HL Global Enterprises Limited

ANNUAL REPORT 2012

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Chairman
Gan Khai Choon - *Non-executive*

Lead Independent Director
Michael Yeo Chee Wee

Non-Executive Directors
Sherman Kwek Eik Tse
Philip Ting Sii Tien
Hoh Weng Ming
Martha Tan Hui Keng - *Independent*
Florence Tay Eng Neo - *Independent*
Loo Hwee Fang - *Independent*

AUDIT AND RISK COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

EXECUTIVE COMMITTEE

Gan Khai Choon - *Chairman*
Sherman Kwek Eik Tse
Philip Ting Sii Tien

HL GLOBAL ENTERPRISES SHARE OPTION SCHEME 2006 COMMITTEE

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

SECRETARIES

Aw Siew Yen, Patricia
Yeo Swee Gim, Joanne

REGISTERED OFFICE

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Far Eastern Bank Building
Singapore 069544
Tel: (65) 6324 9500
Fax: (65) 6221 4861

REGISTRARS & TRANSFER OFFICE

KCK CorpServe Pte. Ltd.
333 North Bridge Road
#08-00 KH KEA Building
Singapore 188721
Tel: (65) 6837 2133
Fax: (65) 6339 0218

AUDITORS

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

(Partner-in-charge:
Christopher Wong Mun Yick,
appointed from commencement
of the financial year ended
31 December 2010)

PRINCIPAL BANKERS

DBS Bank Ltd

HL Bank

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

OUR PORTFOLIO

Copthorne Hotel Qingdao

Elite Residences

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

The 455 guestrooms and suites are contemporary and comfortable. The hotel provides an array of facilities and impeccable services to both business and leisure travellers. The hotel offers a variety of dining experiences and is also equipped with a spectacular lobby lounge, coffee house, Chinese and Japanese restaurants, a large grand ballroom, meeting facilities, a well-equipped fitness centre and an indoor heated swimming pool with sauna facilities.

Elite Residences is located in a bustling hub filled with shopping, dining and entertainment options with convenient transportation to Shanghai's central location. It has 119 elegantly designed refurbished apartment units and redefines the concept of luxury living. The building faces Zhongshan Park, offering breathtaking views of the surrounding greenery - a real rarity in Shanghai!

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

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

Equatorial Cameron Highlands

Equatorial Hotel Shanghai

Equatorial Cameron Highlands, perched at 1,628 meters above sea level and surrounded by majestic mountains and gentle undulating valleys, is the only resort situated at the highest accessible point of the highlands. The cool climate makes the resort the ideal holiday retreat.

Spread over 13 acres, the Tudor-styled resort offers attractive, self-contained low-rise and high-rise apartment suites. Each suite comes with a living room, a kitchenette and a spacious balcony which provides a spectacular view of the valley.

The hotel tower comprises 270 guestrooms and suites that offer beautiful views of the highland landscapes. The resort is famous for its capability in hosting events ranging from company incentive trips to conventions and seminars. The hotel has completed the renovation of its superior rooms and is currently planning to renovate its deluxe rooms.

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

The hotel offers 507 guestrooms and suites which are spacious, well-appointed and feature a range of modern conveniences to ensure a comfortable and relaxing stay. Other hotel facilities include a Chinese restaurant, a western café, lobby lounge, an indoor heated swimming pool, a sauna, a fully equipped gymnasium, a hair salon as well as a spa.

CHAIRMAN'S STATEMENT

The highly competitive hospitality market in Shanghai and Qingdao, coupled with the rising inflation rate in China had impacted the Group's operations in China. Nevertheless, the Group's hospitality segment in China managed to achieve marginal growth in revenue amid challenging conditions. Revenue for the Group from continuing operations increased from $31.2 million for 2011 to $34.4 million for 2012.

Review of the Group's performance

The Group reported a net loss of $2.6 million attributable to equity holders of the Company for 2012 compared to the net loss of $5.9 million for 2011.

The improvement was largely driven by higher occupancy at Equatorial Hotel Shanghai ("EHS") and at Equatorial Cameron Highlands ("ECH"). EHS and ECH saw an increase in their revenue contribution by 13% and 14% respectively compared to 2011. The Group also recognised hotel management fee of $0.9 million from services provided for the management and operation of ECH. The prior years' hotel management fee was only recognized during the year as the said fee was previously unable to meet the revenue recognition criteria as provided under the Singapore Financial Reporting Standards where the said fee can only be recognized if it can be reliably measured and it is probable that the economic benefits will flow to the Group. As a result, the revenue for the hospitality segment increased by $2.9 million to $33.4 million in 2012. Revenue contributed by the property development segment increased from $0.7 million for 2011 to $1 million for 2012 mainly due to higher sales of apartment units at Cameron Highlands.

In line with the increase in revenue, the Group registered an operating profit before other income and finance costs of $1.4 million for 2012 for continuing operations *vis-a-vis* an operating loss of $2 million for 2011. For the year under review, excluding the impairment loss of $1.6 million made in the preceding year, the hospitality segment achieved an improvement of $1.9 million in its operating profit compared to 2011. This was substantially contributed by EHS and ECH which saw their operating profits increased by $0.9 million and $0.3 million respectively. In addition, the recognition of hotel management fee of $0.9 million from ECH also helped to boost the operating result of the hospitality segment. Sales of the apartment units at Cameron Highlands improved compared to the preceding year, however, the property development segment incurred an operating loss of $0.3 million as the proceeds from the sales were not sufficient to cover the overheads of this segment.

Other income of $0.9 million for 2012 comprised primarily interest income, write-back of hotel management fee by ECH, gain on disposal of intangible asset and sundry income. The interest expense reduced from $3.9 million to $3.3 million largely due to the lower interest rate charged under the unsecured loan and a partial loan repayment of $8 million to Venture Lewis Limited during the year. The Group recorded an exchange loss of $1 million for 2012 mainly attributable to the revaluation of net foreign currency monetary assets and liabilities arising from the weakening of the US Dollar, Chinese Renminbi and the Malaysian Ringgit against the Singapore Dollar.

Hospitality Operations

To compete for higher market share, EHS reduced its average room rates ("ARR") by about 7% compared to the preceding year and achieved higher occupancy with an increase of 11 percentage points to 56%. Food and beverage business for EHS also contributed to the growth in revenue by 11%.

As a result of keen competition from a newly-opened hotel nearby, Copthorne Hotel Qingdao recorded lower occupancy with a reduction of 5 percentage points to 54% as well as a drop of 8% in the food and beverage revenue, *vis-a-vis* its performance a year ago.

The occupancy rate for the serviced apartment, Elite Residences, remained at 78%, almost the same as the preceding year, whereas ARR rose marginally by 2% against 2011.

ECH managed to recover its occupancy rate by 8 percentage points to 51% and enjoyed a marginal growth in ARR of 4% to RM201.

Borrowings

The unsecured loan of $75 million due to Venture Lewis Limited ("Venture Lewis") (a wholly-owned subsidiary of China Yuchai International Limited, a 48.86% deemed substantial shareholder of the Company) will be due on 3 July 2013 (the "2012 Loan"). As announced by the Company on 30 January 2013, Venture Lewis has agreed to extend the 2012 Loan for another term of one year from 3 July 2013 to 2 July 2014 (the "2013 Loan"), upon the terms and subject to the conditions of the loan agreement dated 30 January 2013. The principal terms of the 2013 Loan are substantially similar to the 2012 Loan.

Outlook

With the continuing inflationary pressure and the oversupply of hotel rooms in Shanghai and Qingdao, the Group expects tough challenges ahead for the hospitality operation. In addition, state-owned companies and government agencies in China have recently been tasked to be frugal in their expenditures, which in turn is likely to impact the Group's food and beverage business under the hospitality operation.

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

Going forward, the Group will continue its efforts to explore opportunities to grow its earnings base.

Acknowledgement

I would like to express my appreciation for the efforts and support put in by our dedicated management team and staff to meet the ongoing challenges. I would also like to thank my fellow Directors for their invaluable advice, involvement and commitment during the year and look forward to their continued guidance in the years ahead. We would also like to thank our stakeholders, including investors, suppliers, customers, bankers and business partners for their unwavering support.

GAN KHAI CHOON
Chairman
27 March 2013

BOARD OF DIRECTORS

GAN KHAI CHOON, *Age 66*

Appointed Chairman of HL Global Enterprises Limited ("HLGE" or the "Company") since 21 September 2007 and last re-elected a Director on 28 April 2011, Mr Gan is also the Chairman of the Executive Committee ("Exco"). He is also the Managing Director of Hong Leong International (Hong Kong) Limited, Executive Director of City e-Solutions Limited ("CES"), Non-Executive Director of China Yuchai International Limited ("CYI") and Non-Executive Director of Safety Godown Company Limited.

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

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

SHERMAN KWEK EIK TSE, *Age 37*

First appointed as an Executive Director of the Company on 21 September 2007, Mr Kwek became a non-executive Director on 12 August 2010. He was last re-elected as a Director on 27 April 2012. Mr Kwek is also a member of the Exco.

Mr Kwek is currently also the Executive Director and Chief Executive Officer of CDL China Limited and the Chief Executive Officer of CES, both subsidiaries of City Developments Limited. He was the Chief Operating Officer of Thakral Corporation Ltd ("TCL") from 1 June 2006 to 1 September 2008.

Prior to joining the Company and TCL, Mr Kwek held a hotel management and property development role for the U.S. division of Millennium & Copthorne Hotels plc. Mr Kwek also has experience in the areas of finance, mergers and acquisitions, information technology as well as real estate having previously worked as an Associate Director of RECAP Investments Limited, a pan-Asian real estate private equity fund, and as a financial analyst in the Investment Banking Division of Credit Suisse First Boston.

Mr Kwek was recently appointed as a member of the 57th Council of the Singapore Chinese Chamber of Commerce & Industry. He graduated from Boston University with a Bachelor of Science in Business Administration, majoring in Finance and Marketing with a minor in Psychology.

FLORENCE TAY ENG NEO, *Age 59*

First appointed as an Executive Director of the Company on 26 December 2000, Ms Tay became a non-executive Director on 31 May 2006. She was last re-elected on 28 April 2011.

Ms Tay has over 30 years of experience in the information technology field. Prior to joining HLGE as its Chief Executive Officer, a position which she relinquished in May 2006, she was Managing Director for Primefield Group of companies, a Director of Radio Corporation of Singapore Pte Ltd (now known as MediaCorp Radio Singapore Pte Ltd) from 1994 to 1999 and the Chairman of Microcomputer Trade Association of Singapore from 1989 to 1992. Currently, Ms Tay also holds the position of Executive Director in Primefield Inc. and Sunway Technologies (Beijing) Co. Ltd; both of which own and operate, in strategic partnership with China UnionPay, the largest self-service payment terminal network in Beijing, PRC.

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

MICHAEL YEO CHEE WEE, *Age 75*

Appointed a Director of the Company since 1 January 1985 and last re-appointed on 27 April 2012, Mr Yeo is the chairman of the Audit and Risk Committee ("ARC"), Remuneration Committee ("RC") and Committee of the HL Global Enterprises Share Option Scheme 2006 ("SOSC") and a member of the Nominating Committee ("NC"). He was also appointed as Lead Independent Director of the Company on 2 November 2012.

Mr Yeo has over 35 years of extensive experience including finance-related matters in the Singapore Administrative Service, Budget Division, Ministry of Finance and with Yeo Hiap Seng Ltd, a food and beverage public listed company, where he served as Executive Director until 1998. During his time with Yeo Hiap Seng Ltd, he was also Director of its other listed companies in Malaysia and Hong Kong. He has previously served on a number of government organisations and was awarded the Public Service Medal - PBM in 1992 and the Public Service Star - BBM in 1999.

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

MARTHA TAN HUI KENG, *Age 55*

Appointed a Director of the Company since 21 September 2007 and last re-elected on 29 April 2010, Ms Tan is the chairman of the NC and a member of the ARC, RC and SOSC.

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

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

PHILIP TING SII TIEN @ YAO SIK TIEN, *Age 58*

Appointed a Director of the Company since 6 March 2009 and last re-elected on 27 April 2012, Mr Ting is also a member of the Exco.

Mr Ting is the Executive Director and Chief Executive Officer ("CEO") of Hong Leong Asia Ltd. ("HLA"). He is also the Group General Manager of Hong Leong Corporation Holdings Pte Ltd and Executive Director and Group CEO of Tasek Corporation Berhad. He is also a Non-Executive Director of TCL. He was previously the Group Chief Financial Officer of HLA and the Chief Financial Officer of CYI.

Mr Ting has over 25 years of experience as a financial controller in various companies including Deutsche Bank Aktiengesellschaft (Singapore) and Bank of Montreal, Singapore.

Mr Ting is an associate member of the Institute of Chartered Accountants in England and Wales.

HOH WENG MING, *Age 51*

Mr Hoh was appointed as a Director of the Company since 16 February 2011 and was last re-elected on 28 April 2011.

He is currently the Chief Financial Officer of HLA. In the preceding 3-year period, he was an alternate Director to a former Director of TCL from 5 May 2008 to 18 November 2010.

Mr Hoh has more than 25 years of working experience in accounting and financial management positions with extensive regional experience in Malaysia, New Zealand, Hong Kong, China and Singapore. He has worked in various finance roles with companies including Johnson Electric Industrial Manufactory Limited as well as Henan Xinfei Electric Co., Ltd. and CYI, both subsidiaries of HLA. He was previously with CYI as the Financial Controller from 2002 to 2003 and Chief Financial Officer from 1 May 2008 to 11 November 2011.

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

LOO HWEE FANG, *Age 38*

Appointed a Director of the Company on 1 March 2012 and last re-elected on 27 April 2012, Ms Loo also sits on the ARC, NC, RC and SOSC.

Ms Loo has been with Lee & Lee since 2000 and a Partner in the Corporate Department of the firm since 2006. Her main area of legal practice is in corporate finance, capital markets and fund management and her scope of work includes advising on fund raising, mergers and acquisitions, stock exchange procedures, compliance and corporate governance issues. She also advises and acts for foreign and local investment fund companies and fund managers, and for major financial institutions on licensing and regulatory issues.

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

KEY MANAGEMENT PERSONNEL

CHUA JIM BOON

Mr Chua joined HL Global Enterprises Limited ("HLGE") as Chief Operating Officer since 1 December 2008. He has more than 19 years of experience in senior executive positions in areas such as operations, consulting and change management, revenue and turnaround management, mergers and acquisitions as well as strategic planning for organisations.

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

FOO YANG HYM

Ms Foo joined HLGE in 1984 as an Accountant and became the Group Accountant in 1994 and the Financial Controller in 2004. She was re-designated as Senior Vice President (Finance/Administration) of HLGE in April 2006. Prior to joining HLGE, she was an Audit Senior at Deloitte Haskins & Sells (now known as Deloitte & Touche LLP).

Ms Foo is a Fellow of the Institute of Certified Public Accountants of Singapore.

YAM KIT SUNG

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

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

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

HLGE adheres closely to the principles and guidelines of the Code of Corporate Governance 2005 (“2005 Code”). Whilst the revised Code of Corporate Governance 2012 (“2012 Code”) will only be applicable to HLGE in respect of its financial year commencing 1 January 2013, HLGE has commenced compliance with some of the revised guidelines under the 2012 Code and will further review its corporate governance practices to bring the same in line with the recommendations under the 2012 Code.

This report thus sets out HLGE’s main corporate governance practices with reference to the 2005 Code and additionally, where applicable, the 2012 Code.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

Primary Functions of the Board

The Board oversees the Company’s business. Its primary functions are to set corporate policy, provide guidance and approve strategic plans and direction for the Company, review the Company’s performance, satisfy itself as to the adequacy and effectiveness of the framework and processes for internal controls (including financial, operational and compliance controls) and risk management for the safeguarding of shareholders’ interests and the Company’s assets, and assume responsibility for good corporate governance.

Delegation by the Board

The primary functions of the Board are either carried out directly by the Board or through committees established by the Board, namely, the Executive Committee (“Exco”), the Audit and Risk Committee (“ARC”), the Nominating Committee (“NC”), the Remuneration Committee (“RC”) and the HL Global Enterprises Share Option Scheme 2006 (“SOS”) Committee (“SOSC”), all collectively referred to hereafter as the Board Committees. Clear written terms of reference for each of the Board Committees set out the authority and duties of the Board Committees. All terms of reference are approved by the Board. The composition of each Board Committee can be found under the ‘Corporate Directory’ section of this Annual Report 2012 (“AR”).

The delegation of authority by the Board to the Board Committees enables the Board to achieve operational efficiency by empowering these Board Committees to decide on matters within their respective written terms of reference and/or limits of delegated authority, and yet without abdicating its responsibility.

Board Processes

Board and Board Committee meetings are held regularly, with the Board meeting no less than 4 times a year. The proposed meetings for the Board and all Board Committees except for the Exco for each new calendar year are set out in a schedule of meetings and notified to all Board members before the start of each calendar year. Additional meetings are convened as and when circumstances warrant. The Company’s Articles of Association allow for the meetings of its Board and Board Committees to be held via teleconferencing and/or videoconferencing.

The attendance of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings during the financial year ended 31 December 2012 (“FY 2012”), are disclosed on page 10 of this AR. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused only on his or her attendance at meetings of the Board and/or Board Committees. A Director’s contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Company.

The Exco comprises 3 Directors. The Exco's principal responsibility as set out in its written terms of reference, approved by the Board, is to assist the Board in the discharge of its duties by deliberating on matters requiring Board review that arise between full Board meetings, and in carrying out any Board functions as delegated down and tasked by the Board from time to time. It reviews and recommends to the Board, the HLGE Group's (the "Group") initiatives on strategic development and direction on new investments.

Directors' Attendance at Board and Board Committee Meetings in 2012

	Board	**ARC**	**NC**	**RC**
Number of Meetings Held:	**4**	**4**	**2**	**1**
Name of Directors	**Number of Meetings Attended in 2012**			
Gan Khai Choon	4	N.A.	N.A.	N.A.
Sherman Kwek Eik Tse	4	N.A.	N.A.	N.A.
Florence Tay Eng Neo	4	N.A.	N.A.	N.A.
Michael Yeo Chee Wee	4	4	2	1
Lee Kim Shin [(a)]	1	2	2	1
Martha Tan Hui Keng	4	4	2	1
Philip Ting Sii Tien	4	N.A.	N.A.	N.A.
Hoh Weng Ming	4	N.A.	N.A.	N.A.
Loo Hwee Fang [(b)]	3	3	N.A.	N.A.

Notes:

(a) Mr Lee Kim Shin retired from the Board and as chairman of the NC and a member of the ARC and RC following the conclusion of the annual general meeting ("AGM") held in April 2012 and he was replaced by Ms Martha Tan Hui Keng as chairman of the NC.

(b) Ms Loo Hwee Fang was appointed as a Director on 1 March 2012 and a member of the ARC, NC and RC on 1 March 2012.

Board Approval

The Board has in place an internal guide wherein certain key matters are specifically reserved for approval by the Board such as the setting of strategic plans and direction or policies or financial objectives which have or may have material impact on the profitability or performance of the Group and decisions to commence, discontinue or modify significantly any business activity or to enter or withdraw from a particular market sector.

Board Orientation and Training

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

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

Ms Loo Hwee Fang who was appointed a Director of the Company in 2012 was given a detailed briefing and induction by Senior Management and the Company Secretary, with briefing by Senior Management to introduce her to the Company's business and operations including an overview of the organizational structure, roles and responsibilities of the various departments, and the Company Secretary on the Company's internal corporate governance practices. Ms Loo was also briefed on the scope and responsibilities of the Board Committees which she was appointed to, by the chairmen of the said Board Committees, and where appropriate, also by Management and the Company Secretary.

The Directors are also provided with updates and/or briefings from time to time by professional advisers, auditors, Management and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, risk management matters and changes in financial reporting standards. During 2012, the Board was also briefed by the Company Secretary on the 2012 Code and its implications to the Company. The Directors are regularly kept informed by the Company Secretary of the availability of appropriate courses, conferences and seminars such as those run by the Singapore Institute of Directors, and the Directors are encouraged to attend such training at the Company's expense. Two in-house seminars were conducted by invited speakers during 2012, one on key changes introduced by the 2012 Code and highlights on the Risk Governance Guidance for Listed Boards released in May 2012 and the other, on the changing tax landscape and developments in financial reporting standards. In addition to the training courses/programmes, Directors are also at liberty to approach Management should they require any further information or clarification concerning the Group's operations.

Corporate Values and Conduct of Business

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

Principle 2: Board Composition and Guidance

Board Independence

The Board currently comprises 8 members, all of whom are non-executive Directors. Ms Loo Hwee Fang was appointed as a Director of the Company on 1 March 2012 and re-elected as a Director at the 2012 AGM while Mr Lee Kim Shin retired upon the conclusion of the 2012 AGM. The Board considers 4 of its current members, being half of the Board, to be independent, thus providing for a strong and independent element on the Board capable of exercising objective judgment on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision making.

Board Composition and Size

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

Directors' Participation

Directors of the Company are encouraged to participate actively in Board meetings in the development of the Group's strategic plans and direction, and in the review and monitoring of Management's performance against budgets. To facilitate this, they are kept informed of the Group's business and performance through monthly and quarterly reports from Management, and have unrestricted access to Management. They also sit on various Board Committees established by the Board to provide constructive input and the necessary review and monitoring of performance of the Group and Management.

Principle 3: Chairman and Chief Executive Officer

Role of Chairman

The Chairman of the Board is Mr Gan Khai Choon who is a non-executive Director. The Chairman bears primary responsibility for the workings of the Board, by ensuring effectiveness in all aspects of its role, exercising control over the quality, quantity and timeliness of information flow between the Board and Management, ensuring effective communication with shareholders, facilitating the effective contribution of non-executive Directors, and overseeing the Group's corporate governance and conduct.

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

With the establishment of various Board Committees with power and authority to perform key functions beyond the authority of, or without undue influence from, the Chairman, and the putting in place of various internal controls to allow for effective Board oversight, the Board is of the view that there are adequate accountability safeguards to enable the Board to exercise objective independent decision making and to ensure an appropriate balance of power and authority within the spirit of good corporate governance.

Lead Independent Director

There are internal controls in place to allow for effective oversight by the Board of the Company's business to ensure an appropriate balance of power and authority is exercisable by the Board to enable objective decision-making in the interests of the Company. In view that the Chairman of the Board, Mr Gan Khai Choon is not an independent Director, the Board in line with the recommendation under the 2012 Code has appointed Mr Michael Yeo Chee Wee as Lead Independent Director ("Lead ID") on 2 November 2012 to serve as a sounding board for the Chairman of the Board and also as an intermediary between the Directors and the Chairman of the Board. The role of the Lead ID is set out under the written terms of reference of the Lead ID, which has been approved by the Board.

Principle 4: Board Membership

NC Composition and Role

The NC comprises 3 non-executive Directors, all of whom including the chairman of the NC, are independent. The NC's responsibilities as set out in its written terms of reference approved by the Board, is to review all Board and Board Committee composition and membership, determine Director's independence, evaluate performance of the Board as a whole, its Board Committees and the individual Directors, review appointments and resignations of Senior Management and review Directors' training and continuous professional development programme.

Re-nomination of Directors

The NC reviews annually the nomination of the relevant Directors for re-election and re-appointment as well as the independence of Directors. When considering the nomination of Directors for re-election and re-appointment, the NC takes into account their contribution to the effectiveness of the Board and the competing time commitments faced by Directors with multiple board representations. Notwithstanding that some of the Directors have multiple board representations, the NC is satisfied that each Director is able to carry out and has been adequately carrying out his duties as Directors of the Company. The Directors submit themselves for re-election at regular intervals and the Articles of Association of the Company provide that at least one-third of the Directors for the time being, shall retire as Directors at each AGM of the Company.

Succession Planning for the Board

As Board renewal is a continuing process, the NC reviews annually the composition of the Board and makes recommendations as and when appropriate to the Board any new Director appointments, whether in addition to existing Board members or as replacement of retiring Board members. In reviewing and recommending to the Board any new Director appointments, the NC takes into consideration the current Board size and its mix, the additional skills and experience that will bolster the core competencies of the Board, the appropriate knowledge, experience and skills of the candidates who in its opinion, are fit and proper and qualified for office.

Key Information on Directors

Key information regarding the Directors is set out on pages 6 and 7 of this AR.

Principle 5: Board Performance

Board Evaluation Process

The Company has in place a formal process for assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board. The NC assesses each Director's performance and evaluates the Board's performance as a whole annually using objective and appropriate quantitative and qualitative criteria which were recommended by the NC and approved by the Board. The quantitative criteria used to evaluate the overall Board performance comprises a comparison of the Company's performance (including segmental performance) for the financial period under review against the Company's budgeted forecasts and performance for the corresponding period in the previous year. The NC also takes into consideration the feedback from individual Directors on areas relating to the Board's competencies and effectiveness.

Board Evaluation Criteria

Assessment parameters for Directors' performance include their level of participation at Board and Board Committee meetings and the quality of their contribution to Board processes and the business strategies and performance of the Group. The annual evaluation process for both the Board and the individual Director's performance is facilitated through the use of questionnaires for completion by all individual Board members. The results of the evaluation process are used by the NC, in its consultation with the Chairman of the Board, to effect continuing improvements on Board processes.

Principle 6: Access to Information

Complete, Adequate and Timely Information and Access to Management

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

Each of the chairmen of the Board Committees provides an annual report of the respective committees' activities during the year under review to the Board. The Board is also kept informed of the activities of the Board Committees through the minutes of meetings of the respective Board Committees which are circulated to the full Board.

Company Secretary

The Company Secretary, whose appointment and removal are subject to Board's approval, attends all Board and Board Committee meetings and ensures that all Board procedures are followed. The Company Secretary, together with Management, also ensures that the Company complies with all applicable statutory and regulatory rules.

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

Independent Professional Advice

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

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises 3 non-executive Directors, all of whom including the chairman of the RC, are independent. The RC's principal responsibilities as set out in its written terms of reference, approved by the Board are to review and recommend, for the endorsement of the Board, a framework of remuneration and the specific remuneration packages for each Board member and the Company's key management personnel ("KMP"). The Company has in place a remuneration framework for the Directors and the KMP. All the members of the RC also sit on the SOSC and the chairman of the RC is also the chairman of the SOSC. In reviewing remuneration packages, the RC also ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Company.

Principle 8: Level and Mix of Remuneration

Remuneration of Directors

The Company currently does not have any executive Director, and the RC accordingly did not perform any review of the remuneration payable to an executive Director in 2012.

When reviewing the structure and level of Directors' fees, the RC takes into consideration their respective roles and responsibilities in the Board and Board Committees, impact on the same arising from the increased focus on regulatory requirements, their individual attendance and time spent in the performance of their duties. The RC also holds to the principle that non-executive Directors should not be over-compensated to the extent that their independence may be compromised. No Director is involved in deciding his own remuneration.

Longer term incentive schemes are encouraged, as and when appropriate.

Principle 9: Disclosure of Remuneration

Disclosure of Remuneration

The compensation packages for the KMP for FY 2012 comprise a fixed component (in the form of a base salary) and a variable component (which includes variable bonuses, allowances and benefits-in-kind, where applicable), and take into account amongst other factors, the KMP's performance, the performance of the Group and industry practices.

Each of the Directors receives a base Director's fee, with the Chairman of the Board receiving an additional fee for serving as Board Chairman. Directors who serve on the various Board Committees (other than the Exco and SOSC) also receive additional fees in respect of each Board Committee that they serve on, with the chairmen of the Board Committees receiving a higher fee in respect of their service as chairman of the respective Board Committees.

The breakdown (in percentage terms) of the Directors' and KMP's remuneration for FY 2012 is set out below.

Remuneration of Directors and KMP for FY 2012

	Base Salary [1] %	Variable Bonuses/ Allowances [1] %	Board/Board Committee Fees [2] %	Other Benefits %	Total %
$250,000 and below					
Directors					
1. Gan Khai Choon	–	–	100	–	100
2. Sherman Kwek Eik Tse	–	–	100	–	100
3. Florence Tay Eng Neo	–	–	100	–	100
4. Michael Yeo Chee Wee	–	–	100	–	100
5. Lee Kim Shin [3]	–	–	100	–	100
6. Martha Tan Hui Keng	–	–	100	–	100
7. Philip Ting Sii Tien	–	–	100	–	100
8. Hoh Weng Ming	–	–	100	–	100
9. Loo Hwee Fang [4]	–	–	100	–	100
KMP					
10. Chua Jim Boon	76	19	–	5	100
11. Foo Yang Hym	77	20	–	3	100
12. Yam Kit Sung	61	16	–	23	100

Notes:

1 The salary and variable bonuses/allowances are inclusive of employer's central provident fund contributions.

2 These fees comprise Board and Board Committee fees for FY 2012, which are subject to approval by shareholders as a lump sum at the 2013 AGM for FY 2012.

3 Mr Lee Kim Shin retired at the 2012 AGM and the Director's fee is pro-rated for FY 2012 accordingly.

4 Ms Loo Hwee Fang was appointed as a Director on 1 March 2012 and the Director's fee is pro-rated for FY 2012 accordingly.

During FY 2012, none of the Directors had immediate family members not disclosed above who were or are employees of the Company and whose personal annual remuneration exceeded or exceeds $150,000.

Information on the Share Option Scheme is set out in the Directors' Report on pages 23 and 24, and the Financial Statements on pages 80 and 81 of this AR.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

Accountability of Board and Management

The Board provides shareholders with quarterly and annual financial results. Results for the first 3 quarters are released to shareholders within 45 days of the end of each quarter whilst the annual results are released within 60 days from the financial year end. In presenting the Group's annual and quarterly results, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance and financial position with a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which it operates.

For the first three quarters and full year of 2012, the Board was provided with a representation letter by the Chief Operating Officer and the Senior Vice President (Finance/Administration) in connection with the issue of the unaudited quarterly financial statements of the Group confirming that to the best of their knowledge and belief, nothing has come to their attention which may render the financial statements to be false or misleading in any material respect. The Board, in turn, provided a negative statement to shareholders in respect of the Company's interim financial statements for the first three quarters of 2012 to the shareholders in accordance with the regulatory requirements.

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

Principle 11: Audit and Risk Committee

Composition of ARC

The Audit Committee has been renamed as the ARC on 22 February 2013. ARC currently comprises 3 non-executive Directors, all of whom including the chairman of the ARC, are independent. With the current composition, the ARC believes that it has the relevant accounting or related financial management and risk management expertise and experience amongst its members to discharge its functions within its written terms of reference which has been approved by the Board.

Powers and Duties of the ARC

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

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

– to review with Management and, where appropriate, with the external auditors on the quarterly and full year financial statements to be issued by the Group before their submission to the Board to ensure their completeness, consistency, and accuracy;

- to review the integrity of the financial statements of the Group to be announced or reported and any other formal announcements relating to the Group's financial performance;
- to assess the role and effectiveness of the internal audit ("IA") function in the overall context of the Group's internal controls and risk management systems;
- to review and approve the annual audit plans of the external and internal auditors;
- to review, on an annual basis, the scope and results of the external audit and its cost-effectiveness and the independence and objectivity of the external auditors and also the nature and extent of any non-audit services provided by the external auditors to the Company;
- to review quarterly and/or annually, as applicable, with Management, the internal and external auditors, the results of their review on the Group's internal controls, including financial, operational and compliance controls, and risk management policies and systems and reporting to the Board annually the adequacy and effectiveness of such internal controls;
- to make recommendations to the Board on the nomination for the appointment, re-appointment and removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors;
- to review interested person transactions falling within the scope of Chapter 9 of the Listing Manual; and
- to review the Company's whistle-blowing policy and arrangements put in place for raising concerns about possible improprieties in matters of financial reporting or any other matters.

The ARC held 4 meetings during the year and carried out its duties as set out within its terms of reference. It also meets with the internal and external auditors, each separately without the presence of Management, annually.

External Auditors

The ARC reviewed all aspects of the Company's relationship with Ernst & Young LLP ("E&Y"), including the nature and volume of all non-audit services provided by the firm during the year. As there were no non-audit services rendered by E&Y for FY 2012, the ARC is satisfied that E&Y is, and is perceived to be, independent. Please refer to note 24 of the Notes to the Financial Statements on page 95 of the AR for details of the fees paid to E&Y in respect of the audit services for FY 2012.

In reviewing the nomination of E&Y for re-appointment as the Company's Auditors for the financial year ending 31 December 2013, the ARC had considered the adequacy of the resources and experience of E&Y and the incoming audit engagement partner assigned to the audit, E&Y's other audit engagements, the size and complexity of the audit exercise for the Group, and the number and experience of the supervisory and professional staff assigned to the Group's audit.

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

On the basis of the above, the ARC has recommended to the Board the nomination of E&Y for re-appointment as external auditors at the 2013 AGM.

Whistle-blowing Policy

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

Disclosure of Interested Person Transactions

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

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

Name of Interested Person	Aggregate value of all interested person transactions in FY 2012 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) ($'000)	Aggregate value of all interested person transactions conducted in FY 2012 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) ($'000)
China Yuchai International Limited group of companies – Loan of $83 million from an interested person (the "Loan")	1,245 [1]	Not applicable [3]
Millennium & Copthorne Hotels plc group of companies – Renewal of franchise arrangement with an interested person for the operation of Copthorne Hotel Qingdao under a franchise brand and also for participation in a hotel reservation system used by the franchisor	160 [2]	
Hong Leong Investment Holdings Pte. Ltd. group of companies – Receipt of corporate and management services from an interested person	130	

Notes:

1 The amount at risk to the Company under the $83 million loan is the interest margin of 1.50% which the Company has agreed to pay over and above the prevailing 12-month Singapore inter-bank offer rate fixed by the Association of Banks in Singapore as at the date immediately preceding the date of the loan agreement.

2 Estimated amount of franchise fees based on the renewal of franchise arrangement for the period from 16 November 2012 to 15 November 2013 which fees are to be determined and payable in arrears.

3 The Company has not sought any shareholders' mandate for interested person transactions pursuant to Rule 920.

Having reviewed the above interested person transactions, the ARC was of the opinion that they were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

Principle 12: Internal Controls

Internal Controls

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

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

The internal controls structure which is established includes:

– a risk management framework for the identification, assessment and monitoring of the Group's key risks;

– policies and procedures and an approved authorization matrix in place, which are reviewed from time to time, that govern and allow from time to time the monitoring of financial and operational controls;

– a programme of external and internal audits; and

– a whistle-blowing programme, whereby staff can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters without fear of reprisals in any form, and the provision of internal arrangements for the investigation of matters raised thereunder.

The Board was provided with written confirmation from the Chief Operating Officer and the Senior Vice President (Finance/Administration) that Management has evaluated the effectiveness of the Company's internal controls and reported the same to the ARC. Confirmation was also given that there were no significant deficiencies in the design or operation of the internal controls which could adversely affect the Company's ability to record, process, summarise or report financial data, no fraud (material or non-material) involving Management or other employees who have a significant role in the Company's internal controls, and no significant changes in internal controls or other factors that could significantly affect internal controls, with corrective action having been taken to address any deficiencies and weaknesses.

The ARC reviewed the adequacy and effectiveness of the Group's material internal controls that address its financial, operational and compliance controls and risk management systems, with the assistance of the internal and external auditors and Management, including the Risk Management Committee ("RMC"), who provide regular reports during the year to the ARC in addition to the briefings and updates provided at the ARC meetings.

Based on the reports received and representations made, the Board concurs with the opinion of the ARC that, the system of internal controls in place is adequate and effective to address in all material respects the financial, operational and compliance risks within the current scope of the Group's business operations in respect of FY 2012.

Principle 13: Internal Audit

Reporting Line and Qualifications

The IA function in respect of the Group's hospitality operations is undertaken by the IA manager. Such function is performed within the framework stated in the IA programme approved by the ARC annually, which programme also incorporates the high priority risk areas identified in the risk management framework of the Company in relation to the Group's hospitality operations.

The IA function is independent of the activities it audits. The primary reporting line of the IA manager is to the ARC chairman with an administrative line of reporting to the Senior Vice President (Finance/ Administration) of the Company. The appointment, resignation and dismissal of the IA manager is reviewed and approved by the ARC and the ARC chairman is consulted on all bonus payment and salary adjustment for this position. The ARC meets the IA manager at least once annually without the presence of Management and the Company Secretary.

The IA manager operates within the framework stated in its IA Charter which is approved by the ARC.

Processes are in place such that recommendations raised in IA reports are dealt with in a timely manner with outstanding exceptions or recommendations being closely monitored and reported back to the ARC.

Role and Activities of IA manager

The IA manager's responsibilities include evaluating the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Group's hospitality operations, ensuring that the internal controls of such operations result in prompt and proper recording of transactions and safeguarding of assets. The ARC reviews the adequacy of the IA function (including the adequacy of its resources and its standing within the Company) through a review of the IA activities on a quarterly basis and is satisfied that the IA function has adequate resources and appropriate standing within the Group to perform its functions properly.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

The Company announces its quarterly and full year results within the mandatory period. Material and price-sensitive information is publicly released via SGXNET on a timely basis. All shareholders of the Company receive the annual report of the Company and the notice of the AGM, which notice is also advertised in the press and released via SGXNET.

Principle 15: Greater Shareholder Participation

At general meetings of the Company, shareholders are given the opportunity to communicate their views and encouraged to ask the Directors and Management questions regarding matters affecting the Group. The chairmen of the ARC, NC, RC and SOSC and the external auditors were present at the last AGM, and will endeavour to be present at the 2013 AGM to assist the Directors in addressing queries raised by the shareholders.

In accordance with the Articles of Association of the Company, shareholders may appoint one or two proxies to attend and vote at general meetings in their absence. All shareholders are allowed to vote in person or by proxy. CPF investors of the Company's securities may attend shareholders' meetings as observers provided they have submitted their requests to do so with their agent banks within a specified time frame.

RISK MANAGEMENT

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

To assist the Board in its risk management oversight, the ARC reviews the Group's risk management processes and practices. Half yearly updates on the Group's risk management are provided to the ARC by the RMC comprising members of the key management team, was established to spearhead and be responsible for the implementation and management of the Group's risk management framework.

INTERNAL CODE ON DEALINGS IN SECURITIES

The Company has in place an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the Company's securities by its Directors and officers. These guidelines prohibit dealing in the Company's securities (a) on short-term considerations; (b) while in possession of unpublished material price-sensitive information in relation to such securities; and (c) during the "closed period", which is defined as 2 weeks before the date of announcement of results for each of the first 3 quarters of the Company's financial year and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the Company are notified prior to the commencement of the "closed periods" relating to dealing in the Company's securities.

27 March 2013

DIRECTORS' REPORT

The directors present their report to the members together with the audited consolidated financial statements of HL Global Enterprises Limited (the "Company") and its subsidiaries (collectively, the "Group"), and the balance sheet of the Company for the financial year ended 31 December 2012.

Directors

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

Gan Khai Choon
Sherman Kwek Eik Tse
Philip Ting Sii Tien
Hoh Weng Ming
Michael Yeo Chee Wee
Martha Tan Hui Keng
Florence Tay Eng Neo
Loo Hwee Fang (Appointed on 1 March 2012)

Arrangements to enable directors to acquire shares or debentures

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

Directors' interests in shares or debentures

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

According to the register of directors' shareholdings required to be kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Companies Act"), particulars of interest of directors who held office at the end of the financial year (including those of their spouses and infant children), in shares and/or share options of the Company or its related corporations, are as stated below:

	Holdings registered in the name of director		**Holdings in which director is deemed to have an interest**	
Name of director	**At 1 January 2012**	**At 31 December 2012**	**At 1 January 2012**	**At 31 December 2012**
The Company				
(ordinary shares)				
Florence Tay Eng Neo	27,140,923	27,140,923	11,299,814	11,299,814

The directors' interests in the ordinary shares of the Company as at 31 December 2012 remained unchanged as at 21 January 2013.

Directors' contractual benefits

Except as disclosed in the financial statements, and except for salaries, bonuses and fees that are disclosed in this report and in note 30 to the financial statements since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company and/or its related corporations with a director, or with a firm of which the director is a member, or with a company in which he has a substantial financial interest.

Share options

(a) HL Global Enterprises Share Option Scheme 2006

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

Michael Yeo Chee Wee – Chairman
Martha Tan Hui Keng
Loo Hwee Fang (Appointed on 1 March 2012)

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

(i) Group Employees and Parent Group Employees (both as defined in the Share Option Scheme) which may be exercisable during an option exercise period commencing from the date that the option vests and expiring on the day preceding the tenth anniversary of its date of grant; and

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

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

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

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

Share options (continued)

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

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares of the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

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

(b) HL Global Enterprises Share Option Scheme 2006 Trust

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

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

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

Grace Star Services Ltd. ("Grace Star"), a controlling shareholder of the Company and a wholly-owned subsidiary of China Yuchai International Limited, which is in turn a subsidiary of Hong Leong Asia Ltd., had, on 13 January 2012, transferred 24,189,170 Series B redeemable convertible preference shares in the capital of the Company (the "Series B RCPS"), representing 100% of the remaining unconverted Series B RCPS, to the Trustee for a nominal consideration of $1.00 for the purpose of the Trust.

Pursuant to the Articles of Association of the Company, the 24,189,170 Series B RCPS held by the Trustee were mandatorily converted into 24,189,170 new Shares on 16 January 2012, and such Shares which rank *pari passu* in all respects with the existing Shares of the Company, were held by the Trustee as Trust Shares under the Trust.

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

Audit and Risk Committee

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

Michael Yeo Chee Wee – Chairman
Martha Tan Hui Keng
Loo Hwee Fang (Appointed on 1 March 2012)

The ARC has held four meetings since the date of the last directors' report and performed the functions as set out under Section 201B of the Companies Act.

In performing its functions, the ARC reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the external auditor to review the audit plans and the results of their examination, and the internal auditor to review the audit plans and the results of their evaluation of the Group's system of internal controls. The ARC also reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2012 as well as the auditor's report thereon.

The ARC has recommended to the Board of Directors that the auditor, Ernst & Young LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Auditor

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

On behalf of the Board of Directors

Gan Khai Choon
Chairman

Philip Ting Sii Tien
Director

Singapore
27 March 2013

STATEMENT BY DIRECTORS

In the opinion of the directors:

(i) the financial statements set out on pages 29 to 111 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and of the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(ii) at the date of this statement, on the basis that continuing financial support will be provided by the subsidiary of a deemed substantial shareholder of the Company and bankers, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Gan Khai Choon
Chairman

Philip Ting Sii Tien
Director

Singapore
27 March 2013

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

Report on the Financial Statements

We have audited the accompanying financial statements of HL Global Enterprises Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 29 to 111, which comprise the balance sheets of the Group and the Company as at 31 December 2012, the consolidated statement of changes in equity and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT
For the financial year ended 31 December 2012

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Certified Public Accountants

Singapore
27 March 2013

BALANCE SHEETS
As at 31 December 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Non-current assets					
Property, plant and equipment	4	**48,219**	59,611	**6**	12
Subsidiaries	5	**–**	–	**65,928**	65,928
Associates	6	**77**	7,495	**–**	–
Intangible asset	8	**–**	122	**–**	–
Non-trade receivables	9	**869**	2,341	**3,221**	3,925
Deferred tax assets	10	**–**	302	**–**	–
		49,165	69,871	**69,155**	69,865
Current assets					
Inventories	11	**176**	485	**–**	–
Development properties	12	**9,433**	10,204	**–**	–
Trade and other receivables	9	**1,355**	1,772	**61**	185
Prepayment		**193**	450	**19**	4
Cash and bank balances	13	**20,121**	34,386	**4,147**	2,831
		31,278	47,297	**4,227**	3,020
Assets of disposal groups classified as held for sale	18	**21,087**	–	**–**	–
		52,365	47,297	**4,227**	3,020
Total assets		**101,530**	117,168	**73,382**	72,885

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

BALANCE SHEETS
As at 31 December 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Equity					
Share capital	14	**129,793**	119,958	**129,793**	119,958
Equity capital contributed by parent	14	**3,980**	–	**3,980**	–
Reserves	15	**(133,817)**	(134,978)	**(153,270)**	(150,271)
Reserve of disposal groups classified as held for sale	18	**(5,613)**	–	**–**	–
Total equity attributable to owners of the Company		**(5,657)**	(15,020)	**(19,497)**	(30,313)
Non-controlling interests		**–**	(192)	**–**	–
Total equity		**(5,657)**	(15,212)	**(19,497)**	(30,313)
Non-current liabilities					
Other payables	16	**–**	–	**2,368**	1,552
Financial liabilities	17	**4,097**	32,566	**–**	9,835
Deferred tax liabilities	10	**93**	93	**–**	–
		4,190	32,659	**2,368**	11,387
Current liabilities					
Trade and other payables	16	**6,172**	10,698	**15,482**	4,802
Financial liabilities	17	**92,637**	88,315	**75,000**	86,980
Current tax payable		**417**	708	**29**	29
		99,226	99,721	**90,511**	91,811
Liabilities directly associated with disposal groups classified as held for sale	18	**3,771**	–	**–**	–
		102,997	99,721	**90,511**	91,811
Total liabilities		**107,187**	132,380	**92,879**	103,198
Total equity and liabilities		**101,530**	117,168	**73,382**	72,885

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

CONSOLIDATED INCOME STATEMENT
For the financial year ended 31 December 2012

	Note	Group 2012 $'000	Group 2011 $'000
Continuing operations			
Revenue	20	**34,363**	31,236
Cost of sales		**(16,909)**	(16,295)
Gross profit		**17,454**	14,941
Other income	21	**872**	397
Selling and marketing expenses		**(1,021)**	(990)
Administrative expenses		**(692)**	(501)
Finance costs	22	**(4,242)**	(3,343)
Other operating expenses		**(14,299)**	(15,470)
Share of results of associates (net of tax)	6	**397**	357
Loss before tax from continuing operations		**(1,531)**	(4,609)
Income tax	23	**(1,035)**	(835)
Loss from continuing operations, net of tax	24	**(2,566)**	(5,444)
Discontinued operation			
Loss from discontinued operation, net of tax	19	**–**	(502)
Loss for the year		**(2,566)**	(5,946)
Attributable to			
Owners of the Company			
– Loss from continuing operations, net of tax		**(2,566)**	(5,370)
– Loss from discontinued operation, net of tax		**–**	(502)
Loss for the year attributable to owners of the Company		**(2,566)**	(5,872)
Non-controlling interests			
– Loss from continuing operations, net of tax		**–**	(74)
– Loss from discontinued operation, net of tax		**–**	–
Loss for the year attributable to non-controlling interests		**–**	(74)
Loss per share from continuing operations attributable to owners of the Company			
– Basic and diluted loss per share (cents)	25(a)	**(0.27)**	(0.59)
Loss per share attributable to owners of the Company			
– Basic and diluted loss per share (cents)	25(b)	**(0.27)**	(0.65)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2012

	Group	
	2012	**2011**
	$'000	**$'000**
Loss for the year	**(2,566)**	(5,946)
Other comprehensive income		
Foreign currency translation differences for foreign operations	**(1,694)**	1,746
Foreign currency translation reserve realised for discontinued foreign operation	**–**	281
Total comprehensive loss for the year	**(4,260)**	(3,919)
Total comprehensive loss attributable to:		
– Owners of the Company	**(4,260)**	(3,893)
– Non-controlling interests	**–**	(26)
	(4,260)	(3,919)
Total comprehensive loss attributable to owners of the Company		
Total comprehensive loss from continuing operations, net of tax	**(4,260)**	(3,391)
Total comprehensive loss from discontinued operation, net of tax	**–**	(502)
	(4,260)	(3,893)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2012

Group	Share capital $'000	Equity capital contributed by parent $'000	Preference shares $'000	Special reserve $'000	Premium on acquisition of non-controlling interests $'000	Currency translation reserve $'000	Accumulated losses $'000	Reserve of disposal groups classified as held for sale $'000	Total equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2012	**119,955**	**–**	**3**	**8,529**	**–**	**(3,246)**	**(140,261)**	**–**	**(15,020)**	**(192)**	**(15,212)**
Loss for the year	–	–	–	–	–	–	(2,566)	–	(2,566)	–	(2,566)
Other comprehensive income, net of tax											
Foreign currency translation differences for foreign operations	–	–	–	–	–	(1,694)	–	–	(1,694)	–	(1,694)
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**(1,694)**	**(2,566)**	**–**	**(4,260)**	**–**	**(4,260)**
Contributions by and distributions to owners											
Conversion of Series B redeemable convertible preference shares	–	3,980	–	–	–	–	–	–	3,980	–	3,980
Conversion of Series A redeemable convertible preference shares	9,835	–	–	–	–	–	–	–	9,835	–	9,835
Total contributions by and distributions to owners	**9,835**	**3,980**	**–**	**–**	**–**	**–**	**–**	**–**	**13,815**	**–**	**13,815**
Changes in ownership interests in subsidiaries											
Acquisition of non-controlling interests	–	–	–	–	(192)	–	–	–	(192)	192	–
Total transactions with owners in their capacity as owners	**9,835**	**3,980**	**–**	**–**	**(192)**	**–**	**–**	**–**	**13,623**	**192**	**13,815**
Others											
Reserve attributable to disposal groups classified as held for sale	–	–	–	–	–	5,613	–	(5,613)	–	–	–
At 31 December 2012	**129,790**	**3,980**	**3**	**8,529**	**(192)**	**673**	**(142,827)**	**(5,613)**	**(5,657)**	**–**	**(5,657)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2012

Group	Share capital $'000	Preference shares $'000	Special reserve $'000	Currency translation reserve $'000	Accumulated losses $'000	Total equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2011	114,171	3	8,529	(5,225)	(134,389)	(16,911)	(166)	(17,077)
Loss for the year	–	–	–	–	(5,872)	(5,872)	(74)	(5,946)
Other comprehensive income								
Foreign currency translation differences for foreign operations	–	–	–	1,698	–	1,698	48	1,746
Foreign currency translation reserve realised for discontinued foreign operation	–	–	–	281	–	281	–	281
Other comprehensive income for the year, net of tax	–	–	–	1,979	–	1,979	48	2,027
Total comprehensive income/(loss) for the year	–	–	–	1,979	(5,872)	(3,893)	(26)	(3,919)
Contributions by and distributions to owners								
Conversion of Series B redeemable convertible preference shares	5,784	–	–	–	–	5,784	–	5,784
At 31 December 2011	119,955	3	8,529	(3,246)	(140,261)	(15,020)	(192)	(15,212)

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2012

	Group	
	2012	**2011**
	$'000	**$'000**
Cash flows from operating activities		
Loss before tax from continuing operations	**(1,531)**	(4,609)
Loss before tax from discontinued operation	**–**	(465)
	(1,531)	(5,074)
Adjustments for:		
Allowances for anticipated losses on development properties written back	**(28)**	–
Amortisation of intangible asset	**2**	16
Bad debts written off	**6**	–
Depreciation of property, plant and equipment	**6,764**	6,741
Exchange adjustment on an overseas investment property	**–**	234
Foreign exchange losses/(gains) – net	**967**	(543)
Gain on disposal of investment property	**–**	(16)
Gain on sale of intangible asset	**(64)**	–
Impairment loss on property, plant and equipment	**–**	1,600
Interest expense	**3,275**	3,886
Interest income	**(426)**	(321)
Loss on disposal of property, plant and equipment	**9**	32
Property, plant and equipment written off	**2**	36
Provision for impairment of trade receivables	**10**	–
Share of results of associates, net of tax	**(397)**	(357)
Write-back of management fees	**(185)**	–
Write-back of trade and other payables	**(48)**	(34)
Operating cash flows before changes in working capital	**8,356**	6,200
Development properties	**718**	464
Inventories	**22**	(21)
Trade and other payables	**(703)**	(117)
Trade and other receivables	**(237)**	(383)
Cash generated from operating activities	**8,156**	6,143
Income tax paid	**(791)**	(573)
Interest paid	**(3,475)**	(4,217)
Interest received	**426**	321
Net cash from operating activities	**4,316**	1,674

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2012

	Group	
	2012	**2011**
	$'000	**$'000**
Cash flows from investing activities		
Addition to intangible asset	**–**	(8)
Net cash received from disposal of intangible asset	**184**	–
Net cash received from disposal of investment property	**–**	7,913
Proceeds from disposal of property, plant and equipment	**40**	10
Purchase of property, plant and equipment (note 4)	**(765)**	(631)
Net cash (used in)/from investing activities	**(541)**	7,284
Cash flows from financing activities		
Acquisition of non-controlling interests	**(*)**	–
Decrease in fixed deposits pledged	**22**	5
Payment of finance lease liabilities	**(12)**	(8)
Proceeds from borrowings	**–**	7,009
Receipt from joint venture partners (non-trade)	**965**	4,567
Repayment of borrowings	**(9,278)**	(11,327)
Net cash (used in)/from financing activities	**(8,303)**	246
Net increase in cash and cash equivalents	**(4,528)**	9,204
Cash and cash equivalents at beginning of the year	**34,364**	24,528
Effect of exchange rate changes on balances held in foreign currencies	**(610)**	632
Cash and cash equivalents at end of the year (note 13)	**29,226**	34,364

* Less than $1,000

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

1. Corporate information

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

The principal activity of the Company is the holding of investments. The principal activities of the subsidiaries are set out in note 5 to the financial statements.

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

The consolidated financial statements relate to the Company and its subsidiaries (collectively, the "Group") and the Group's interests in associates and jointly controlled entities.

2. Fundamental accounting concept

The financial statements have been prepared on a going concern basis, notwithstanding the consolidated net loss of $2.6 million (2011: $5.9 million) for the year ended 31 December 2012, and the Group's and the Company's net liabilities and the net current liabilities of $5.7 million and $19.5 million (2011: $15.2 million and $30.3 million) respectively and $50.6 million and $86.3 million (2011: $52.4 million and $88.8 million) respectively, as at 31 December 2012.

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

(i) As disclosed in note 31, Venture Lewis Limited, a wholly-owned subsidiary of a deemed substantial shareholder of the Company, has agreed to extend the $75 million unsecured loan for a further term of one year from 3 July 2013 to 2 July 2014; and

(ii) The Group will be able to generate sufficient operating net cash inflows from its operating entities for the next 12 months to pay its debts as and when they fall due.

3. Summary of significant accounting policies

3.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollar ("SGD" or "$") and all values in the tables are rounded to the nearest thousand ("$'000") as indicated.

3.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2012. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

3. Summary of significant accounting policies (continued)

3.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurements*	1 January 2013
Amendments to FRS 107 Disclosures – *Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to FRSs 2012	
– Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
– Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
– Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

Except for the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1, FRS 111, Revised FRS 28 and FRS 112 are described below.

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* ("OCI") is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

3. Summary of significant accounting policies (continued)

3.3 Standards issued but not yet effective (continued)

FRS 111 *Joint Arrangements and Revised* FRS 28 *Investments in Associates and Joint Ventures*

FRS 111 *Joint Arrangements* and Revised FRS 28 *Investments in Associates and Joint Ventures* are effective for financial periods beginning on or after 1 January 2014.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have rights to the assets and obligations for the liabilities whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 111 requires the determination of joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The Revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently applies proportionate consolidation for its joint ventures. Upon adoption of FRS 111, the Group expects that the change to equity accounting for these joint ventures will affect the Group's financial statements presentation.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 *Disclosure of Interests in Other Entities* is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

3.4 Basis of consolidation and business combinations

(a) **Basis of consolidation**

Basis of consolidation from 1 January 2010

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

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

3. Summary of significant accounting policies (continued)

3.4 Basis of consolidation and business combinations (continued)

(a) **Basis of consolidation (continued)**

Basis of consolidation from 1 January 2010 (continued)

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

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

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

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

– Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

– Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

– Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying values of such investments as at 1 January 2010 have not been restated.

3. Summary of significant accounting policies (continued)

3.4 Basis of consolidation and business combinations (continued)

(b) **Business combinations**

Business combinations from 1 January 2010

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

3. Summary of significant accounting policies (continued)

3.4 Basis of consolidation and business combinations (continued)

(b) **Business combinations (continued)**

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

3.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. Summary of significant accounting policies (continued)

3.6 Foreign currency

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

(a) **Transactions and balances**

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) **Consolidated financial statements**

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

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

3. Summary of significant accounting policies (continued)

3.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in note 3.25. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

		Useful lives
Buildings and improvements on freehold land	–	50 years
Leasehold land, buildings and improvements	–	50 years or period of lease, whichever is shorter
Plant and machinery	–	3 to 20 years
Furniture, fittings and office equipment	–	3 to 20 years
Motor vehicles	–	3⅓ to 6 years
Linen, china, glassware and silverware, etc	–	5 years

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

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

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

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

3. Summary of significant accounting policies (continued)

3.8 Intangible asset

Intangible asset acquired separately is measured initially at cost. Following initial acquisition, intangible asset is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful life of intangible asset is assessed as finite.

Intangible asset with finite useful life is amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and is treated as change in accounting estimates. The amortisation expense on intangible asset with finite useful life is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gain or loss arising from de-recognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss when the asset is de-recognised.

Club membership

Club membership was acquired separately and is amortised on a straight-line basis over its remaining useful life of 25 years (2011: 26 years).

3.9 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

3. Summary of significant accounting policies (continued)

3.9 Impairment of non-financial assets (continued)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of one year or the remaining contractual useful lives of the cash-generating units, whichever is shorter.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

3.10 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

3.11 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

3. Summary of significant accounting policies (continued)

3.11 Associates (continued)

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associate and, therefore is the profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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

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

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

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

3.12 Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interest in the joint venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The joint venture is proportionately consolidated from the date the Group obtains joint control until the date the Group ceases to have joint control over the joint venture.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on such transactions between the Group and its jointly controlled entity. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

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

Upon loss of joint control, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the aggregate of the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

3. Summary of significant accounting policies (continued)

3.13 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

Loans and receivables

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

De-recognition

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

Regular way purchase or sale of a financial asset

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

3. Summary of significant accounting policies (continued)

3.14 Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

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

Financial assets carried at cost

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

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits.

3. Summary of significant accounting policies (continued)

3.16 Development properties

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

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

Costs to complete development include cost of land and other direct and related development expenditure, including borrowing costs incurred in developing the properties. Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the end of the reporting period, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

3.18 Provisions

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

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

3. Summary of significant accounting policies (continued)

3.19 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

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

3.20 Share capital

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

Convertible redeemable preference shares

Convertible redeemable preference shares are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible redeemable preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption in accordance with the accounting policy set out in note 3.19.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible redeemable preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

3. Summary of significant accounting policies (continued)

3.21 Employee benefits

(a) **Defined contribution plans**

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

(b) **Employee leave entitlement**

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(c) **Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after end of the reporting period are discounted to present value.

3.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

When entities within the Group are lessees of a finance lease

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

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

3. Summary of significant accounting policies (continued)

3.22 Leases (continued)

When entities within the Group are lessees of an operating lease

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

When entities within the Group are lessors of an operating lease

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in note 3.24(d). Contingent rents are recognised as revenue in the period in which they are earned.

3.23 Non-current assets held for sale and discontinued operation

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

In profit or loss of the current reporting period, and of the comparative period of the previous year, all income and expenses from discontinued operation are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss.

Property, plant and equipment and intangible asset once classified as held for sale are not depreciated or amortised.

3. Summary of significant accounting policies (continued)

3.24 Revenue

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

(a) **Rendering of services**

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

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

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

(c) **Dividend income**

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

(d) **Rental income**

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

3.25 Finance income and costs

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

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

3. Summary of significant accounting policies (continued)

3.26 Taxes

(a) **Current income tax**

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

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

(b) **Deferred tax**

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

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

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

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

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

3. Summary of significant accounting policies (continued)

3.26 Taxes (continued)

(b) **Deferred tax (continued)**

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(c) **Sales tax**

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in note 26, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. Summary of significant accounting policies (continued)

3.28 Consolidation of special purpose entity and treasury shares

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

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

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

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

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

3. Summary of significant accounting policies (continued)

3.29 Contingencies

A contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

b) a present obligation that arises from past events but is not recognised because:

   (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

3.30 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

   (i) has control or joint control over the Company;

   (ii) has significant influence over the Company; or

   (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

   (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) both entities are joint ventures of the same third party.

   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) the entity is controlled or jointly controlled by a person identified in (a).

   (vi) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. Property, plant and equipment

Group	Freehold land $'000	Buildings and improvements on freehold land $'000	Leasehold land, buildings and improvements $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Linen, china, glassware and silverware, etc $'000	Capital work-in-progress $'000	Total $'000
Cost									
At 1 January 2011	388	8,765	89,663	33,416	19,236	995	568	2,407	155,438
Additions	–	–	–	39	560	47	–	–	646
Disposals	–	–	(193)	(92)	(260)	–	–	–	(545)
Transfers	–	–	58	–	–	–	–	(58)	–
Write-offs attributable to discontinued operation	–	–	(34)	(1,258)	(219)	–	–	–	(1,511)
Translation adjustments	(8)	(168)	4,970	1,631	828	48	24	138	7,463
At 31 December 2011 and 1 January 2012	380	8,597	94,464	33,736	20,145	1,090	592	2,487	161,491
Additions	**–**	**–**	**–**	**94**	**545**	**126**	**–**	**–**	**765**
Disposals	**–**	**–**	**(6)**	**(41)**	**(205)**	**(367)**	**–**	**–**	**(619)**
Write-off	**–**	**–**	**–**	**–**	**(8)**	**–**	**–**	**–**	**(8)**
Reclassification to assets of disposal groups classified as held for sale (note 18)	**–**	**–**	**(47,177)**	**(6,905)**	**(7,140)**	**(548)**	**–**	**–**	**(61,770)**
Translation adjustments	**(8)**	**(191)**	**(4,527)**	**(1,581)**	**(889)**	**(45)**	**(26)**	**(123)**	**(7,390)**
At 31 December 2012	**372**	**8,406**	**42,754**	**25,303**	**12,448**	**256**	**566**	**2,364**	**92,469**

4. Property, plant and equipment (continued)

Group	Freehold land $'000	Buildings and improvements on freehold land $'000	Leasehold land, buildings and improvements $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Linen, china, glassware and silverware, etc $'000	Capital work-in-progress $'000	Total $'000
Accumulated depreciation and impairment loss									
At 1 January 2011	125	5,959	48,179	19,768	13,223	808	522	2,352	90,936
Depreciation for the year									
– Continuing operations	–	173	3,963	1,352	1,171	65	11	–	6,735
– Discontinued operation	–	–	4	–	2	–	–	–	6
Disposals	–	–	(193)	(87)	(223)	–	–	–	(503)
Write-offs attributable to discontinued operation	–	–	(17)	(1,254)	(204)	–	–	–	(1,475)
Impairment loss	–	–	1,600	–	–	–	–	–	1,600
Translation adjustments	(3)	(53)	2,862	969	608	40	23	135	4,581
At 31 December 2011 and 1 January 2012	122	6,079	56,398	20,748	14,577	913	556	2,487	101,880
Depreciation for the year	**–**	**169**	**4,025**	**1,400**	**1,116**	**43**	**11**	**–**	**6,764**
Disposals	**–**	**–**	**(6)**	**(68)**	**(166)**	**(330)**	**–**	**–**	**(570)**
Write-off	**–**	**–**	**–**	**–**	**(6)**	**–**	**–**	**–**	**(6)**
Reclassification to assets of disposal groups classified as held for sale (note 18)	**–**	**–**	**(45,788)**	**(6,478)**	**(6,635)**	**(393)**	**–**	**–**	**(59,294)**
Translation adjustments	**(2)**	**(65)**	**(2,647)**	**(976)**	**(648)**	**(39)**	**(24)**	**(123)**	**(4,524)**
At 31 December 2012	**120**	**6,183**	**11,982**	**14,626**	**8,238**	**194**	**543**	**2,364**	**44,250**
Net carrying amount									
At 31 December 2011	258	2,518	38,066	12,988	5,568	177	36	–	59,611
At 31 December 2012	**252**	**2,223**	**30,772**	**10,677**	**4,210**	**62**	**23**	**–**	**48,219**

4. Property, plant and equipment (continued)

Company	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Cost			
At 1 January 2011	66	5	71
Additions	3	–	3
At 31 December 2011 and 1 January 2012	69	5	74
Additions	**–**	**–**	**–**
At 31 December 2012	**69**	**5**	**74**
Accumulated depreciation			
At 1 January 2011	51	4	55
Depreciation charge for the year	6	1	7
At 31 December 2011 and 1 January 2012	57	5	62
Depreciation charge for the year	**6**	**–**	**6**
At 31 December 2012	**63**	**5**	**68**
Net carrying amount			
At 31 December 2011	12	–	12
At 31 December 2012	**6**	**–**	**6**

At 31 December 2012, the Group's property, plant and equipment include:

(a) assets of joint ventures with a carrying amount of $26.8 million (2011: $30.2 million) that are mortgaged to secure bank facilities extended to the joint ventures (note 17); and

(b) assets with a carrying amount of $33,000 (2011: $44,000) (note 17), acquired under finance lease arrangements. During the financial year ended 31 December 2011, the Group acquired motor vehicles with an aggregate cost of $15,000 by means of finance leases. Leased assets are pledged as security for the related finance lease liabilities. During the financial year ended 31 December 2012, there is no asset acquired by means of finance lease. The cash outflows on acquisition of property, plant and equipment amounted to $765,000 (2011: $631,000).

Impairment of assets

During the financial year ended 31 December 2011, a joint venture of the Group within hospitality and restaurant segment, Shanghai International Equatorial Hotel Company Ltd ("SIEH"), carried out an impairment review in view of the declined performance of the joint venture and taking into consideration the expiry date of the joint venture agreement relating to the joint venture falling due in November 2013. As the carrying value of the property, plant and equipment of SIEH exceeded future cash flows expected to be generated, an impairment loss of $1,600,000, representing the write-down of these property, plant and equipment to the recoverable amount was recognised in "Other operating expenses" in profit or loss for the financial year ended 31 December 2011. The recoverable amount of the property, plant and equipment was based on its value in use and the pre-tax discount rate used was 12%. As at 31 December 2012, the assets of SIEH are presented as part of the assets of disposal groups classified as held for sale (note 18).

4. Property, plant and equipment (continued)

Source of estimation uncertainty

The costs of property, plant and equipment are depreciated on a straight-line basis over their estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be between 3 and 50 years. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilisation, internal technical evaluation and technological changes. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in these factors. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease non-current assets. A 3% difference in the expected useful lives of property, plant and equipment from management's estimates would result in approximately 13% (2011: 4%) variance in the Group's loss before tax.

The estimates of recoverable amounts were based on either the fair value of the property, plant and equipment determined by a firm of independent professional valuers or the value in use of the property, plant and equipment determined by management. The fair value is based on market value, being the estimated amount for which an asset could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The value in use calculation uses cash flows projections based on the expected cash flows over the economic useful lives of the asset, discounted at rates which reflect the specific risks relating to the asset. The recoverable amounts could change significantly as a result of changes in market conditions and the assumptions used in determining the value in use.

5. Subsidiaries

	Company	
	2012	**2011**
	$'000	**$'000**
Unquoted equity shares, at cost	**276,956**	278,441
Preference shares, at cost	**29,000**	29,000
Impairment loss	**(240,028)**	(241,513)
	65,928	65,928
Impairment loss		
At 1 January	**241,513**	241,513
Impairment loss written off	**(1,485)**	–
At 31 December	**240,028**	241,513

Acquisition of non-controlling interests

On 6 January 2012, a wholly-owned subsidiary of the Company, LKN Development Pte Ltd, acquired an additional 48% equity interest in Victory Heights Sdn Bhd ("Victory Heights") from its non-controlling interests for a cash consideration of approximately $1.00. Following the completion of this acquisition, Victory Heights becomes a wholly-owned subsidiary of the Company. Victory Heights was in equity deficit as at 6 January 2012 and the carrying value of the additional interest acquired was a negative value of $192,001. The difference of $192,000 between the consideration and the carrying value of the additional equity interest acquired has been recognised as "Premium on acquisition of non-controlling interests" within equity.

5. Subsidiaries (continued)

The following summarises the effect of the change in the Group's ownership interest in Victory Heights on the equity attributable to owners of the Company:

	Group 2012 $'000
Consideration paid for acquisition of non-controlling interests	*
Decrease in equity attributable to non-controlling interests	(192)
Decrease in equity attributable to owners of the Company	(192)

* Less than $1,000

Details of the subsidiaries are as follows:

Name of company	Principal activities	Place of incorporation/ business	Group's effective equity interest 2012 %	2011 %
Held by the Company:				
LKN Construction Pte Ltd [(i)]	Inactive	Singapore	**100**	100
LKN Development Pte Ltd [(i)]	Property development and investment, project and property management	Singapore/ Malaysia	**100**	100
LKN Home Services Pte Ltd	Struck off on 6 December 2012	Singapore	**–**	100
LKN Investment International Pte Ltd [(i)]	Foreign investment holding	Singapore/ The People's Republic of China (the "PRC")	**100**	100
Equatorial Hotel Management Pte Ltd [(i)]	Hotel management and consultancy	Singapore/ The PRC	**100**	100
Golden Phoenix Chao Zhou Garden Restaurant Pte Ltd	Struck off on 6 December 2012	Singapore	**–**	100

5. Subsidiaries (continued)

Name of company	Principal activities	Place of incorporation/ business	Group's effective equity interest 2012 %	2011 %
Held by the Company (continued):				
Equality Hotel Management Sdn Bhd (ii)	Hotel management and consultancy	Malaysia	**100**	100
Landmark Technologies Pte Ltd (i)	Dormant	Singapore	**100**	100
Whitebox Computer Pte Ltd (i)	Dormant	Singapore	**100**	100
Held by LKN Construction Pte Ltd:				
MALKN Sdn Bhd	Under creditors' liquidation	Malaysia	**100**	100
LKN Construction Lanka (Private) Limited	Under creditors' liquidation	Sri Lanka	**75**	75
Held by LKN Development Pte Ltd:				
Mallink Development Pte Ltd (i)	Dormant	Singapore	**100**	100
Mallink Realty Pte Ltd (v)	Dormant	Singapore	**100**	100
Joo Chiat Holding Pte Ltd (i)	Dormant	Singapore	**100**	100
Sims Development Pte Ltd (v)	Dormant	Singapore	**100**	100
Augustland Sdn Bhd (ii)	Property investment and development	Malaysia	**100**	100
Nirwana Properties Sdn Bhd (ii)	Investment holding	Malaysia	**100**	100
Shanghai Yu Rong Hotel Equipment and Supplies Co., Ltd (iii)	Dormant	The PRC	**100**	100
Victory Heights Sdn Bhd (ii)	Property investment and development	Malaysia	**88***	40*

5. Subsidiaries (continued)

Name of company	Principal activities	Place of incorporation/ business	Group's effective equity interest 2012 %	2011 %
Held by LKN Investment International Pte Ltd:				
Shanghai Hutai Real Estate Development Co., Ltd (iv)	Owns and operates a serviced apartment building in Shanghai, the PRC	The PRC	**100**	100
Held by Nirwana Properties Sdn Bhd:				
Victory Heights Sdn Bhd (ii)	Property investment and development	Malaysia	**12***	12*

* The total effective equity interest held by the Group is 100% (2011: 52%) as 88% (2011: 40%) is held by LKN Development Pte Ltd and 12% (2011: 12%) is held by Nirwana Properties Sdn Bhd

(i) Audited by Ernst & Young LLP, Singapore

(ii) Audited by SJ Grant Thornton, Kuala Lumpur, Malaysia

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

(iv) Audited by member firm of Ernst & Young Global (for Group reporting purpose)

(v) Not required to be audited

Source of estimation uncertainty

When a subsidiary is in net equity deficit and has suffered operating losses, an assessment is made whether the investment in the subsidiary has suffered any impairment by determining the recoverable amount of the investment. This determination requires significant judgement. An estimate is made on the future profitability of the subsidiary, the financial health of and near-term business outlook for the subsidiary, including factors such as industry and sector performance, and operational and financing cash flow. The recoverable amount of the subsidiary could change significantly as a result of changes in market conditions and the assumptions used in determining the recoverable amount. There is no impairment loss being recognised in 2012 and 2011.

6. Associates

	Group 2012 $'000	Group 2011 $'000
Unquoted equity shares, at cost	**490**	4,112
Share of post acquisition retained earnings	**(350)**	4,664
Translation adjustments	**(63)**	(1,281)
	77	7,495

Movements in the Group's share of the associates' post acquisition retained earnings are as follows:

	Group 2012 $'000	Group 2011 $'000
At 1 January	**4,664**	4,307
Share of results after tax	**397**	357
Reclassification to assets of disposal groups classified as held for sale (note 18)	**(5,411)**	–
At 31 December	**(350)**	4,664

Details of the associates are as follows:

Name of company	Principal activities	Place of incorporation/ business	Group's effective equity interest 2012 %	Group's effective equity interest 2011 %
Held through subsidiaries:				
Scientex Park (M) Sdn Bhd (i)	Property investment and development	Malaysia	**28**	28
Sinjori Sdn Bhd (ii)	Property investment and development	Malaysia	**28**	28

(i) Audited by member firm of Ernst & Young Global. As at 31 December 2012, the Group's investment in Scientex Park (M) Sdn Bhd is presented as part of the assets of disposal groups classified as held for sale (note 18)

(ii) Audited by SJ Grant Thornton, Kuala Lumpur, Malaysia

6. Associates (continued)

The summarised financial information for the associates, not adjusted for the percentage ownership held by the Group:

	Group	
	2012*	**2011**
	$'000	**$'000**
Assets and liabilities		
Total assets	**417**	27,942
Total liabilities	**(143)**	(1,164)
Net assets	**274**	26,778
Results		
Revenue	**–**	6,694
(Loss)/profit after taxation	**(3)**	1,275

* Excluding financial information of associate classified as held for sale

Source of estimation uncertainty

When an associate is in net equity deficit and has suffered operating losses, an assessment is made whether the investment in the associate has suffered any impairment by determining the recoverable amount of the investment. This determination requires significant judgement. An estimate is made on the future profitability of the associate, the financial health of and near-term business outlook for the associate, including factors such as industry and sector performance, and operational and financing cash flow. The recoverable amount of the associate could change significantly as a result of changes in market conditions and the assumptions used in determining the recoverable amount. There is no impairment loss being recognised in 2012 and 2011.

7. Joint ventures

The Group has interests in the following joint ventures:

Name of company	Percentage of interest held 2012 %	2011 %	Principal activities
Augustland Hotel Sdn Bhd (i)	**45**	45	Hotel development and operation
Copthorne Hotel Qingdao Co., Ltd (ii)	**60**	60	Owns and operates a hotel in Qingdao, the PRC
Shanghai Equatorial Hotel Management Co., Ltd (ii)	**49**	49	Hotel management and consultancy
Shanghai International Equatorial Hotel Company Ltd (ii)(iii)	**50**	50	Owns and operates a hotel and club in Shanghai, the PRC

7. Joint ventures (continued)

(i) Audited by SJ Grant Thornton, Kuala Lumpur, Malaysia

(ii) Audited by member firms of Ernst & Young Global

(iii) As at 31 December 2012, the Group's investment in Shanghai International Equatorial Hotel Company Ltd is presented as part of the disposal groups classified as held for sale (note 18)

The Group has included in its consolidated financial statements its share of assets employed and liabilities incurred by the joint ventures and its share of the results of the joint ventures using a line by line format of proportionate consolidation as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Balance sheet:		
Non-current assets		
Property, plant and equipment	**26,898**	36,241
Deferred tax assets	**–**	132
	26,898	36,373
Current assets		
Inventories	**176**	485
Trade and other receivables	**318**	822
Cash and bank balances	**3,265**	14,392
Prepayment	**62**	397
Assets of disposal groups classified as held for sale	**13,440**	–
	17,261	16,096
Current liabilities		
Trade and other payables	**(2,007)**	(6,961)
Financial liabilities	**(17,637)**	(1,335)
Current tax payable	**(17)**	(308)
Liabilities directly associated with disposal groups classified as held for sale	**(3,771)**	–
	(23,432)	(8,604)
Non-current liabilities		
Financial liabilities	**(4,097)**	(22,731)
Net assets	**16,630**	21,134

7. Joint ventures (continued)

	Group 2012 $'000	Group 2011 $'000
Income statement:		
Revenue	**27,483**	25,801
Cost of sales	**(14,531)**	(14,069)
Gross profit	**12,952**	11,732
Other income	**495**	213
Selling and marketing expenses	**(953)**	(930)
Administrative expenses	**(86)**	(94)
Finance costs	**(1,460)**	(995)
Other operating expenses	**(10,789)**	(12,099)
Profit/(loss) before income tax	**159**	(2,173)
Income tax expense	**(564)**	(240)
Net loss	**(405)**	(2,413)
Proportionate interest in joint venture's contingent liabilities	**2,516**	2,644
Proportionate interest in joint venture's capital commitment that are approved but not contracted for	**393**	–

According to Qingdao Municipal Government's regulation, all hotels in Qingdao, the People's Republic of China, are imposed for tourism development levy and hotel augmentation levy which are equivalent to 1% of total revenue and 3% of room revenue respectively. According to releases made by the Qingdao Local Taxation Bureau, the tourism development levy and the hotel augmentation levy were withdrawn effective from 1 January 2009 and 1 September 2010 respectively. As at 31 December 2012, the estimated tourism development levy and hotel augmentation levy payable by the Company's joint venture in Qingdao were $735,000 (2011: $772,000) and $1,781,000 (2011: $1,872,000) respectively. The joint venture, together with other hotel owners in Qingdao, is currently negotiating with the Qingdao Municipal Government to waive such levies. The joint venture is of the view that the authority is unlikely to collect such levies. The above levies have not been provided in the accounts.

8. Intangible asset

	Group	
	2012	**2011**
	$'000	**$'000**
Club membership		
Cost:		
At 1 January	**309**	301
Addition	**–**	8
Disposal	**(309)**	–
At 31 December	**–**	309
Accumulated amortisation and impairment loss:		
At 1 January	**187**	171
Amortisation	**2**	16
Disposal	**(189)**	–
At 31 December	**–**	187
Net carrying amount:		
At 31 December	**–**	122

During the financial year, the Group disposed of its club membership at a consideration of $195,000 and recorded a gain of $64,000 in the "Other income" in profit or loss, after deducting necessary cost to sell of $11,000.

9. Trade and other receivables

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Non-trade receivables				
– joint venture partners	**869**	2,341	**–**	–
– subsidiaries	**–**	–	**3,221**	5,567
Impairment of doubtful receivables	**–**	–	**–**	(1,642)
	869	2,341	**3,221**	3,925
Current				
Trade receivables				
– joint venture partners	**613**	444	**–**	–
– third parties	**455**	967	**–**	–
Impairment of doubtful receivables	**(10)**	(22)	**–**	–
	1,058	1,389	**–**	–

9. Trade and other receivables (continued)

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Other receivables				
– joint venture of a subsidiary	**–**	–	**–**	3
– associates	**13**	11	**–**	–
– third parties	**115**	547	**11**	13
Impairment of doubtful receivables	**–**	(388)	**–**	–
	128	170	**11**	16
Amounts due from subsidiaries (non-trade)	**–**	–	**–**	72
	–	–	**–**	72
Deposits	**169**	213	**50**	97
	1,355	1,772	**61**	185
Total trade and other receivables (current and non-current)	**2,224**	4,113	**3,282**	4,110
Add: Cash and bank balances (note 13)	**20,121**	34,386	**4,147**	2,831
Total loans and receivables	**22,345**	38,499	**7,429**	6,941

The non-current non-trade amounts due from joint venture partners and subsidiaries are unsecured and are not expected to be repaid for the next 12 months. The non-current non-trade amounts due from subsidiaries are in substance, a part of the Company's net investment in subsidiaries, they are stated at cost less accumulated impairment loss.

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

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

Credit risk

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

9. Trade and other receivables (continued)

The maximum exposure to credit risk for trade and other receivables as at 31 December (by type of customer) is:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Corporate	**324**	697	**–**	–
Travel agents	**91**	203	**–**	–
Airlines	**42**	66	**–**	–
Credit cards	**67**	89	**–**	–
Joint venture of a subsidiary	**–**	–	**–**	3
Joint venture partners	**1,482**	2,785	**–**	–
Subsidiaries	**–**	–	**3,221**	5,639
Associates	**13**	11	**–**	–
Others	**46**	459	**11**	13
	2,065	4,310	**3,232**	5,655

These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	2012		2011	
	Gross receivables	**Impairment loss**	**Gross receivables**	**Impairment loss**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Not past due	**–**	–	**992**	–
Past due 0 to 30 days	**630**	–	**682**	–
Past due 31 to 120 days	**270**	–	**309**	–
Past due 120 to one year	**181**	–	**230**	–
More than one year	**984**	(10)	**2,097**	(410)
	2,065	(10)	**4,310**	(410)
Company				
Not past due	**3,221**	–	**3,930**	–
Past due 0 to 30 days	**11**	–	**8**	–
Past due 31 to 120 days	**–**	–	**–**	–
Past due 120 to one year	**–**	–	**75**	–
More than one year	**–**	–	**1,642**	(1,642)
	3,232	–	**5,655**	(1,642)

9. Trade and other receivables (continued)

Impairment loss

The Group's trade and other receivables that are impaired at the end of reporting period and the movement of the impairment loss are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables				
At 1 January	**22**	23	**–**	–
Impairment loss recognised	**10**	–	**–**	–
Impairment loss written off	**(22)**	(1)	**–**	–
At 31 December	**10**	22	**–**	–
Other receivables				
At 1 January	**388**	409	**–**	–
Impairment loss written off	**(388)**	(21)	**–**	–
At 31 December	**–**	388	**–**	–
Amounts due from subsidiaries				
At 1 January	**–**	–	**1,642**	1,642
Impairment loss written off	**–**	–	**(1,642)**	–
At 31 December	**–**	–	**–**	1,642

These trade receivables are mainly from customers that have a good payment record with the Group.

Source of estimation uncertainty

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

10. Deferred tax

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

Group	At 1 January $'000	Recognised in profit or loss (note 23) $'000	Exchange differences $'000	Reclassification to assets of disposal groups classified as held for sale $'000	At 31 December $'000
2012					
Deferred tax assets					
Unutilised tax losses	**170**	**(163)**	**(7)**	**–**	**–**
Other deductible temporary differences	**132**	**43**	**(7)**	**(168)**	**–**
	302	**(120)**	**(14)**	**(168)**	**–**
Deferred tax liabilities					
Unremitted earnings from overseas sourced income	**93**	**–**	**–**	**–**	**93**
Group					
2011					
Deferred tax assets					
Unutilised tax losses	491	(328)	7	–	170
Other deductible temporary differences	101	20	11	–	132
	592	(308)	18	–	302
Deferred tax liabilities					
Accelerated tax depreciation	2	(2)	–	–	–
Unremitted earnings from overseas sourced income	93	–	–	–	93
	95	(2)	–	–	93

10. Deferred tax (continued)

Unrecognised deferred tax assets

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

	Group	
	2012	**2011**
	$'000	**$'000**
Unabsorbed capital allowances	**4,962**	5,691
Tax losses	**80,740**	81,627
	85,702	87,318

The use of the tax losses and unabsorbed capital allowances are subject to agreement by the tax authorities and compliance with certain provisions of the tax regulations in the respective countries in which the tax losses and capital allowances arose. The above temporary differences are available for offset against future taxable profits of the companies in which the temporary differences arose and do not expire under current tax legislation. Deferred tax assets are not recognised in respect of the above items in accordance with the Group's accounting policy as set out in note 3.26 due to uncertainty of its recoverability.

11. Inventories

	Group	
	2012	**2011**
	$'000	**$'000**
Hotel supplies, at cost	**176**	485

12. Development properties

	Group	
	2012	**2011**
	$'000	**$'000**
Properties held for sale:		
Freehold land at cost	**4,844**	4,951
Development costs	**22,449**	23,848
Overhead expenditure capitalised	**2,398**	2,634
	29,691	31,433
Allowance for anticipated losses	**(20,258)**	(21,229)
	9,433	10,204

There is no borrowing cost being capitalised in 2012 and 2011.

12. Development properties (continued)

Movements in the allowance for anticipated losses are as follows:

	Group 2012 $'000	Group 2011 $'000
At 1 January	**21,229**	22,847
Allowance written back	**(28)**	–
Allowance utilised	**(352)**	(1,221)
Translation adjustment	**(591)**	(397)
At 31 December	**20,258**	21,229

During the financial year ended 31 December 2012, the Group made a write back of allowance for impairment loss of $28,000 (2011: Nil) which was recognised in the "Other income" in profit or loss.

The Group also utilised $352,000 (2011: $1,221,000) being part of an allowance for anticipated losses made previously, as the development properties were sold during the financial year.

Details of the development properties are as follows:

Type of development	Location	Status of completion at 31.12.2012	Tenure/ Group's effective interest in property	Land area (m^2)	Gross floor area (m^2)
Resort development comprising – unsold 11 units low-rise and 13 units high-rise apartments	Lots 151pt, 152pt Mukim of Ulu Telom, District of Cameron Highlands, Malaysia	Phase I completed in 1997 Phase II completed in 1998	Freehold (100%)	*	2,843
– a commercial building			Freehold (100%)	5,641	6,375
Land	Lot 92	–	99-year lease expiring in January 2039 (100%)	936	–

12. Development properties (continued)

Details of the development properties are as follows: (continued)

Type of development	Location	Status of completion at 31.12.2012	Tenure/ Group's effective interest in property	Land area (m^2)	Gross floor area (m^2)
Shops and offices	Geran No. 8631, Lot 981 Kawasan Bandar VII, Daerah Melaka Tengah, Malaysia	Work on the project has been suspended at the end of 1998	Freehold (100%)	4,229	41,740
2 plots of land	Plot MK21-U242W and Plot MK21–U243V, Punggol, Singapore	–	Freehold (100%)	675	–

* Total land area of development property (sold and unsold) is 35,891m^2

Source of estimation uncertainty

The Group estimates the recoverable amounts of the development properties based on desktop valuations performed by Henry Butcher Malaysia, a firm of independent professional valuers. The fair value is based on market value, being the estimated amount for which an asset would be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The recoverable amounts could change significantly as a result of changes in market conditions and the assumptions used in determining the value in use.

13. Cash and bank balances

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Cash at bank and on hand	**5,477**	19,087	**1,141**	1,232
Short-term bank deposits	**14,644**	15,299	**3,006**	1,599
Cash and bank balances	**20,121**	34,386	**4,147**	2,831

13. Cash and bank balances (continued)

Included in the cash and bank balances of the Group are the following:

(i) During the financial year ended 31 December 2011, fixed deposits of a subsidiary amounting to $22,495 were pledged to a bank to secure guarantee facilities for the subsidiary;

(ii) During the financial year ended 31 December 2011, cash and bank balances of $10,068,000, being proceeds from disposal of certain assets in the Group, are to be used for the redemption of the redeemable convertible preference shares ("RCPS") under the debt restructuring agreement, subject to and to the extent permitted by the Singapore Companies Act, Chapter 50 and the Articles of Association of the Company. The RCPS were fully converted into new ordinary shares in the capital of the Company during the financial year ended 31 December 2012; and

(iii) Amounts of $5,173,000 (2011: $14,487,000), being held by certain overseas subsidiaries and joint ventures, are subject to foreign currency remittance restrictions.

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	%	**%**	**%**	**%**
Singapore Dollar	**0.722**	–	**0.93**	–
Chinese Renminbi	**3.204**	3.360	**–**	–
Malaysian Ringgit	**2.928**	2.868	**–**	–

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2012	**2011**
	$'000	**$'000**
Cash and bank balances:		
– Continuing operations	**20,121**	34,386
– Disposal groups classified as held for sale (note 18)	**9,105**	–
	29,226	34,386
Less: Fixed deposits pledged	**–**	(22)
Cash and cash equivalents	**29,226**	34,364

14. Share capital

	Group and Company				
	Ordinary Shares		Preference Shares		
	No. of ordinary shares issued	Paid-up capital $'000	No. of NCCPS issued	Paid-up capital $'000	Total paid-up capital $'000
At 1 January 2011	889,646,988	114,171	158,394	3	114,174
Conversion of Series B RCPS (note 17)	35,149,000	5,784	–	–	5,784
At 31 December 2011	924,795,988	119,955	158,394	3	119,958
Conversion of Series B RCPS (note 17)	24,189,170	3,980	–	–	3,980
Conversion of Series A RCPS (note 17)	14,202,139	9,835	–	–	9,835
Trust Shares	(24,189,170)	(3,980)	–	–	(3,980)
At 31 December 2012	**938,998,127**	**129,790**	**158,394**	**3**	**129,793**

Ordinary shares

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

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

The Company issued 197,141,190 NCCPS at an issue price of $0.02 each on 4 July 2006, expiring on the tenth anniversary of the NCCPS issue date.

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

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

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

The NCCPS are not listed nor quoted on the Official List of SGX-ST. However, the holders of the NCCPS are able to exercise their rights to convert the NCCPS into new ordinary shares at a 1 for 1 ratio, subject to the terms and conditions of the NCCPS. Such new ordinary shares will be listed and quoted on the Official List of the SGX-ST when issued.

14. Share capital (continued)

Equity capital contributed by parent

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

Pursuant to the Articles of Association of the Company, the 24,189,170 Series B RCPS held by the Trustee were mandatorily converted into 24,189,170 new ordinary shares in the capital of the Company on 16 January 2012, and the new ordinary shares which rank *pari passu* in all respects with the existing issued ordinary shares, were held by the Trustee as Trust Shares under the Trust.

As disclosed under note 3.28, the Trust Shares are accounted as treasury shares as they are issued by the Company and held by the Trust, which is considered as part of the Company. The difference between the carrying amount of the Series B RCPS and the consideration paid is recognised as “Equity capital contributed by parent” within the equity.

Capital management

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

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

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

Share option

The Company has adopted a share option scheme known as HL Global Enterprises Share Option Scheme 2006 (the “Share Option Scheme”) for granting of options to eligible directors and employees of the Group, holding companies and associated companies.

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

Michael Yeo Chee Wee – Chairman

Martha Tan Hui Keng

Loo Hwee Fang

14. Share capital (continued)

Share option (continued)

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

(i) Group Employees and Parent Group Employees (both as defined in the Share Option Scheme) which may be exercisable during an option exercise period commencing from the date that the option vests and expiring on the day preceding the tenth anniversary of its date of grant; and

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

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

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

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

15. Reserves

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
Special reserve	**8,529**	8,529	**12,471**	12,471
Premium on acquisition of non-controlling interests	**(192)**	–	**–**	–
Currency translation reserve	**673**	(3,246)	**–**	–
Accumulated losses	**(142,827)**	(140,261)	**(165,741)**	(162,742)
	(133,817)	(134,978)	**(153,270)**	(150,271)

Special reserve

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

Premium on acquisition of non-controlling interests

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

Currency translation reserve

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

Accumulated losses

The accumulated losses of the Group include the retained earnings of Group entities established in the People's Republic of China (the "PRC"). Under the PRC laws, the retained earnings of these Group entities include restricted amounts of $1,385,000 (2011: $1,437,000) which relates to appropriation of funds from the net profit of a joint venture, and an amount of $618,000 (2011: $650,000) that arose from a waiver of certain liabilities of a subsidiary in prior years, that cannot be used for profit appropriation.

16. Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Non-current				
Amounts due to subsidiaries (non-trade)	**–**	–	**2,368**	1,552
Current				
Amounts due to subsidiaries (non-trade)	**–**	–	**14,585**	3,854
Trade payables to third parties	**1,756**	3,404	**6**	6
Other payables	**1,339**	1,759	**68**	69
Deposits from tenants	**1,416**	1,594	**–**	–
Accrued expenses	**1,106**	2,205	**405**	317
Accrued employee benefit	**51**	1,022	**34**	40
Accrued interest payable	**504**	714	**384**	516
	6,172	10,698	**15,482**	4,802
Total trade and other payables	**6,172**	10,698	**17,850**	6,354
Add: Financial liabilities (note 17)	**96,734**	120,881	**75,000**	96,815
Total financial liabilities carried at amortised cost	**102,906**	131,579	**92,850**	103,169

The non-current amounts due to subsidiaries are non-trade in nature and unsecured. The settlement of the amounts is neither planned nor likely to occur in the foreseeable future. The current amounts due to subsidiaries are non-trade in nature, unsecured and interest-free.

Trade payables to third parties and other payables are non-interest bearing.

17. Financial liabilities

	Maturity	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Non-current					
Secured RMB loan at 110% of PBOC# base lending rate	2013	**–**	11,062	**–**	–
Secured USD loan at bank's cost of funds + 1.75%	2013	**–**	7,009	**–**	–
Secured RM loan at bank's cost of funds + 2%	2014	**4,082**	4,634	**–**	–
Series A RCPS	2015*	**–**	9,835	**–**	9,835
Finance lease liabilities	2014 – 2015	**15**	26	**–**	–
		4,097	32,566	**–**	9,835
Current					
Secured RMB loan at 110% of PBOC# base lending rate	2013	**10,525**	865	**–**	–
Secured USD loan at bank's cost of funds + 2.10% (2011: bank's cost of funds + 1.75%)	2013	**6,653**	–	**–**	–
Secured RM loan at bank's cost of funds + 2%	2013	**450**	460	**–**	–
Finance lease liabilities	2013	**9**	10	**–**	–
Unsecured 2.084% p.a. (2011: 2.523% p.a.) fixed rate SGD loan	2013	**75,000**	83,000	**75,000**	83,000
Series B RCPS	2012*	**–**	3,980	**–**	3,980
		92,637	88,315	**75,000**	86,980
Total financial liabilities		**96,734**	120,881	**75,000**	96,815

People's Bank of China

* Converted into new ordinary shares in the capital of the Company on 16 January 2012 and 4 April 2012

17. Financial liabilities (continued)

Secured bank borrowings

The Group's secured bank borrowings relate to the Group's share of the joint ventures' secured bank borrowings. These borrowings are interest bearing with different repayment periods, the earliest of which is November 2013 and the latest falling due on December 2014. These facilities are secured on the joint ventures' freehold/leasehold land and building.

Unsecured loan

The Company issued $131,427,461 in principal amount of zero coupon unsecured non-convertible bonds due 2009 (the "Unsecured Bonds") in July 2006. The Unsecured Bonds were zero coupon bonds and did not bear any interest, except if on any date when the Unsecured Bonds or any of them become due to be redeemed or repaid, payment is improperly withheld or refused or if default is otherwise made in respect of such payment, interest will accrue (both before and after judgement) on the amount so unpaid at the rate of 12% per annum from the due date up to but excluding the date on which payment in full of all sums due in respect of such Unsecured Bonds was made in accordance with the provisions of the trust deed dated 7 June 2006.

The Unsecured Bonds may be redeemed at the option of the Company at their applicable amount on the date fixed for redemption in whole or in part, at any time and from time to time prior to but excluding the maturity date. Unless previously redeemed or purchased and cancelled, the Company will redeem each Unsecured Bond at 119.405% of its outstanding principal amount (representing a gross redemption yield of 6% per annum on its principal amount compounded on a semi-annual basis) on the third anniversary of the date of issue of the Unsecured Bonds.

In 2009, the Company entered into a loan agreement with Venture Lewis Limited ("Venture Lewis"), a wholly-owned subsidiary of a deemed substantial shareholder of the Company, to convert $93 million of the redemption monies payable upon redemption of the Unsecured Bonds into an unsecured loan of $93 million (the "2009 Loan"). The term of the 2009 Loan was for a period of one year commencing from 3 July 2009 and was repayable by the Company on 3 July 2010 (unless extended by the parties). In year 2010, Venture Lewis extended the 2009 Loan for a further one year term from 3 July 2010 to 3 July 2011 (the "2010 Loan"). In year 2011, Venture Lewis further extended the 2010 Loan for a further one year term from 3 July 2011 to 3 July 2012 (the "2011 Loan"). A partial repayment of $10 million towards the 2011 Loan was made in February 2011 reducing the amount of the 2011 Loan from $93 million to $83 million (the "2012 Loan"). In year 2012, Venture Lewis extended the 2012 Loan for a further one year term from 3 July 2012 to 3 July 2013. A partial repayment of $8 million towards the 2012 Loan was made in April 2012 reducing the amount of the 2012 Loan from $83 million to $75 million. As disclosed in note 31, on 30 January 2013, the $75 million loan has been extended for a further term of one year from 3 July 2013 to 2 July 2014.

17. Financial liabilities (continued)

Series A Redeemable convertible preference shares ("Series A RCPS")

The Company issued 15,646,126 Series A RCPS at an issued price of approximately $0.69 each on 17 March 2005, expiring on the tenth anniversary of the date of issue of the Series A RCPS. As at 31 December 2011, 14,202,139 Series A RCPS remained in issue. The remaining 14,202,139 Series A RCPS were fully converted into new ordinary shares in the capital of the Company on 4 April 2012.

The Series A RCPS issued have the following key terms and conditions:

(a) Non-cumulative dividend which shall accrue for each Series A RCPS on a daily basis at 0.1% per annum of the amount equivalent to $0.69 per outstanding Series A RCPS. Series A RCPS rank *pari passu* with the Series B RCPS and in priority to all other classes of equity securities;

(b) The Company shall redeem all or part of the Series A RCPS upon the occurrence of any of the relevant redemption events as defined in the debt restructuring agreement ("DRA") entered into by the Company and certain of its subsidiaries with certain of their bankers and other financial lenders on 16 March 2001;

(c) Upon the passing of a special resolution at a meeting of the holders of the Series A RCPS convened during the conversion period commencing from the date of issue (17 March 2005) of such Series A RCPS and expiring 10 years thereafter to approve the conversion of all outstanding Series A RCPS, the Company shall convert all (but not some only) of the outstanding Series A RCPS at the conversion ratio of 1:1 and rounded down to the nearest whole number for fractions upon conversion subject to adjustments pursuant to the DRA; and

(d) The Company shall redeem all the outstanding Series A RCPS on the tenth anniversary of the date of issue of the Series A RCPS.

Series B Redeemable convertible preference shares ("Series B RCPS")

The Company issued 109,522,885 Series B RCPS at an issued price of approximately $0.16 each on 17 March 2005, expiring on the fifth anniversary of the date of issue of the Series B RCPS. The Group and the Company classified the remaining Series B RCPS according to the conversion period as proposed by the Series B RCPS holder. As at 31 December 2011, 24,189,170 Series B RCPS remained in issue. The remaining 24,189,170 Series B RCPS were fully converted into new ordinary shares in the capital of the Company on 16 January 2012 (2011: 35,149,000 Series B RCPS).

17. Financial liabilities (continued)

Series B Redeemable convertible preference shares ("Series B RCPS") (continued)

The Series B RCPS issued have the following key terms and conditions

(a) Non-cumulative dividend which shall accrue for each Series B RCPS on a daily basis at 0.1% per annum of the amount equivalent to $0.16 per outstanding Series B RCPS. Series B RCPS rank *pari passu* with the Series A RCPS and in priority to all other classes of equity securities;

(b) The Company shall redeem all or part of the Series B RCPS upon the occurrence of any of the relevant redemption events as defined in the DRA;

(c) Upon the passing of a special resolution at a meeting of the holders of the Series B RCPS convened during the conversion period commencing from the date of issue (17 March 2005) of such Series B RCPS and expiring 5 years thereafter to approve the conversion of all outstanding Series B RCPS, the Company shall convert all (but not some only) of the outstanding Series B RCPS at the conversion ratio of 1:1 and rounded down to the nearest whole number for fractions upon conversion subject to adjustments pursuant to the DRA; and

(d) On the market day immediately following the fifth anniversary of the date of issue of the Series B RCPS, all Series B RCPS which remain unconverted or unredeemed shall be mandatorily converted into new ordinary shares of the Company at conversion ratio of 1:1 and rounded down to the nearest whole number for fractions upon conversion subject to adjustments pursuant to the DRA.

As announced by the Company on 12 February 2010, an aggregate of 18,935,883 Series B RCPS shall be mandatorily converted into an aggregate of 18,935,883 new ordinary shares in the capital of the Company on 18 March 2010, being the market day immediately following the fifth anniversary of the date of issue of the Series B RCPS (the "Mandatory Conversion Date").

The Articles of Association of the Company provides that if the conversion of all or any part of the Series B RCPS held by any holder of Series B RCPS (a) is not permitted by law or regulations, or (b) will trigger any obligation to make a general offer by such holder or its concert parties under The Singapore Code on Take-overs and Mergers, such holder will be permitted to convert only such number of Series B RCPS held by it as will not (i) result in the breach of such law or regulations, or (ii) trigger any take-over obligation on the Mandatory Conversion Date.

Such holder will have the option to convert the remaining number of Series B RCPS into new ordinary shares in the capital of the Company over a period of twenty-two months commencing after the Mandatory Conversion Date (the "Extension Period"), without the requirement of the passing of a Series B RCPS Special Resolution, by giving a notice in writing to the Company.

17. Financial liabilities (continued)

Series B Redeemable convertible preference shares ("Series B RCPS") (continued)

On 11 February 2010, Grace Star, the controlling shareholder of the Company, had informed the Company that it would convert only 17,300,000 out of the 93,229,170 Series B RCPS it held as at that date into new ordinary shares in the capital of the Company so as not to trigger a take-over obligation on the Mandatory Conversion Date. Following the Mandatory Conversion Date, Grace Star became the sole holder of the remaining 75,929,170 Series B RCPS in issue.

Pursuant to the Company's Articles of Association, Grace Star has the option to convert its remaining holding of the Series B RCPS into new ordinary shares over the Extension Period by such number so as not to trigger any take-over obligation. In connection with the establishment of the Trust, Grace Star had on 13 January 2012, transferred 24,189,170 Series B RCPS, representing 100% of the remaining unconverted Series B RCPS, to the Trustee for a nominal consideration of $1.00. The 24,189,170 Series B RCPS held by the Trustee were mandatorily converted into new ordinary shares in the capital of the Company on 16 January 2012, and the new ordinary shares rank *pari passu* in all respects with the existing issued ordinary shares.

Finance lease liabilities

At 31 December, the Group has obligations under finance leases that are payable as follows:

	Present value of payments $'000	Interest $'000	Minimum lease payments $'000
Group			
2012			
Payable within 1 year	**9**	**2**	**11**
Payable after 1 year but within 5 years	**15**	**2**	**17**
	24	**4**	**28**
2011			
Payable within 1 year	10	1	11
Payable after 1 year but within 5 years	26	4	30
	36	5	41

18. Disposal groups classified as held for sale

Proposed sale of 28% of the issued ordinary shares in the capital of Scientex Park (M) Sdn Bhd ("Proposed Scientex Park Sale")

On 27 December 2012, the Group announced that its wholly-owned subsidiaries, LKN Development Pte Ltd ("LKND") and Nirwana Properties Sdn Bhd ("Nirwana"), had on the same day entered into the conditional share sale agreement dated 27 December 2012 (the "Scientex Park Sale Agreement") with Scientex Quatari Sdn Bhd ("Scientex Quatari"), pursuant to which LKND and Nirwana have agreed to sell, and Scientex Quatari has agreed to purchase, an aggregate of 6,300,000 issued and paid-up ordinary shares of par value RM1.00 each in the capital of Scientex Park (M) Sdn Bhd ("Scientex Park") held by LKND and Nirwana, representing 28% of the issued share capital of Scientex Park, for a total cash consideration of RM21,105,000 (equivalent to approximately $8.4 million), upon the terms and subject to the conditions of the Scientex Park Sale Agreement.

Completion of the Proposed Scientex Park Sale is conditional upon the approval of the shareholders at the extraordinary general meeting of the Company ("EGM") having been obtained for the Proposed Scientex Park Sale in accordance with the requirements of the SGX-ST (the "Scientex Park Sale Condition Precedent"). Completion of the Proposed Scientex Park Sale shall take place within 30 days from the date the Scientex Park Sale Condition Precedent is fulfilled or such extended period as may be mutually agreed between the parties. The Proposed Scientex Park Sale has been approved at the EGM which was held on 26 March 2013 (note 31).

The investment in Scientex Park was previously reported in the Malaysia segment under geographical segment. As at 31 December 2012, the investment in Scientex Park has been presented in the balance sheet as "Assets of disposal groups classified as held for sale".

Proposed disposal of 50% equity interest in Shanghai International Equatorial Hotel Company Ltd ("Proposed SIEH Disposal")

On 28 December 2012, the Group announced that its wholly-owned subsidiary, LKN Investment International Pte Ltd ("LKNII"), has on the same day entered into a share transfer agreement dated 28 December 2012 (the "Share Transfer Agreement") with Shanghai International Ventures & Consulting Corporation ("SIVCC") pursuant to which LKNII has agreed to transfer its equity interest in 50% of the registered capital of Shanghai International Equatorial Hotel Company Ltd ("SIEH") (the "Transfer Equity") to SIVCC for a cash consideration of RMB40 million (equivalent to approximately $7.8 million) upon the terms and conditions of the Share Transfer Agreement.

The transfer of the Transfer Equity from LKNII to SIVCC is subject to, *inter alia*, LKNII and SIVCC obtaining the relevant corporate approvals from the shareholders of the Company at the EGM and board of SIVCC for the Proposed SIEH Disposal. SIVCC has also undertaken that SIEH shall submit its application to the Shanghai Industrial and Commercial Administration Bureau or its subdivision for a new business licence, only after all corporate approvals have been obtained by the Company for the Proposed SIEH Disposal in connection with the completion of the transfer of the Transfer Equity.

18. Disposal groups classified as held for sale (continued)

Proposed disposal of 50% equity interest in Shanghai International Equatorial Hotel Company Ltd ("Proposed SIEH Disposal") (continued)

As at 31 December 2012, the assets and liabilities related to SIEH have been presented in the balance sheet as "Assets of disposal groups classified as held for sale" and "Liabilities directly associated with disposal groups classified as held for sale". The Proposed SIEH Disposal has been approved at the EGM which was held on 26 March 2013 (note 31).

Balance sheet disclosures

The investment in Scientex Park and major classes of assets and liabilities of SIEH classified as held for sale and the related currency translation reserve as at 31 December are as follows:

	Group 2012 $'000
Assets:	
Property, plant and equipment	**2,476**
Deferred tax asset	**168**
Associate	**7,647**
Inventories	**287**
Trade and other receivables	**1,000**
Prepayment	**404**
Cash and bank balances	**9,105**
Assets of disposal groups classified as held for sale	**21,087**
Liabilities:	
Trade and other payables	**(3,380)**
Current tax payable	**(391)**
Liabilities directly associated with disposal groups classified as held for sale	**(3,771)**
Net assets of disposal groups classified as held for sale	**17,316**
Reserve:	
Currency translation reserve	**(5,613)**

18. Disposal groups classified as held for sale (continued)

Balance sheet disclosures (continued)

The summarised financial information of Scientex Park, not adjusted for the percentage ownership held by the Group:

	Group 2012 $'000
Assets and liabilities	
Total assets	28,276
Total liabilities	(966)
Net assets	27,310
Results	
Revenue	8,518
Profit after taxation	1,420

19. Discontinued operation

On 8 July 2011, the Group announced the decision of its board of directors to dispose of investment property, Wisma LKN at a consideration of $8,100,000 and recorded a gain of $16,000 after deducting necessary cost to sell of $187,000 and the disposal was completed in 2011. The Malaysia branch operation of Wisma LKN was discontinued in 2011.

Details of the investment property are as follows:

Location	Description	Tenure	Land area (m^2)	Floor area (m^2)	Owned by
49 Jalan Wong Ah Fook, Johor Bahru, Malaysia ("Wisma LKN")	18-storey office block	Freehold	1,133	6,948	LKN Development Pte Ltd

As at 31 December 2011, the results related to the Malaysia branch operation were presented separately in profit or loss as "Loss from discontinued operation, net of tax".

19. Discontinued operation (continued)

	Group 2011 $'000
Revenue	423
Cost of sales	(369)
Gross profit	54
Other income	45
Administrative expenses	(5)
Other operating expenses	(559)
Loss before tax from discontinued operation	(465)
Income tax	(37)
Loss after tax from discontinued operation	(502)

	Group 2011 $'000
Other operating expenses	
Depreciation	(6)
Foreign currency translation reserve	(281)
Exchange adjustment on an investment property	(234)
Others	(38)
	(559)

The cash flows attributable to discontinued operation are as follows:

	Group 2011 $'000
Operating cash flows	(289)
Investing cash flows	7,915
Financing cash flows	(6,930)
Net cash inflows	696

19. Discontinued operation (continued)

Loss per share disclosures

	Group 2011
Loss per share from discontinued operation attributable to owners of the Company	
Basic and diluted loss per share (cents)	(0.06)

The basic and diluted loss per share from discontinued operation are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic loss per share computation and weighted average number of ordinary shares for diluted loss per share computation respectively. These loss and share data are presented in the tables in note 25(a).

20. Revenue

	Group	
	2012	**2011**
	$'000	**$'000**
Revenue from hotel and restaurant operations, including rental income	**33,372**	30,511
Revenue from development properties	**991**	725
	34,363	31,236

21. Other income

	Group	
	2012	**2011**
	$'000	**$'000**
Interest income	**426**	310
Sundry income	**149**	53
Write-back of management fees	**185**	–
Write-back of trade and other payables	**48**	34
Gain on sale of intangible asset	**64**	–
	872	397

22. Finance costs

	Group	
	2012	2011
	$'000	$'000
Interest expense:		
– bank borrowings	**1,479**	1,374
– unsecured loan	**1,795**	2,511
– finance lease liabilities	**1**	1
	3,275	3,886
Currency exchange losses/(gains) – net	**967**	(543)
	4,242	3,343

23. Income tax

	Group	
	2012	2011
	$'000	$'000
Tax expense		
Current tax expense – continuing operations:		
– Current year	**1,034**	474
– (Over)/under provision in respect of previous years	**(119)**	53
	915	527
Deferred tax – continuing operations:		
– Movements in temporary differences	**120**	308
Income tax expense attributable to continuing operations	**1,035**	835
Income tax expense attributable to discontinued operation	**–**	37
Income tax expense recognised in profit or loss	**1,035**	872
Reconciliation of effective tax rate		
Loss before tax from continuing operations	**(1,531)**	(4,609)
Loss before tax from discontinued operation	**–**	(465)
Loss before tax	**(1,531)**	(5,074)
Income tax using the Singapore tax rate of 17% (2011: 17%)	**(260)**	(863)
Non-deductible expenses	**2,877**	1,720
Income not subject to tax	**(1,306)**	(47)
Effect of different tax rates in foreign jurisdictions	**140**	(45)
Utilisation of tax losses and capital allowances previously not recognised	**(333)**	(36)
Deferred tax assets not recognised	**36**	91
(Over)/under provision in respect of previous years	**(119)**	52
	1,035	872

23. Income tax (continued)

Source of estimation uncertainty

The Group has exposure to income taxes in several tax jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

24. Loss from continuing operations, net of tax

The following items have been included in arriving at loss from continuing operations, net of tax:

	Group	
	2012	**2011**
	$'000	**$'000**
Amortisation of intangible asset	**2**	16
Depreciation of property, plant and equipment	**6,764**	6,735
Employee benefits		
– wages and salaries	**6,589**	6,180
– employer's contribution to defined contribution plans	**2,057**	1,915
– other benefits	**1,203**	1,136
Impairment loss on property, plant and equipment	**–**	1,600
Inventories		
– cost of inventories	**4,953**	5,375
Loss on disposal of property, plant and equipment	**9**	32
Operating lease expense	**309**	263
Property, plant and equipment written off	**2**	36
Provision for impairment of trade receivables	**10**	–
Audit fees:		
– Auditor of the Company	**78**	64*
– Other auditors	**88**	86
Non-audit fees:		
– Auditor of the Company	**–**	15
– Other auditors	**53**	22

* Excluded under provision of $12,000 which was recorded in the following year

25. Loss per share

(a) Continuing operations

Basic loss per share from continuing operations is calculated by dividing loss from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share from continuing operations is calculated by dividing loss from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The dilutive potential ordinary shares of the Company are non-redeemable convertible cumulative preference shares.

25. Loss per share (continued)

(a) Continuing operations (continued)

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

	Group	
	2012	**2011**
	$'000	**$'000**
Loss for the year attributable to owners of the Company	**(2,566)**	(5,872)
Add back: Loss from discontinued operation, net of tax, attributable to owners of the Company	**–**	502
Loss from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic and diluted loss per share	**(2,566)**	(5,370)

	Group	
	2012	**2011**
	'000	**'000**
Issued ordinary shares at beginning of the year	**924,796**	889,647
Conversion of Series B RCPS into new ordinary shares*	**–**	18,270
Conversion of Series A RCPS into new ordinary shares	**10,555**	–
Weighted average number of ordinary shares for basic and diluted loss per share computation*	**935,351**	907,917
Loss per share from continuing operations attributable to owners of the Company		
Basic and diluted loss per share (cents)	**(0.27)**	(0.59)

* During the financial year, 24,189,170 Series B RCPS were mandatorily converted into new ordinary shares in the capital of the Company. These ordinary shares, held by the Trust, which is considered as part of the Company, were excluded for the loss per share computation as disclosed in note 3.28

The basic and diluted loss per share are shown as the same amount as the preference shares are considered anti-dilutive and disregarded in the computation of diluted loss per share.

25. Loss per share (continued)

(b) Loss per share computation

The basic and diluted loss per share is calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic loss per share computation and weighted average number of ordinary shares for diluted loss per share computation respectively. These loss and share data are presented in the tables in note 25(a) above.

	Group	
	2012	**2011**
Loss per share attributable to owners of the Company		
Basic and diluted loss per share (cents)	**(0.27)**	(0.65)

26. Operating segments

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

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

Investments and others	:	Investment holding and others
Hospitality and restaurant	:	Operating and management of hotels and restaurants. Shanghai International Equatorial Hotel Company Ltd within this segment is presented as part of the disposal groups classified as held for sale in the balance sheet as at 31 December 2012 (note 18)
Property development	:	Development of properties for sale and rental and property and development project management

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

During the financial year ended 31 December 2011, investment in properties for rental under investments and others segment has been classified as a discontinued operation (note 19).

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

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

26. Operating segments (continued)

2012	Investments and others $'000	Hospitality and restaurant $'000	Property development $'000	Total $'000
Revenue				
– external revenue	–	33,372	991	34,363
– inter-segment revenue	–	–	33	33
	–	33,372	1,024	34,396
Elimination				(33)
				34,363
Reportable segment results	(1,268)	2,983	(273)	1,442
Other income (excluding interest income)	172	217	57	446
Interest income	6	335	85	426
Interest expense	(1,795)	(1,480)	–	(3,275)
Exchange loss	(208)	(462)	(297)	(967)
Share of results of associates	–	–	397	397
(Loss)/profit before income tax	(3,093)	1,593	(31)	(1,531)
Income tax expense				(1,035)
Net loss				(2,566)
Other segment items				
Capital expenditure				
– property, plant and equipment	–	765	–	765
Depreciation	6	6,757	1	6,764
Reportable segment assets	4,895	57,599	17,872	80,366
Associates	–	–	77	77
Assets of disposal groups classified as held for sale	–	13,440	7,647	21,087
Consolidated total assets				101,530
Reportable segment liabilities	75,939	26,195	1,282	103,416
Liabilities directly associated with disposal groups classified as held for sale	–	3,771	–	3,771
Consolidated total liabilities				107,187

26. Operating segments (continued)

2011	Investments and others $'000	Hospitality and restaurant $'000	Property development $'000	Total for continuing operations $'000	Discontinued operation $'000
Revenue					
– external revenue	–	30,511	725	31,236	423
– inter-segment revenue	–	–	139	139	–
	–	30,511	864	31,375	423
Elimination				(139)	–
				31,236	423
Reportable segment results	(1,086)	(496)	(438)	(2,020)	(510)
Other income (excluding interest income)	45	36	6	87	34
Interest income	98	184	28	310	11
Interest expense	(2,511)	(1,375)	–	(3,886)	–
Exchange (loss)/gain	(117)	917	(257)	543	–
Share of results of associates	–	–	357	357	–
Loss before income tax	(3,571)	(734)	(304)	(4,609)	(465)
Income tax expense				(835)	(37)
Net loss				(5,444)	(502)
Other segment items					
Capital expenditure					
– property, plant and equipment	3	643	–	646	–
Depreciation	7	6,727	1	6,735	6
Other material non-cash items					
– impairment loss on property, plant and equipment	–	(1,600)	–	(1,600)	–
Reportable segment assets	3,567	80,744	25,362	109,673	
Associates	–	–	7,495	7,495	
Consolidated total assets				117,168	
Consolidated total liabilities	(97,825)	(33,345)	(1,210)	(132,380)	

26. Operating segments (continued)

Geographical segments

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

	Revenue	
	2012	**2011**
	$'000	**$'000**
Singapore	**376**	384
Malaysia	**5,370**	3,765
The PRC	**28,617**	27,087
Discontinued operation (Malaysia)	**–**	423
	34,363	31,659

	Non-current assets	
	2012	**2011**
	$'000	**$'000**
Singapore	**6**	12
Malaysia	**11,632**	12,012
The PRC	**46,781**	55,082
Others	**–**	122
Assets of disposal groups classified as held for sale	**(10,123)**	–
	48,296	67,228

27. Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including the effects of changes in interest rates, debt market prices and foreign currency exchange rates. The Group's and the Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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

27. Financial risk management objectives and policies (continued)

Foreign exchange risk

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

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

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

Group	**Singapore Dollar $'000**	**US Dollar $'000**	**Chinese Renminbi $'000**	**Malaysian Ringgit $'000**
2012				
Trade and other receivables	**–**	**3,830**	**7,909**	**1**
Cash and cash equivalents	**–**	**421**	**–**	**94**
Trade and other payables	**(7,654)**	**(6,758)**	**(262)**	**(10)**
Financial liabilities	**–**	**(6,653)**	**–**	**–**
	(7,654)	**(9,160)**	**7,647**	**85**
2011				
Trade and other receivables	–	5,351	8,624	–
Cash and cash equivalents	–	443	–	–
Trade and other payables	(7,669)	(8,811)	(380)	(4)
Financial liabilities	–	(7,009)	–	–
	(7,669)	(10,026)	8,244	(4)

Company	**US Dollar $'000**	**Chinese Renminbi $'000**
2012		
Trade and other receivables	**3,177**	**28**
Cash and cash equivalents	**84**	**–**
	3,261	**28**
2011		
Trade and other receivables	3,996	–
Cash and cash equivalents	27	–
Trade and other payables	–	(105)
	4,023	(105)

27. Financial risk management objectives and policies (continued)

Foreign exchange risk (continued)

Sensitivity analysis

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

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

	Impact against the following currencies					
	Group				Company	
Functional currencies	**Singapore Dollar $'000**	**US Dollar $'000**	**Chinese Renminbi $'000**	**Malaysian Ringgit $'000**	**US Dollar $'000**	**Chinese Renminbi $'000**
2012						
Singapore Dollar	**–**	**(390)**	**(765)**	**(9)**	**(326)**	**(3)**
Malaysian Ringgit	**747**	**301**	**–**	**–**	**–**	**–**
Chinese Renminbi	**18**	**1,005**	**–**	**–**	**–**	**–**
2011						
Singapore Dollar	–	(537)	(824)	*	(402)	11
Malaysian Ringgit	747	320	–	–	–	–
Chinese Renminbi	20	1,220	–	–	–	–

*   Less than $1,000

Judgements made in determination of functional currency

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

27. Financial risk management objectives and policies (continued)

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group's significant interest-bearing assets and liabilities are at fixed rates. An increase of 100 basis points (2011: 100 basis points) in interest rate at the reporting date would increase the Group's loss before tax by an estimated $92,000 (2011: $87,000).

Credit risk

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

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

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available. The ability of the Group to manage its liquidity risk is dependent on the continuing financial support of the immediate holding company and bankers.

27. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

		Cash flows			
Group	**Carrying amount $'000**	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 2 to 5 years $'000**	**More than 5 years $'000**
2012					
Financial assets					
Trade and other receivables	2,224	2,224	1,355	869	–
Cash and cash equivalents (note 13)	20,121	20,121	20,121	–	–
Total undiscounted financial assets	22,345	22,345	21,476	869	–
Financial liabilities					
Variable interest rate loans	21,710	22,978	18,662	4,316	–
Fixed interest rate loans	75,000	75,788	75,788	–	–
Finance lease liabilities	24	28	11	17	–
Trade and other payables	6,172	6,172	6,172	–	–
Total undiscounted financial liabilities	102,906	104,966	100,633	4,333	–
Total net undiscounted financial liabilities	(80,561)	(82,621)	(79,157)	(3,464)	–

27. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

		Cash flows			
Group	**Carrying amount $'000**	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 2 to 5 years $'000**	**More than 5 years $'000**
2011					
Financial assets					
Trade and other receivables	4,113	4,523	2,182	2,341	–
Cash and cash equivalents (note 13)	34,364	34,364	34,364	–	–
Total undiscounted financial assets	38,477	38,887	36,546	2,341	–
Financial liabilities					
Variable interest rate loans	24,030	26,916	2,962	23,954	–
Fixed interest rate loans	83,000	84,186	84,186	–	–
RCPS*	13,815	9,835	–	9,835	–
Finance lease liabilities	36	41	11	30	–
Trade and other payables	10,698	10,698	10,698	–	–
Total undiscounted financial liabilities	131,579	131,676	97,857	33,819	–
Total net undiscounted financial liabilities	(93,102)	(92,789)	(61,311)	(31,478)	–

27. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

		Cash flows			
Company	**Carrying amount $'000**	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 2 to 5 years $'000**	**More than 5 years $'000**
2012					
Financial assets					
Trade and other receivables	3,282	3,282	61	3,221	–
Cash and cash equivalents (note 13)	4,147	4,147	4,147	–	–
Total undiscounted financial assets	7,429	7,429	4,208	3,221	–
Financial liabilities					
Fixed interest rate loans	75,000	75,788	75,788	–	–
Trade and other payables	17,850	17,850	15,482	–	2,368
Total undiscounted financial liabilities	92,850	93,638	91,270	–	2,368
Total net undiscounted financial liabilities	(85,421)	(86,209)	(87,062)	3,221	(2,368)

27. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

		Cash flows			
Company	**Carrying amount $'000**	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 2 to 5 years $'000**	**More than 5 years $'000**
2011					
Financial assets					
Trade and other receivables	4,110	5,752	185	5,567	–
Cash and cash equivalents (note 13)	2,831	2,831	2,831	–	–
Total undiscounted financial assets	6,941	8,583	3,016	5,567	–
Financial liabilities					
Fixed interest rate loans	83,000	84,186	84,186	–	–
RCPS*	13,815	9,835	–	9,835	–
Trade and other payables	6,354	6,354	4,802	–	1,552
Total undiscounted financial liabilities	103,169	100,375	88,988	9,835	1,552
Total net undiscounted financial liabilities	(96,228)	(91,792)	(85,972)	(4,268)	(1,552)

* An aggregate of 24,189,170 of Series B RCPS (approximately $3,980,000) (2011: 35,149,000 of Series B RCPS (approximately $5,784,000)) had been converted into an aggregate of 24,189,170 (2011: 35,149,000) new ordinary shares in the capital of the Company on 16 January 2012. Accordingly, there will be no impact on the cash flows of the Group.

28. Fair value of financial instruments

Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Group does not have any financial instruments that are measured in accordance with the fair value hierarchy listed above.

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

Cash and bank balances (note 13), Trade and other receivables (note 9), Trade and other payables (note 16), and Current financial liabilities (note 17)

The carrying amounts of these financial assets and liabilities are reasonable approximation of their fair values due to their short term nature.

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

Series A RCPS (note 17)

The fair values of the Series A RCPS is not disclosed as the terms of redemption cannot be reasonably determined. Accordingly, it is not practicable to determine their fair values with sufficient reliability.

Non-current non-trade receivables (note 9) and Non-current other payables (note 16)

Non-current non-trade receivables and non-current other payables have no repayment terms and are repayable after twelve months. Accordingly, the fair values of the amounts are not determinable as the timing of the future cash flows arising from the amount cannot be estimated reliably.

Determination of fair value

Non-current variable interest rate loans (note 17) and Non-current finance lease liabilities (note 17)

The fair values are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period. The carrying amounts of non-current variable interest loans and non-current lease liabilities approximate to their fair values.

29. Commitments

Operating lease commitment – as lessee

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

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

	Group	
	2012	**2011**
	$'000	**$'000**
Not later than one year		
– with a related company	**19**	19
– with third parties	**233**	235
Later than one year but not later than five years		
– with a related company	**4**	23
– with third parties	**182**	364
	438	641

Operating lease commitment – as lessor

The Group leases out some of its assets. These non-cancellable leases have remaining lease terms of between one year and two years.

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

	Group	
	2012	**2011**
	$'000	**$'000**
Not later than one year		
– with a joint venture	**24**	39
– with third parties	**14**	18
Later than one year but not later than five years		
– with a joint venture	**3**	22
– with third parties	**11**	25
	52	104

30. Related party transactions

Compensation of key management personnel

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

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

	Group	
	2012	**2011**
	$'000	**$'000**
Short-term employee benefits	**837**	832

Sales and purchase of goods and services

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

	Group	
	2012	**2011**
	$'000	**$'000**
Hotel management fees from joint ventures	**1,171***	265
Licence fees from a joint venture	**40**	37
Rental income from a joint venture	**41**	39
Interest income from a joint venture	**–**	7
Administrative fees from joint venture	**141**	119
Rental paid/payable to related companies	**(21)**	(60)
Secretarial/legal/consultancy fees paid/payable to related companies	**(216)**	(137)
Insurance premium paid/payable to a related company	**(27)**	(25)
Franchise/sales and marketing fees paid/payable to a related company	**(124)**	(68)
Interest on unsecured loan paid/payable to a related company	**(1,795)**	(2,511)
Administrative overhead recharged to a related company	**60**	60
Sale of development properties to a joint venture	**–**	129

* Inclusive of prior years' hotel management fees as the revenue recognition criteria was not met previously.

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

31. Events occurring after the reporting period

Unsecured loan of $75 million

The unsecured loan of $75 million owing to Venture Lewis Limited will be due on 3 July 2013. On 30 January 2013, Venture Lewis Limited agreed to extend the grant of this loan for a further term of one year from 3 July 2013 to 2 July 2014 (the "2013 Loan"), upon the terms and conditions of the loan agreement dated 30 January 2013. The terms of the 2013 Loan are substantially similar to those of the 2012 Loan. The 2013 Loan carries interest at the rate of 2.061% per annum, being the aggregate of the margin of 1.5% per annum and the SIBOR rate of 0.561% per annum, and is renewable by mutual agreement on an annual basis.

Sale of 28% of the issued ordinary shares in the capital of Scientex Park (M) Sdn Bhd ("Proposed Scientex Park Sale") and disposal of 50% equity interest in Shanghai International Equatorial Hotel Company Ltd ("Proposed SIEH Disposal")

The Proposed Scientex Park Sale and Proposed SIEH Disposal were approved at the extraordinary general meeting of the Company held on 26 March 2013. The Group's investments in Scientex Park (M) Sdn Bhd and Shanghai International Equatorial Hotel Company Ltd are presented as disposal groups classified as held for sale (note 18) as at 31 December 2012.

32. Authorisation of financial statements

The financial statements of HL Global Enterprises Limited for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 27 March 2013.

ANALYSIS OF SHAREHOLDINGS

As at 15 March 2013

Class of Shares	:	Ordinary Shares ("Shares")
Number of Ordinary Shares in issue	:	963,187,297
Number of Ordinary Shareholders	:	5,981
Voting Rights	:	One vote per ordinary share

There are no treasury shares held in the issued share capital of the Company.

Range of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 999	188	3.25	66,953	0.01
1,000 – 10,000	2,924	50.47	14,997,601	1.56
10,001 – 1,000,000	2,654	45.81	197,617,136	20.51
1,000,001 and above	27	0.47	750,505,607	77.92
	5,793	100.00	963,187,297	100.00

Based on information available to the Company as at 15 March 2013, approximately 34.69% of the total number of issued Shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Major Shareholders List – Top 20 as at 15 March 2013

No.	Name	No. of Shares Held	%*
1.	Grace Star Services Ltd.	470,612,071	48.86
2.	DBS Nominees (Private) Limited	130,579,881	13.56
3.	Citibank Nominees Singapore Pte Ltd	43,948,737	4.56
4.	Amicorp Trustees (Singapore) Pte Ltd	24,189,170	2.51
5.	Leong Heng Keng	11,359,295	1.18
6.	Leong Sin Kuen	10,173,296	1.06
7.	United Overseas Bank Nominees (Private) Limited	9,826,876	1.02
8.	Ding Ping Too @ Ting Sik Chan	8,621,000	0.90
9.	HSBC (Singapore) Nominees Pte Ltd	7,552,666	0.78
10.	OCBC Nominees Singapore Private Limited	4,775,687	0.50
11.	Leung Kai Fook Medical Co Pte Ltd	3,779,000	0.39
12.	Maybank Kim Eng Securities Pte. Ltd.	2,743,666	0.28
13.	Lim & Tan Securities Pte Ltd	2,520,000	0.26
14.	Ng Chong Kee	2,000,000	0.21
15.	Low Kang Hai, Richard	1,991,000	0.21
16.	Teo Hong Chuan	1,711,000	0.18
17.	Ho See See	1,600,000	0.17
18.	Teoh Cheng Chuan	1,581,000	0.16
19.	Tan Kong Giap	1,514,000	0.16
20.	Ho Chwee Seng	1,301,000	0.14
		742,379,345	77.09

* The percentage of Shares held is based on the total number of issued Shares of the Company as at 15 March 2013.

Substantial Shareholders as at 15 March 2013

Name	Direct Interest No. of Shares	Deemed Interest No. of Shares	Total Interest No. of Shares	%[1]
Grace Star Services Ltd.	470,612,071	–	470,612,071	48.86
Constellation Star Holdings Limited	–	470,612,072[2]	470,612,072	48.86
China Yuchai International Limited	–	470,612,072[2]	470,612,072	48.86
HL Technology Systems Pte Ltd	–	470,612,072[2]	470,612,072	48.86
Hong Leong (China) Limited	–	470,612,072[2]	470,612,072	48.86
Hong Leong Asia Ltd.	–	470,612,072[2]	470,612,072	48.86
Hong Leong Corporation Holdings Pte Ltd	–	470,612,072[2]	470,612,072	48.86
Hong Leong Enterprises Pte. Ltd.	–	470,612,072[2]	470,612,072	48.86
Hong Leong Investment Holdings Pte. Ltd.	–	470,612,072[2]	470,612,072	48.86
Davos Investment Holdings Private Limited	–	470,612,072[2]	470,612,072	48.86
Kwek Holdings Pte Ltd	–	470,612,072[2]	470,612,072	48.86
DBS Bank Ltd.	115,454,252[3]	–	115,454,252	11.99
DBS Group Holdings Ltd	–	115,454,252[4]	115,454,252	11.99
Temasek Holdings (Private) Limited	–	115,454,252[5]	115,454,252	11.99

Notes:

(1) The percentage of Shares held is based on 963,187,297 issued Shares as at 15 March 2013.

(2) Each of these companies is deemed under Section 7 of the Companies Act, Chapter 50 (the "Act") to have an interest in the 470,612,071 Shares held directly by Grace Star Services Ltd. ("Grace Star") and one(1) Share held by Venture Delta Limited ("Venture Delta"), by reason of each of these companies being entitled, directly or indirectly, to exercise or control the exercise of not less than 20% of the votes attached to the voting shares in Grace Star and Venture Delta.

(3) The interest of DBS Bank Ltd ("DBSB") is based on its last notification to the Company on 9 April 2012.

(4) DBS Group Holdings Ltd ("DBSGH") is deemed under Section 7 of the Act to have an interest in the 115,454,252 Shares held directly by DBSB based on DBSGH's last notification to the Company on 9 April 2012.

(5) Temasek Holdings (Private) Limited ("Temasek") is deemed under Section 7 of the Act to have an interest in the 115,454,252 Shares in which DBSGH has a deemed interest based on Temasek's last notification to the Company on 10 April 2012.

ANALYSIS OF SHAREHOLDINGS

As at 15 March 2013

Class of Shares	:	Non-Redeemable Convertible Cumulative Preference Shares ("NCCPS")
Number of NCCPS in issue	:	158,394
Number of NCCPS Holders	:	29
Voting Rights	:	The holders of NCCPS shall not be entitled to attend and vote at general meetings of the Company. They shall be entitled to attend and vote at class meetings of the holders of the NCCPS. Every holder of a NCCPS shall be entitled to one vote per NCCPS.

Range of Holdings	No. of NCCPS Holders	%	No. of NCCPS Held	%
1 – 999	5	17.24	2,898	1.83
1,000 – 10,000	18	62.07	58,896	37.18
10,001 – 1,000,000	6	20.69	96,600	60.99
1,000,001 and above	–	–	–	–
	29	100.00	158,394	100.00

Major NCCPS Holders List – Top 20 as at 15 March 2013

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

* The percentage of NCCPS held is based on the total number of issued NCCPS of the Company as at 15 March 2013.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fiftieth Annual General Meeting (the "Meeting") of HL GLOBAL ENTERPRISES LIMITED (the "Company") will be held at Grand Copthorne Waterfront Hotel, Canary Room, Level 4, 392 Havelock Road, Singapore 169663, on Tuesday, 30 April 2013 at 11.00 a.m. for the following purposes:

A. Ordinary Business:

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December ("FY") 2012 and the Auditors' Report thereon.

2. To approve Directors' Fees (including fees payable to the members of the Audit and Risk Committee, Nominating Committee and Remuneration Committee) of $241,346 for FY 2012 (FY 2011: $233,110).

3. To re-elect the following Directors retiring in accordance with the Articles of Association of the Company and who, being eligible, offer themselves for re-election:

   (a) Mr Gan Khai Choon
   (b) Ms Florence Tay Eng Neo
   (c) Ms Martha Tan Hui Keng

4. To re-appoint Mr Michael Yeo Chee Wee as a Director of the Company pursuant to Section 153(6) of the Companies Act, Chapter 50, to hold office from the date of the Meeting until the next Annual General Meeting ("AGM").

5. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

B. Special Business:

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

   That authority be and is hereby given to the Directors to:

   (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

   (b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution was in force, provided that:

(1) the aggregate number of shares to be issued pursuant to this Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument), does not exceed 50% of the total number of issued shares, excluding treasury shares, if any, in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 20% of the total number of issued shares, excluding treasury shares, if any, in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares, excluding treasury shares, in the capital of the Company shall be based on the total number of issued shares, excluding treasury shares, if any, in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for:

   (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Ordinary Resolution is passed; and

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

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

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

7. That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the HL Global Enterprises Share Option Scheme 2006 (the "SOS") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted under the SOS provided that the aggregate number of shares to be issued pursuant to the SOS shall not exceed 15% of the total number of issued shares, excluding treasury shares, if any, in the capital of the Company from time to time, and provided further that the aggregate number of shares to be issued during the entire operation of the SOS (subject to adjustments, if any, made under the SOS) shall not exceed such limits or (as the case may be) sub-limits as may be prescribed in the SOS.

C. To Transact Any Other Ordinary Business

BY ORDER OF THE BOARD

Aw Siew Yen, Patricia
Yeo Swee Gim, Joanne
Company Secretaries

Singapore
10 April 2013

Explanatory Notes:

1. With reference to item 3(a) above (under the heading “Ordinary Business”), Mr Gan Khai Choon will, upon re-election as a Director of the Company, remain as Chairman of the Board and the Executive Committee.

2. With reference to item 3(c) above (under the heading “Ordinary Business”), Ms Martha Tan Hui Keng will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee (“NC”) as well as a member of the Audit and Risk Committee (“ARC”), Remuneration Committee (“RC”) and SOS Committee (“SOSC”). Ms Tan is an independent Director.

3. With reference to item 4 above (under the heading “Ordinary Business”), Mr Michael Yeo Chee Wee will, upon re-appointment as a Director of the Company, remain as Lead Independent Director, Chairman of the ARC, RC and SOSC, and as a member of the NC. Mr Yeo is an independent Director.

4. The ordinary resolution set out in item 6 above (under the heading “Special Business”), if passed, will empower the Directors of the Company from the date of the Meeting until the next AGM to issue shares whether by way of rights, bonus or otherwise and/or make or grant Instruments that might require shares to be issued up to and not exceeding 50% of the Company’s total number of issued shares, excluding treasury shares, if any, with a limit of 20% of the Company’s total number of issued shares excluding treasury shares, if any, for any issue of shares not made on a *pro rata* basis to shareholders. This authority will expire at the next AGM of the Company, unless revoked or varied at a general meeting.

5. The ordinary resolution set out in item 7 above (under the heading “Special Business”), if passed, will empower the Directors to offer and grant options under the SOS and to issue from time to time such number of shares in the capital of the Company pursuant to the exercise of such options under the SOS subject to such limits or sub-limits as prescribed in the SOS.

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.

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

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 156 Cecil Street, #09-01 Far Eastern Bank Building, Singapore 069544, not less than 48 hours before the time appointed for holding the Meeting.

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HL Global Enterprises Limited

Company Registration No. 196100131N

(Incorporated in the Republic of Singapore)

Proxy Form for Annual General Meeting

Important:
1. For investors who have used their CPF monies to buy HL Global Enterprises Limited's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominee 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 50th Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company Secretary of HL Global Enterprises Limited within the time frame specified.
(Agent Banks: Please see note 8 on required format.)

*I/We, ______________________________ with NRIC/Passport No. ____________________

of ____

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

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

* and/or

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

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the 50th Annual General Meeting of the Company (the "AGM") to be held at Grand Copthorne Waterfront Hotel, Canary Room, Level 4, 392 Havelock Road, Singapore 169663, on Tuesday, 30 April 2013 at 11.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated with an "X" in the spaces provided hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM.

No.	Resolutions		For	Against
A.	**ORDINARY BUSINESS:**			
1.	Adoption of Reports and Financial Statements			
2.	Approval of Directors' Fees			
3.	Re-election of Directors:	(a) Mr Gan Khai Choon		
		(b) Ms Florence Tay Eng Neo		
		(c) Ms Martha Tan Hui Keng		
4.	Re-appointment of Mr Michael Yeo Chee Wee as Director under Section 153(6) of the Companies Act, Chapter 50			
5.	Re-appointment of Ernst & Young LLP as Auditors			
B.	**SPECIAL BUSINESS:**			
6.	Authority for Directors to issue shares and/or make or grant offers, agreements or options pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited			
7.	Authority for Directors to offer and grant options and to issue shares in accordance with the provisions of the HL Global Enterprises Share Option Scheme 2006			

Dated this ______________ day of ______________ 2013

Total number of Shares held

____

Signature(s) of Member(s)/
Common Seal of Corporate Shareholder

* Delete accordingly

NOTES: SEE OVERLEAF

NOTES:

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member appoints two proxies, the second named proxy shall be an alternate to the first named unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. 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 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by you.

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

5. A corporation being a member of the Company may authorise, by resolution of its directors or other governing body, a representative or representatives in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore, to attend and vote for and on behalf of such a corporation.

6. This instrument appointing a proxy or proxies (together with the power of attorney, if any, under which it is signed or a certified copy thereof), must be deposited at the Registered Office of the Company at 156 Cecil Street, #09-01 Far Eastern Bank Building, Singapore 069544, not less than 48 hours before the time fixed for holding the AGM.

7. The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. 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 as at 48 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

8. Agent Banks acting on the request of CPF Investors who wish to attend the AGM as Observers are required to submit in writing, a list with details of the investor's name, NRIC/Passport Number, addresses and number of shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Company Secretary, at the Registered Office at 156 Cecil Street, #09-01 Far Eastern Bank Building, Singapore 069544, not less than 48 hours before the time fixed for holding the AGM.

Fold Here

PROXY FORM

Affix
Postage
Stamp

The Company Secretary
HL GLOBAL ENTERPRISES LIMITED
156 Cecil Street, #09-01
Far Eastern Bank Building
Singapore 069544

Fold Here

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HL Global Enterprises Limited

ANNUAL REPORT 2012

HL Global Enterprises Limited

Company Registration No. 196100131N

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