previous Annual General Meetings of the Company held on 30 June 1999, 31 May 2000, 18 May 2001, 20 May 2002, 20 May 2003, 30 April 2004, 22 April 2005, 28 April 2006, 26 April 2007, 25 April 2008, 29 April 2009, 28 April 2010 and 28 April 2011 authorising the Company to purchase its own shares subject to and in accordance with the "Guidelines on Share Purchases" set out in the Appendix of the Addendum dated 11 April 2012 to shareholders of the Company (being an addendum to the Annual Report of the Company for the year ended 31 December 2011), the Articles of Association of the Company, the Companies Act, Chapter 50, the Listing Manual of the SGX-ST and such other laws and regulations as may for the time being be applicable. The source of funds to be used for the purchase or acquisition of shares including the amount of financing and its impact on the Company's financial position are set out in Sections 5 and 6 of the Addendum dated 11 April 2012.

# HONG FOK CORPORATION LIMITED

(Company Registration No. 196700468N)

(Incorporated in the Republic of Singapore)

## IMPORTANT:

- 1 For investors who have used their CPF monies to buy Hong Fok Corporation Limited's shares, this Annual Report is forwarded to them at the request of the 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.
- 3 CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

## PROXY FORM

(Please read notes overleaf before completing this Form)

I/We, \_\_\_\_\_

of \_\_\_\_\_

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

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 300 Beach Road #41-00, The Concourse, Singapore 199555 on **Thursday, 26 April 2012 at 4.00 p.m.** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	*For	*Against
1	Directors' Report and Audited Financial Statements		
2	Approval of Directors' Fees of \$130,000 (2010: \$115,000)		
3	Re-election of Mr Cheong Pin Chuan as Director retiring under Article 104		
4	Re-election of Mr Tan Tock Han as Director retiring under Article 104		
5	Re-appointment of Mr Jackson Lee as Director retiring under Section 153(6) of the Companies Act, Chapter 50		
6	Re-appointment of Auditors		
7	Authority to issue shares and convertible securities		
8	Renewal of Share Buy-back Mandate		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2012

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

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

\*Delete where inapplicable



**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, Chapter 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
- 2 A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
- 3 Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- 4 The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 300 Beach Road #41-00, The Concourse, Singapore 199555, not less than 48 hours before the time appointed for holding the Meeting.
- 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 either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
- 6 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, Chapter 50.

**General:**

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



**HONG FOK CORPORATION LIMITED**

Co. Reg. No. 196700468N

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