# TREND:SETTER

A YEAR OF LIVING IT UP

## LIVING IT UP

ARRIVE AT THE DOORSTEP OF TRUE LIVING

## TREND:SETTERS

MEET THE PEOPLE BEHIND THE SUCCESS OF HO BEE

## FUTURESCAPE

TAKE A GLIMPSE AT LIFESTYLE REDEFINED

HO BEE
ANNUAL REPORT
2007

Location: HB Centre I & II

# TREND:SETTER

HO BEE
ANNUAL REPORT
2007

**On the Cover**
Model: Anna V.
Location: The Berth, Sentosa Cove

## READY FOR TOMORROW?

Trendsetting is about more than just the future. It is about understanding the past, observing the present and anticipating the future. Gone are the days when owning a house is just about providing a roof over your family's heads. Living in the now is about reflecting your style and taste.

And because we understand this, trend is something which we take seriously at Ho Bee. Only by spotting the next big thing before anyone else does can we label ourselves as trendsetters.

Looking at the footprints that we have left behind on the beaches of Sentosa Cove, we believe our vision is growing sharper with each passing day.

## IN THIS ISSUE






Concept & Design: **Egg Creatives Pte Ltd**

# LIVING IT UP

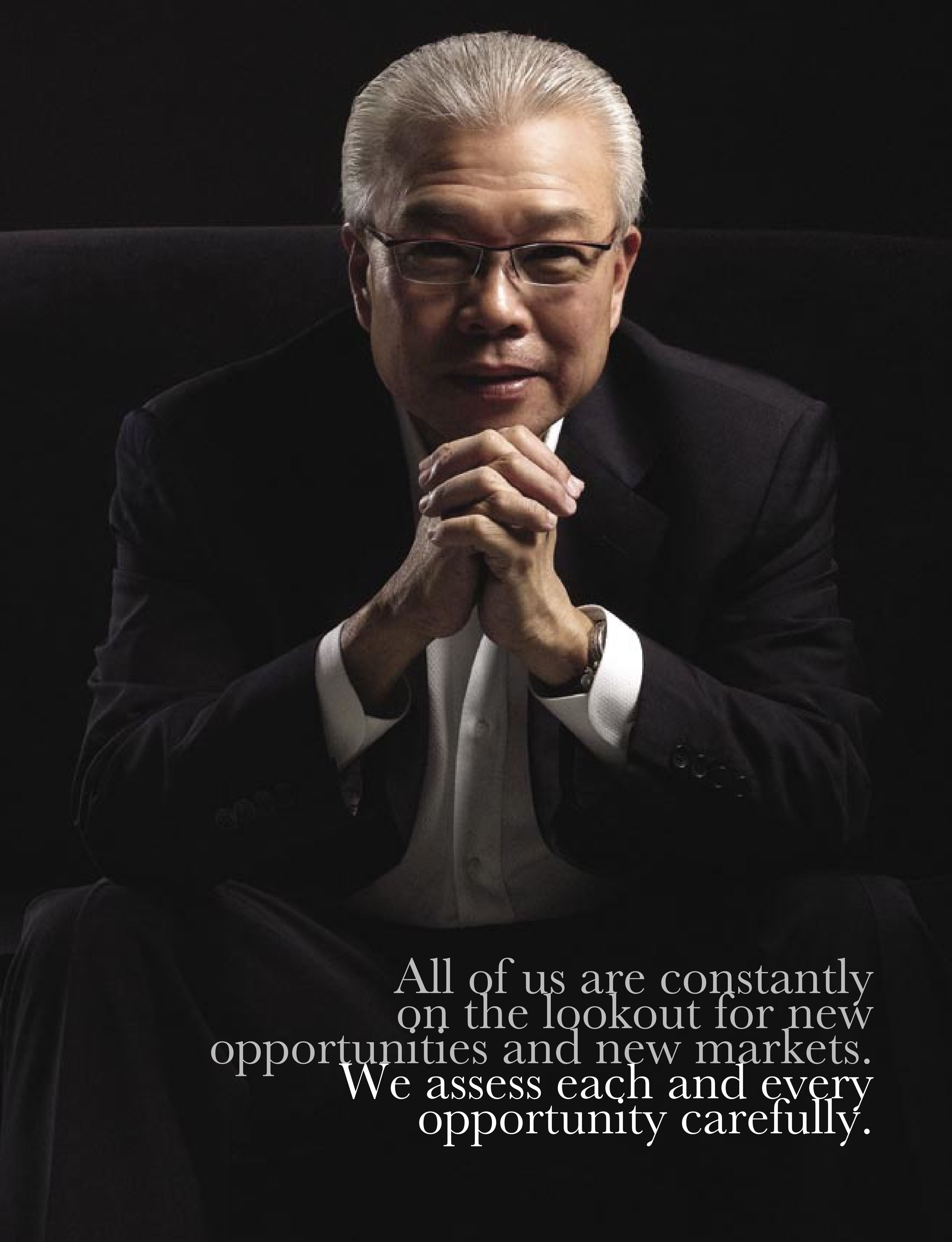
Where beauty prevails.
Where luxury is the name of the game.
Where prestige and splendour meet.
You have arrived at the doorstep of true living.

It is time to move in.


Where do you want to go
when where you are is where
others aspire to be?
This is your time to
live it up.
Location: Coral Island, Sentosa Cove

Location: Coral Island, Sentosa Cove


Take pride in being
a homebody!
Simply because your nest is
a cut above the rest.
Location: Showflat at Turquoise, Sentosa Cove



All of us are constantly on the lookout for new opportunities and new markets. We assess each and every opportunity carefully.

# FROM THE CHAIRMAN

Ho Bee's Chairman and Chief Executive Officer, Mr Chua Thian Poh, outlines the financial performance of the Group and shares his vision on its direction going forward.

It is with much pleasure that I present our financial performance for the year ended 31 December 2007. I am pleased to say that Ho Bee has turned in another set of record-breaking results.

## A Fine Showing

Boosted by a robust property market and a strong economy, the Group has turned in a record net profit after tax and minority interest of S$272 million for the full year ended 31 December 2007, up 176 per cent from the previous year. This has been achieved on the back of a record revenue of S$596 million, up 52 per cent from its previous peak of S$393 million. Earnings per share stands at 36.9 cents compared to 14.0 cents previously, an increase of 163 per cent.

As an appreciation to shareholders for their support and in view of the Group's exceptional performance, we're proposing a one-tier final dividend of 2.0 cents per share. Earlier this year, the Group had paid an interim dividend of 0.7 cents (one-tier) and 0.3 cents (franked).

The Group has kept an eye on its financials even as the business moved forward at an unrelenting pace. Its total assets stood at S$2.02 billion, up 103 per cent from S$998.85 million as at 31 December 2006. Equity attributable to shareholders amounted to S$810.5 million. This works out to 110 cents per share, compared with 68 cents per share as at 31 Dec 2006.

## Business Review

Ho Bee's two main business divisions – property development and property investment – both performed creditably.

The Group's development properties, contributed S$576.7 million – or a whopping 97% – to its total turnover. Contributing to this were progressive recognition of income from various residential projects on Sentosa, namely Coral Island, which obtained Temporary Occupation Permit in the third quarter of 2007, The Coast and Paradise Island, as well as its properties on the mainland, namely, Orange Grove

## "We must consistently live up to our reputation and build homes that continue to delight our customers"



Residences at Orange Grove Road, Montview at Mount Sinai and Quinterra at Holland Road.

We are enjoying good returns on our investments in waterfront housing. Ho Bee's developments in Sentosa Cove stand out prominently as we continue to be the leading housing developer there. To date, the Group has acquired eight parcels of land totalling over 1.4 million sq ft on the island.

The most recent acquisition was in January 2008. This relates to the last prime condominium site in Sentosa Cove, the Pinnacle Collection, that Ho Bee acquired together with its joint venture partner IOI Properties (Singapore) Pte Ltd. When completed, the Pinnacle Collection, sitting on about 231,677 sq ft of land, will be the largest condominium in Sentosa Cove. Standing at an impressive 20 storeys, the iconic condominium is set to be the tallest masterpiece that will be visible from afar, shaping the island's distinctive skyline.

In the course of the year, the Group has also acquired a number of prime properties. These are: Elmira Heights at Newton Road, Dakota Crescent (jointly with ChoiceHomes Investments Pte Ltd) and Seaview Collection at Sentosa Cove (jointly with IOI Land Singapore Pte Ltd). The combined land area of 393,150 sq ft will yield about 650 luxurious condominium units.

We are also planning a few high-tech industrial projects. In the works are: a 9-storey high-tech industrial building at 28 Genting Lane that will yield a gross floor area of 92,598 sq ft and an 8-storey building at 29 New Industrial Road that will yield a gross floor area of 104,548 sq ft. These projects are due for completion in fourth quarter 2008 and first quarter 2009 respectively.

In line with the strong economy, the Group's property investment division continued to benefit from high occupancy levels and improvement in rental rates. Year-on-year, the division registered an increase of 69 per cent to S$12.7 million. This was due mainly to the rental income derived from the Samsung Hub office space at Church Street which the Group acquired in early 2007.

To top off an outstanding year, Ho Bee's first project in Sentosa Cove, The Berth, was recently awarded the winner (Residential Development Category) in the internationally acclaimed MIPIM, Asia Awards.

### Staying Focused

There are many reasons for Ho Bee's success. A good reputation is important and indeed, Ho Bee's reputation has not been achieved overnight. Rather, it was built over the years, through meticulous planning and hard work. Today, Ho Bee's developments are well-known in the market for their superior finishes, fine design and practical layout as well as for good value. It is important to be consistent in this respect, always living up to our reputation, building homes that continually delight our customers.

Another important success ingredient is talent, for an organisation is only as strong as its people. Ho Bee's team of talented staff, including its strong, decisive and forward-looking management team, is a key contributor to it being a sturdy company with solid fundamentals today.

But, in my opinion, the key reason for our continued success is Ho Bee's ability to stay focused, never veering from the Group's strategic thrust and purpose.

We consistently adopt a swift, turnaround approach where property development is concerned – acquiring key properties in attractive, desirable locations and putting them on the market within 9 to 12 months. By doing so, we reduces our exposure to interest rate risk as well as market risks, and is assured of a constant slate of properties at various stages of development at any one time.

At the same time, such a strategy helps the Group to manage its cash flow and to optimise its project management resources. It has served us well in the past and we will continue in this manner to help us to stay on track.

This nimble approach is also translated into the way Ho Bee's management team uncovers opportunities and unearths undiscovered gems. Management, as a matter of course, continually looks out for new opportunities and new markets. The team assesses each and every opportunity carefully, meeting regularly to discuss the options and taking decisive action in a timely manner. It is also a boon that the Ho Bee management team has extensive experience in the property market, making it easier to arrive at the right decisions and enabling the company to make the right moves. Indeed, the management team has an aggregate of about 100 years of experience in the business.

## Going Forward

Despite an element of uncertainty that weighs on the market in light of the global financial turmoil brought on by the sub-prime crisis, there continues to be room for cautious optimism.

Statistics from the Urban Redevelopment Authority (URA) has shown a continued rise of overall prices of residential properties in the fourth quarter, albeit at a lower rate. According to the URA, overall prices for residential properties rose 6.8% compared to 8.3% in the previous quarter. For non-landed properties, the increase was 7.2%, against 8.3% in the previous quarter. Year-on-year, overall prices have gone up by 31.2% while for non-landed properties, prices were up by 32.6%. We believe the Singapore economy continues to have some growth areas and this will hopefully help to shield the economy from a slowdown.

Ho Bee will still see substantial progressive recognition of income from the successful sale of residential projects as well as the expected launch of new residential projects and these will contribute significantly to its revenue and earnings for FY2008 and the next few years.

## Giving Back to Society

In January this year, Ho Bee made a S$3 million endowed gift to the Singapore Management University to establish a new Ho Bee Professorship in Chinese Economy and Business. The Ho Bee Professorship will be the University's first professorial chair to provide for a distinguished visiting faculty to advance education and research in the area of Chinese entrepreneurship and businesses within the larger context of the Chinese economy. The professorship will enable new ground to be explored in the study of the Chinese economy and business at SMU and that this, in turn, will create new frontiers and areas of interest for students, faculty and the business community in Singapore.

The gift is the Group's first contribution to an educational cause to help build up the local educational community, this is part of the company's commitment to corporate social responsibility and giving back to society.

As a listed company, we are accountable to shareholders and it is therefore our fiduciary duty to safeguard shareholders' interest by ensuring that all decisions are taken for the benefit of the company. My management and I are committed to all Ho Bee shareholders to building a strong and credible company. It is our desire that the Group will also have a legacy of achievements and success, with a practice of giving back to society a measure of what we have gained as we operate in this community.

## A Note of Thanks

I would like to thank our customers, business associates and suppliers for their continued support, encouragement and assistance. To the management and staff of the Ho Bee Group, the Board and I wish to extend our thanks and appreciation for their commitment, dedication and invaluable contributions.

Finally, I thank you – our shareholder – for your continued support and for taking this journey with us.

# TREND:MAKERS

*From left to right*
Mr Chua Thian Poh
Mr Desmond Woon Choon Leng
Mr Ong Chong Hua

# THE LUMINARIES

They come from all walks of life but these gentlemen are inspired by one vision: to transform Ho Bee into the property arena's most prestigious brand name. Trend:Setter introduces you to Ho Bee's distinguished Board of Directors.

### Mr Chua Thian Poh
Chairman and CEO

Mr Chua Thian Poh founded the Ho Bee Group in August 1987. As the organisation's key decision maker, he sets the Group's strategic direction and determines its financial and investment decisions. Mr Chua has led the Group through several pivotal chapters of its history including the Group's Initial Public Offering in 1999 and its recent international expansion.

Mr Chua sits on the board of several civic and business organisations. Among his numerous appointments, he is the President of the Singapore Chinese Chamber of Commerce and Industry (SCCCI), the Vice-Chairman of the Singapore Business Federation (SBF), the Chairman to Business China and advisor to Ntework China, the Chairman of the Bishan East Citizens' Consultative Committee, and a council member of the National Arts Council. Mr Chua is also the Trustee and Chairman of the Finance and Establishment Committee of the Chinese Development Assistance Council. He has also held the appointment of Justice of the Peace since 2005.

In August 2004, Mr Chua was conferred the Public Service Star (BBM) by Singapore President, Mr S R Nathan. He was also named 2006 Businessman of the Year in the Singapore Business Awards 2007, jointly organized by The Business Times and DHL.

### Mr Desmond Woon Choon Leng
Executive Director

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

### Mr Ong Chong Hua
Executive Director

Mr Ong joined the Group in August 1995 as its Executive Director. Besides developing its local and overseas investment and marketing strategies, he is directly involved in the project management aspect of the Group's local projects. Mr Ong has more than 25 years of experience in the real estate sector. Having begun his career as a town planner with the Urban Redevelopment Authority in 1980, he later joined Jones Lang LaSalle in 1990 as the head of its Consultancy and Project Management Department.

Mr Ong holds a Masters' degree in Town and Regional Planning from the University of Sheffield, UK.

## Mr Tan Keng Boon
Lead Independent Director

Mr Tan was appointed to the Board in November 1999. An active venture capitalist, Mr Tan is the Managing Director of several venture funds managed by Seavi Advent, a group of fund management companies. In addition, he is a director in other local and foreign companies, such as Engro Corporation Ltd. and SunVic Chemical Holdings Ltd. Mr Tan's career highlights include serving as the Chairman of the Singapore Venture Capital Association from 1993 to 2001.

Mr Tan holds a Bachelor of Engineering (Honours) from the University of Singapore, where he also received a postgraduate Diploma in Business Administration.

## Mr Ch'ng Jit Koon
Independent Director

Mr Ch'ng was appointed to the Board in November 1999. A Member of the Singapore Parliament from 1968 to 1996, he has held the post of the Senior Minister of State, Ministry of Community Development, until he retired in February 1997. An appointed Justice of the Peace, Mr Ch'ng currently serves in several community organisations. He also sits on the boards of other publicly listed companies.

## Mr Bobby Chin Yoke Choong
Independent Director

Mr Chin first joined the Board in November 2006 as an independent director on the Audit Committee. At present, he also sits on the boards of several listed companies including the Oversea-Chinese Banking Corporation Ltd, Neptune Orient Lines Ltd and The Straits Trading Company Ltd. Mr Chin chairs the Singapore Totalisator Board and serves as a board member of the Competition Commission of Singapore. Mr Chin was the managing partner of KPMG Singapore from 1992 to 2005.

Mr Chin holds a Bachelor of Accountancy degree from the University of Singapore and is a Chartered Accountant of the Institute of Chartered Accountants in England and Wales. He is a member of the Institute of Certified Public Accountants of Singapore.

*From left to right*
Mr Tan Keng Boon
Mr Ch'ng Jit Koon

# With a vision, a goal, there's a future.

-Anonymous

**Mr Jeffery Chan Cheow Tong**
Independent Director

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

**Mr Tan Eng Bock**
Independent Director

Mr Tan has been a member of the Board since October 2002. He is also currently serving on the boards of several private companies. Formerly the Deputy President of the Singapore Swimming Association, Mr Tan is instrumental in the development of sports in Singapore since 1970. His current appointments in the sporting arena include being a Committee Member of the Singapore National Olympic Council and the Chairman of the Delta Sports Complex Advisory Committee.

Mr Tan has served almost four decades in the Singapore Police Force, where he held various posts including Detachment Commander, Director of Public Affairs and Director of the Criminal Investigation Department (CID). He also held the appointment of Assistant Commissioner of the Singapore Police Force before his retirement. In recognition of his contribution to the nation, Mr Tan was conferred the Public Service Star (BBM) in 1986.

*From left to right*
Mr Bobby Chin Yoke Choong
Mr Jeffery Chan Cheow Tong
Mr Tan Eng Bock

# BEHIND THE SCENES

Rome was not built in a day; neither was Ho Bee. Rome was built upon the shoulders of intellects and visionaries; Ho Bee was built by the hands of leaders. Let Trend:Setter bring you behind the scenes to look at some of the faces behind Ho Bee's success.

**Chong Hock Chang**
General Manager,
Business Development and Marketing

Hock Chang joined the Ho Bee Group in 1995. As the manager in charge of Business Development and Marketing, he conceptualises the Group's marketing strategies for investment and property development. He also plays a critical role in developing new business ventures for the Group. Hock Chang first worked as a valuer at the Inland Revenue Authority of Singapore. This was followed by a stint as a consultant to Jones Lang Wootton (now known as Jones Lang Lasalle), where he spearheaded major research and feasibility studies to formulate marketing strategies for clients.

Hock Chang holds a Bachelor of Science (Honours) in Estate Management from the National University of Singapore and is a member of the Singapore Institute of Surveyors and Valuers. He also serves as a committee member on the Management Committee of the Real Estate Developers' Association of Singapore (REDAS).

**Soh Hwee Cheow**
General Manager,
Projects

Hwee Cheow first joined the Ho Bee Group in 1995 as a Divisional Manager in charge of project and property management. Having been appointed the General Manager of Projects since 2001, he is pivotal in directing the Group's development projects. Upon his graduation in 1982, Hwee Cheow first worked for a private developer before moving to Jones Lang Wootton in 1989 where he gained valuable experience in its Development Consultancy and Project Management Division.

Hwee Cheow graduated with a Bachelor of Law (Honours) from the University of London. He also holds a Diploma in Civil Engineering and an Advanced Diploma in Building Management and Maintenance from the Singapore Polytechnic.

**Caroline Ee-Lee**
General Manager,
HR and Corporate Affairs

As the General Manager of the Human Resource and Corporate Affairs Department since 2005, Caroline plays an indispensable role in managing Ho Bee's workforce. Prior to this, Caroline has worked at the National Computer Systems (NCS) and the Singapore Chinese Chamber of Commerce and Industry (SCCCI). As the Assistant Executive Director of the SCCCI, she was credited for transforming Cyber Business Network Pte Ltd – a subsidiary of the chamber – into an independent bilingual web publishing house providing online business solutions. For her entrepreneurial achievements, she was conferred the Top 10 Woman Entrepreneur of The Year 2000 award by the Singapore Association of Small and Medium Enterprises.

Caroline holds a Bachelor of Science (Information Systems and Computer Science) from the National University of Singapore.

**Mark Khoo Chee Meng**
General Manager,
Hotel Windsor

Mark first came onboard the Ho Bee Group as a project manager in 1996. When the Group ventured into hotel operations in 2000, Mark was appointed the General Manager of Hotel Windsor. Familiar with both the private and public sectors, Mark has 15 years of experience in project and resort management under his belt. At Khai Chin Realty Management Pte Ltd, he directed the construction and management of key properties. As the Project Director at Sijori Holidays Resort Pte Ltd, Mark was responsible for the operations of Sijori Resort in Batam.

*From left to right*
Mr Chong Hock Chang
Mr Soh Hwee Cheow
Mrs Caroline Ee-Lee
Mr Mark Khoo Chee Meng

**Nicholas Chua Wee Chern**
Senior Manager,
Business Development and Marketing

Nicholas first joined the Group in May 2002 as the Manager of Business Development and Marketing. He is responsible for identifying and evaluating business opportunities and the marketing of the Group's investment and development properties. Prior to this, Nicholas was with DBS Group Holdings Ltd.

Nicholas graduated with a Bachelor of Science in Finance and Marketing from the University of Oregon.

**Lum Hon Chew**
Senior Project Manager

Prior to joining the Group in 2000, Hon Chew served in the Development Control Division of the Urban Redevelopment Authority. He was also previously a Project Development Manager with a private property development firm.

Hon Chew holds a Bachelor of Business (Business Administration) from the Royal Melbourne Institute of Technology, a Diploma in Management Studies from the Singapore Institute of Management, and a Diploma in Architectural Technology from the Singapore Polytechnic.

**Choong Kar Fai**
Project Manager

Kar Fai has been responsible for the project and property management of the Ho Bee Group since 2004. After his stint as a Senior Project Manager with a G7 building contractor, he joined CapitaLand Residential (S) Ltd as a Resident Engineer where he was promoted to Project Manager in 2002.

Kar Fai holds a Master of Engineering degree from the National University of Singapore, a Bachelor of Engineering (Civil Engineering) with honours from the National University of Singapore, and a Diploma in Business Administration from The Association of Business Executives (UK).

**Low Lai Sai**
Finance Manager & Company Secretary

Lai Sai has been managing the Group's financial, accounting and taxation matters since 1998. Lai Sai possesses 11 years of industry experience in finance and accounting, with previous stints at Soi Yong Industries Pte Ltd and the Insurance Corporation of Singapore. He is a member of the Institute of Certified Public Accountants of Singapore.

**Hong Leng Guan**
Project Manager

Leng Guan joined the Group in 2007 as the Project Manager in charge of project and property management. Having begun his career as a Project Engineer with a G8 building contractor, Leng Guan then joined a private developer as a Senior Resident Engineer and was promoted to the position of Site Manager in 1995. Leng Guan has also worked for Keppel Land and Tuan Sing Holdings Ltd as a Resident Engineer, and as a Project Manager with a private property development firm.

Leng Guan holds a Master of Science in Civil Engineering, and a Bachelor of Science in Civil Engineering from The California State University.

**Vivian Ng Lay Yen**
Marketing Manager

Vivian has been with the Marketing Department of the Ho Bee Group since 1997. As the Marketing Manager, she is in charge of the leasing and marketing of the Group's growing investment portfolio. Prior to joining Ho Bee, Vivian was a Property Management Executive with a leading real estate management company, overseeing several industrial and residential developments.

Vivian holds a Bachelor of Science in Estate Management from the Oxford Brooke University and a Diploma in Building Management from Ngee Ann Polytechnic.

# FUTURESCAPE

TAKE ON YOUR IMAGINATION.
LIVE THE DREAM.

Seascape, Sentosa Cove

Pinnacle Collection, Sentosa Cove

## "waves as form generators, corals as landscape elements, sea fans as facade..."

The stage is set. The landscape of Singapore has changed considerably over the years at a pace that is increasingly accelerated. And in recent years, Ho Bee has played an integral role with their involvement in many prime and exclusive developments that have redefined luxury living in Singapore.

With several projects lined up in the coming years, the future is set to be even more exciting. Let's have a glimpse at what's in the pipeline.

### **Seascape,** Sentosa Cove

A perfect escape from the hustle and bustle of the urban jungle - Seascape is set to redefine seafront living.

A joint venture with IOI Properties, Seascape is to be built along the coast of Sentosa Cove. Its architecture is inspired by nautical themes, with balconies taking the form of the hulls of ships. With each of its 151 luxurious units facing the sea, you can expect unrivalled views of blue skies and turquoise seas from every living room and master bedroom.

Three- and four- bedrooms apartments, as well as luxurious penthouses, will be available in this distinguished development that features full condominium facilities including a function room, swimming pool with integrated spa pools, gymnasium, landscaped garden and BBQ pavilions. Located on the island, within a 5 minutes drive away, is Resort World which houses the renowned Universal Studios Theme Park. Scheduled to open their doors in 2010, it is set to bring about a whole new sensory experience. VivoCity, Singapore's largest retail, entertainment and lifestyle destination, is just across the island while the Central Business District and Orchard Road shopping belt is a 10-minute drive away.

### **Pinnacle Collection,** Sentosa Cove

Nestled at the gateway of the Sentosa Cove's marina, The Pinnacle Collection will be the final marker of the island's identity, forming a distinctive skyline like no other.

The design is inspired by the possibilities of the marine world – waves as form generators, corals as landscape elements, sea fans as facade...

When completed, The Pinnacle Collection will be the Cove's beacon – a symbol of the visionary spirit that created one of the world's most desirable residential community.

The Pinnacle Collection is another joint venture development by Ho Bee Group and IOI Properties (Singapore) Pte Ltd.

Parvis, Holland Hill

"With a façade that features generous use of full-height glass doors and windows, planters, balconies and glass balustrades, Parvis is an image of lightness and transparency."

## **Parvis,** Holland Hill

Situated on a quiet hillside enclave off Holland Road – in the prestigious district 10 - is Parvis, a freehold luxurious development by Ho Bee and MCL Land Ltd. With a façade that features generous use of full-height glass doors and windows, planters, balconies and glass balustrades, Parvis is an image of lightness and transparency. Completing the picture is a modern architecture with iconic features that distinguish one block from the other.

At Parvis, residents and guests can look forward to be greeted by a grand entrance featuring a roundabout. Alighting passengers take shelter from a semi-outdoor pavilion lounge waiting area that overlooks an infinity edge water feature, while residents swim and lounge languidly in a freeform pool with a cascading waterfall.

With 184 units that comprise three- and four- bedroom apartments as well as luxury penthouses, Parvis is only a 5-minute walk to the future Holland Village MRT station and a mere 10 minutes' commute to the Central Business District. Orchard Road, the major shopping belt, as well as popular haunts like Dempsey Hill, Holland Village and the Botanic Gardens are just a short drive away.

Trilight, Newton Road

Dakota Residences, Dakota Crescent

"At Trilight, the excitement of the city meets the serenity of a lush sanctuary."

## **Trilight,** Newton Road

This is city living with a difference. At Trilight, the excitement of the city meets the serenity of a lush sanctuary.

Located in the prestigious District 11 at Newton Road and nestled within a man-made forest of trees, Trilight is a sensory haven and yet an adventurous discovery with each delightful glimpse through the luxuriant foliage. With landscape bridges created between the distinct architectural forms and the undulated ground terrain, a varied spatial experience awaits you.

Its excellent location also promises a breathtaking panoramic view of the city skyline from every unit.

With two 30-storey towers comprising 152 residential units, Trilight is a 5-minute walk to the Newton MRT station. Prestigious schools such as Anglo-Chinese School (Junior) and Anglo Chinese School (Primary) are located within a 1 km radius of the development.

## **Dakota Residences,** Dakota Crescent

In the pristine and charming eastern part of Singapore lies an address you would be proud to call home. From a serene and undisturbed oasis, its superb location connects you easily to all you would want and need for your chic urban lifestyle, to enjoy the best of all worlds.

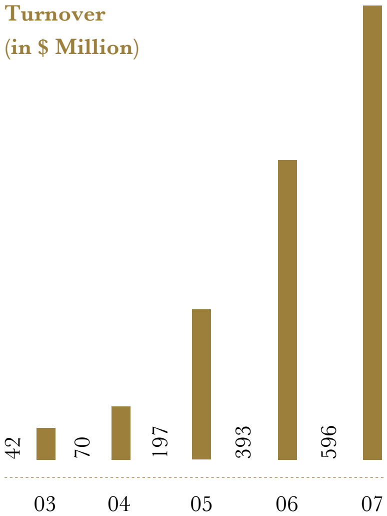
Comprising 348 units of two, three, four bedrooms or penthouse apartments, Dakota Residences is located adjacent to a river with alluring views, overlooking the low-rise housing of Mountbatten Road to as far as the cityscape beyond.

The architectural language of the residential towers is a measure of planes and lines that leads to a façade of striking linear striations. Living areas with full height glazed doors extend to the balconies and seamlessly connect the beauty of the interiors to the great outdoors. A 40-metre lap pool, spa pool, children's pool, multi-function room, landscaped garden and gymnasium are just part of a whole splendid lifestyle residents can envisage.

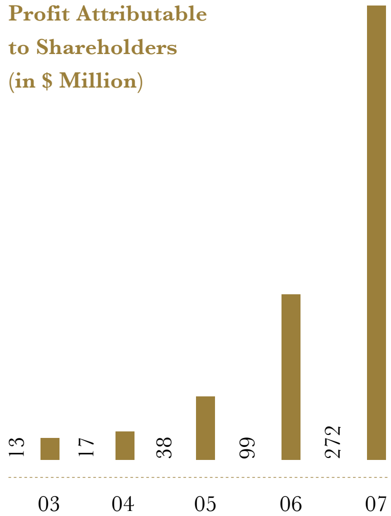
Dakota Residences is just a 5-minute walk to the future Dakota MRT station. With the Sports Hub and East Coast Park nearby, and the Central Business District within a 10-minute drive, Dakota Residences promises a lifestyle of leisure and convenience, yet a respite from the bustle of the city.

To be launched in 2008, Dakota Residences is a 50% - 50% joint venture by Ho Bee Group and ChoiceHomes Investments (Pte) Ltd.

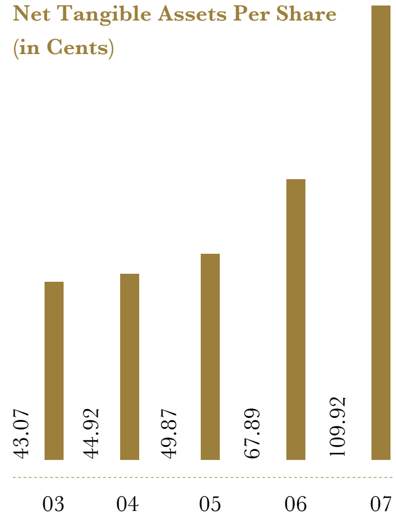
**Turnover**
**(in $ Million)**




**Profit Attributable**
**to Shareholders**
**(in $ Million)**

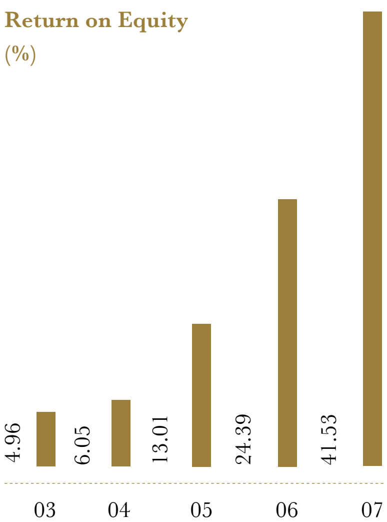



**Net Tangible Assets Per Share**
**(in Cents)**

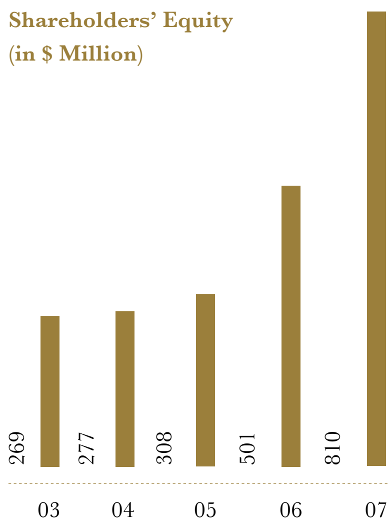




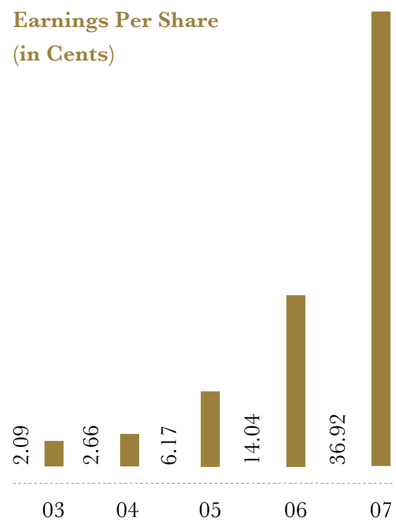

**Return on Equity**
**(%)**




**Shareholders' Equity**
**(in $ Million)**




**Earnings Per Share**
**(in Cents)**




| | | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|---|---|---|---|---|---|
| **Turnover** | ($'000) | 41,706 | 69,735 | 196,827 | 393,099 | 596,143 |
| **Profit Before Taxation & Minority Interest** | ($'000) | 5,956 | 19,370 | 47,922 | 124,072 | 330,225 |
| **Profit Attributable to Shareholders** | ($'000) | 13,037 | 16,528 | 38,074 | 98,579 | 272,201 |
| **Shareholders' Equity** | ($'000) | 268,724 | 277,300 | 307,881 | 500,568 | 810,452 |
| **Earnings Per Share** | (cents) | 2.09 | 2.66 | 6.17 | 14.04 | 36.92 |
| **Net Tangible Assets Per Share** | (cents) | 43.07 | 44.92 | 49.87 | 67.89 | 109.92 |
| **Gross Dividends Per Share** | (cents) | 1.25 | 1.25 | 1.50 | 2.75 | 3.0 |
| **Return on Equity** | (%) | 4.96 | 6.05 | 13.01 | 24.39 | 41.53 |

**Ho Bee Investment Ltd**

- **Ho Bee Developments Pte Ltd** (100%)
  - **Bodenheim Investments Pte Ltd** (50%)
  - **Legion Holdings Pte Ltd** (60%)
  - **Ho Bee Realty Pte Ltd** (100%)
  - **Ho Bee (Eastwood Park) Pte Ltd** (100%)
  - **Ho Bee (Pasir Ris) Pte Ltd** (100%)
  - **Ho Bee (Sentosa) Pte. Ltd.** (100%)
- **HB Properties International Pte Ltd** (100%)
- **HB Venture Capital Pte Ltd** (100%)
- **Soon Wing Properties Pte Ltd** (100%)
- **HBO Investments Pte Ltd** (100%)
- **Pacific Rover Pte Ltd** (100%)
- **Ho Bee Homes Pte. Ltd.** (100%)
- **Ho Bee Cove Pte. Ltd.** (90%)
- **HBS Investments Pte Ltd** (70%)
  - **Parliament View Developments Limited** (100%)
    - **Parliament View Management Company Limited** (100%)
  - **Cavernbond Limited** (50%)
- **Calne Pte. Ltd.** (50%)
- **Seaview (Sentosa) Pte. Ltd.** (50%)
- **Rivershore Pte. Ltd.** (50%)
- **Pinnacle (Sentosa) Pte. Ltd.** (35%)
- **Hasidon Holdings Pte Ltd** (31.67%)

Ho Bee Investment Ltd is committed to adopting high standards of corporate governance and transparency in conducting the Group's businesses. It ensures that an effective self-regulatory and monitoring mechanism exists and is practised. This statement outlines the main corporate governance practices that are in place.

## BOARD OF DIRECTORS

*Role of the Board*

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

*Board Processes*

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

The Board currently holds about four scheduled meetings each year. Apart from this, ad hoc meetings are also convened as and when necessary to address any specific matters. The attendance of the directors at Board and committee meetings for the financial year 2007 is as follows:

| | Board meeting | | Audit Committee meeting | | Nominating Committee meeting | | Remuneration Committee meeting | |
|---|---|---|---|---|---|---|---|---|
| Name of Director | No. of meetings held while a member | No. of meetings attended | No. of meetings held while a member | No. of meetings attended | No. of meetings held while a member | No. of meetings attended | No. of meetings held while a member | No. of meetings attended |
| Chua Thian Poh | 4 | 4 | NA | NA | 1 | 1 | NA | NA |
| Desmond Woon Choon Leng | 4 | 4 | NA | NA | NA | NA | NA | NA |
| Ong Chong Hua | 4 | 4 | NA | NA | NA | NA | NA | NA |
| Ch'ng Jit Koon | 4 | 4 | 5 | 5 | 1 | 1 | NA | NA |
| Tan Keng Boon | 4 | 4 | 5 | 5 | 1 | 1 | NA | NA |
| Jeffery Chan Cheow Tong | 4 | 4 | 5 | 5 | NA | NA | 1 | 1 |
| Tan Eng Bock | 4 | 4 | NA | NA | NA | NA | 1 | 1 |
| Bobby Chin Yoke Choong # | 4 | 4 | 5 | 5 | 0 | NA | 1 | 1 |

Note: NA means not applicable.
# Mr Bobby Chin Yoke Choong was appointed to the Nominating Committee on 13 November 2007.

### Matters Requiring Board Approval

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

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

### Training for Directors

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

## Board Composition and Balance

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

| Name of Director | Date of first appointment as director | Date of last re-election as director | Academic/ Professional qualifications | Nature of appointment | Board committee | Directorships / Chairmanships in other listed companies in Singapore (present & last 3 preceding years) |
|---|---|---|---|---|---|---|
| Chua Thian Poh<br>Age : 59 | 8 Aug 1987 | NA | NA | Chairman & CEO | NC - Member<br>SOC-Member | Engro Corporation Limited<br>(Resigned on 6 April 2006) |
| Desmond Woon Choon Leng<br>Age : 52 | 11 Aug 1995 | 25 Apr 2007 | NA | Executive director | | |
| Ong Chong Hua<br>Age : 53 | 11 Aug 1995 | 25 Apr 2007 | Masters Degree in Town & Regional Planning | Executive director | | |
| Ch'ng Jit Koon<br>Age : 74 | 12 Nov 1999 | 25 Apr 2007 | Degree in Economics & Political Science | Independent non-executive director | AC - Chairman<br>NC - Member<br>SOC-Member | Ban Leong Technologies Ltd<br>Cortina Holdings Limited<br>Eastern Asia Technology Limited<br>Pan-United Corporation Ltd.<br>Progen Holdings Ltd<br>Santak Holdings Limited<br>Tung Lok Restaurant (2000) Ltd<br>China Fashion Holdings Limited<br>(Retired on 26 April 2007) |
| Tan Keng Boon<br>Age : 62 | 12 Nov 1999 | 26 Apr 2006 | Honours Degree in Engineering | Lead Independent non-executive director | AC – Member<br>NC - Chairman<br>SOC-Member | Engro Corporation Limited<br>Sunvic Chemical Holdings Ltd<br>Speedy-Tech Electronics Ltd.<br>( Resigned on 31 Dec 2005)<br>Amtek Engineering Ltd<br>( Resigned on 23 Aug 2007) |
| Jeffery Chan Cheow Tong<br>Age : 59 | 15 Oct 2002 | 26 Apr 2006 | F.C.A. (Institute of Chartered Accountants in England & Wales) | Independent non-executive director | AC – Member<br>RC - Chairman | Pacific Healthcare Holdings Ltd.<br>( Resigned on 30 Sep 2007) |
| Tan Eng Bock<br>Age : 71 | 15 Oct 2002 | 25 Apr 2007 | NA | Independent non-executive director | RC - Member | Ban Leong Technologies Ltd |
| Bobby Chin Yoke Choong<br>Age: 56 | 29 Nov 2006 | 25 Apr 2007 | Bachelor in Accountancy ACA (Institute of Chartered Accountants in England & Wales) | Independent non-executive director | AC – Member<br>RC – Member<br>NC – Member | Oversea-Chinese Banking Corporation Limited<br>AV Jennings Limited<br>The Straits Trading Company Ltd<br>Yeo Hiap Seng Ltd<br>Neptune Orient Lines Limited<br>Stamford Land Corporation Ltd<br>(Resigned on 31 Dec 2007) |

Notes:
1) Information on directors' shareholdings in the Company and its related corporations is set out in the Directors' Report on pages 39 and 40.
2) NA means not applicable.

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

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

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

## Chairman & Chief Executive Officer

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

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

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

## Access to Information

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

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

## BOARD COMMITTEES

### Audit Committee (AC)

### Internal Controls

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

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

The Nominating Committee is of the opinion that the members of the AC have sufficient financial management expertise and experience to discharge their duties.

The AC will meet regularly to perform the following functions:

- review the audit plan and audit report of both the internal and external auditors, co-operation of management staff given to them;
- review with external and internal auditors their evaluation of the internal accounting controls and management responses to recommendations made to ensure the adequacy of the system of internal control;
- review the quarterly and annual financial statements to ensure that they represent a true and fair view of the financial results and state of affairs of the Company before submission to the Board for approval;
- review the independence and objectivity of the external auditors;
- recommend to the Board the appointment or re-appointment of the external auditors;
- review related party and interested person transactions to ensure compliance with the regulations as set out in the Listing Manual; and
- review share transactions by key employees within the Group to ensure that the Company's internal Code of Best Practices on Securities Transactions is strictly adhered to.

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

The AC has reviewed the Company's system of internal controls, including operational and compliance controls, risk management policies and systems and is satisfied that the overall system of control is adequate.

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

## Internal Audit

The Company has engaged Messrs Grant Thornton Specialist Services Pte. Ltd., to perform the internal audit function.

The internal auditor reports directly to the Chairman of the AC on audit matters and to the management on administrative matters. The AC reviews the internal audit reports and assesses the effectiveness of the internal auditors by examining the following:

- the internal audit plans to ensure that it has adequate resources to perform its function;
- the scope of the internal audit work;
- the quality of their reports; and
- their independence of the areas reviewed.

## Whistle-Blowing Policy

The Company has in place whistle-blowing policies by which staff may raise concerns about fraudulent activities, malpractices or improprieties within the Group, without fear of reprisal. To ensure independent investigation of such matters and for appropriate follow up action, all whistle-blowing reports can be sent to either the General Manager, HR & Corporate Affairs or the Chairman of the Audit Committee.

## Nominating Committee (NC)

The NC consists of three independent non-executive directors and one executive director. The members of the NC are as follows:

1. Tan Keng Boon (Chairman)
2. Ch'ng Jit Koon
3. Chua Thian Poh
4. Bobby Chin Yoke Choong (appointed 13 November 2007)

The duties of the NC are as follows:

- make recommendations to the Board on new appointments;
- determine orientation programs for new directors and recommend opportunities for the continuing training of the directors;
- make recommendations to the Board on the re-nomination of retiring directors standing for re-election at the Company's annual general meeting, having regard to the directors' contribution and performance (e.g. attendance, preparedness, participation and candour);
- ensure that all directors (except the CEO) submit themselves for re-nomination and re-election at regular intervals and at least once every three years;
- determine annually whether or not a director is independent;
- review the size and composition of the Board with the objective of achieving a balanced Board in terms of the mix of experience and expertise;
- formulate and implement a succession plan;

- determine whether a director who has multiple board representations is able to and has been adequately carrying out his duties as director of the Company;
- ensure that internal guidelines are adopted to address the competing time commitments that are faced by those directors who serve on multiple boards;
- ensure complete disclosure of key information of directors in the Company's annual reports as required under the Code of Corporate Governance;
- decide on how the Board's performance may be evaluated and recommend objective performance criteria to the Board;
- recommend to the Board the implementation of a process for assessing the effectiveness of the Board as a whole and carry out the assessment process;
- recommend to the Board the implementation of a process for assessing the contribution by each individual director to the effectiveness of the Board and carry out the assessment process;
- report to the Board on its activities and proposals; and
- carry out such other duties as may be agreed to by the NC and the Board.

## Board Performance

The Chairman reviews on an ongoing basis, the performance of each director and his contribution to the Board. The performance of any director eligible for re-election is reviewed by the NC.

The parameters the NC uses to evaluate the performance of the Board include the attendance record at Board and committees meetings, the extent of participations and contributions, and comparison with industry peers.

## Remuneration Committee (RC)

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

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

## Remuneration Matters

The duties and responsibilities of the RC are as follows:

- make recommendations to the Board on the framework of remuneration for the directors and key executives of the Company and its subsidiaries;
- make recommendations to the Board on specific remuneration packages for each executive director and managing director (or executive of equivalent rank) of the Company and its subsidiaries;
- review all benefits and long-term incentive schemes (including share option schemes) and compensation packages for the directors and key executives of the Company and its subsidiaries;
- review service contracts for the directors and key executives of the Company and its subsidiaries;
- review the Group's policy in allowing executive directors and key executives to accept appointments and retain payments from sources outside the Group;
- review the annual remuneration report (if any) to be attached to the Company's annual report;
- report to the Board on its activities and proposals; and
- carry out such other duties as may be agreed to by the RC and the Board.

## Directors' Remuneration

Directors' fees are paid to non-executive directors, subject to approval by shareholders at annual general meeting. Executive directors do not receive any directors' fee.

Summary compensation table for the year ended 31 December 2007 :

| Name of director | Salary | Bonus | Fees | Allowances and other benefits | Total |
|---|---|---|---|---|---|
| **Above $6,000,000** | | | | | |
| Chua Thian Poh<br>Chairman & CEO | 3% | 96% | | 1% | 100% |
| **$1,000,000 to $1,250,000** | | | | | |
| Ong Chong Hua<br>Executive director | 24% | 73% | | 3% | 100% |
| **$750,000 to $1,000,000** | | | | | |
| Desmond Woon Choon Leng<br>Executive director | 24% | 73% | | 3% | 100% |
| **Below $250,000** | | | | | |
| Ch'ng Jit Koon<br>Non-executive director | | | 100% | | 100% |
| Tan Keng Boon<br>Non-executive director | | | 100% | | 100% |
| Jeffery Chan Cheow Tong<br>Non-executive director | | | 100% | | 100% |
| Tan Eng Bock<br>Non-executive director | | | 100% | | 100% |
| Bobby Chin Yoke Choong<br>Non-executive director | | | 100% | | 100% |

Information on the Ho Bee Investment Ltd Share Option Scheme is set out in the Directors' Report on page 41.

## Accountability and Audit

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

## Communication with Shareholders

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

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

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

Shareholders are encouraged to attend the AGM as this is the principal forum for any dialogue they may have with the directors and management of the Company. The Board welcomes views and questions from shareholders and the Chairmen of the Audit, Nominating and Remuneration Committees are available to answer any question or issue regarding the Company.

Any member of the Company who is unable to attend the AGM can appoint up to two proxies to attend and vote on his/her behalf.

## Securities Transactions

The Company has adopted an internal code of best practices on dealings in the Company's securities. Under the code, officers of the Group are not allowed to deal in the Company's securities during the periods commencing 2 weeks before the announcement of the Company's results for each of the first three quarters of its financial year and 1 month before the announcement of the Company's annual results, as the case may be, and ending on the date of announcement of the relevant results, or when they are in possession of unpublished price-sensitive information of the Group. The Company has complied with the best practices set out in the Listing Manual of the Singapore Exchange Securities Trading Limited.

### Interested Person Transactions (IPT)

The Company has adopted a set of procedures for reporting and approving IPT. Details of IPT for the year ended 31 December 2007 are as follows:

| Name of interested person | Aggregate value of all IPT (excluding transactions conducted under a shareholders' mandate pursuant to Rule 920 of the Listing Manual) | Aggregate value of all IPT conducted under a shareholders' mandate pursuant to Rule 920 of the Listing Manual |
|---|---|---|
| Ho Bee Holdings (Pte) Ltd | $21,720 | NA |
| - Lease rental | | |
| Hin Lung Credit Pte. Ltd. | | |
| - Motor vehicles expenses | $14,006 | NA |
| - Insurance Premium | $58,479 | |
| Airjet Automotive Pte Ltd | | |
| - Lease rental | $534,500 | NA |
| - Motor vehicles expenses | $23,618 | |
| HoBee Print Pte Ltd | | |
| - Printing expenses | $114,002 | NA |
| Mdm Ng Noi Hinoy | | |
| Sale of property – Paradise Island | $10,493,460 | NA |
| Mr. Chua Pin Chong | | |
| Sale of property – Paradise Island | $9,039,520 | NA |

Notes:
1) NA means not applicable.
2) All the above IPT were done on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

## Board Of Directors

**Mr Chua Thian Poh**
Chairman and CEO

**Mr Desmond Woon Choon Leng**
Executive Director

**Mr Ong Chong Hua**
Executive Director

**Mr Tan Keng Boon**
Lead Independent Director

**Mr Ch'ng Jit Koon**
Independent Director

**Mr Jeffery Chan Cheow Tong**
Independent Director

**Mr Tan Eng Bock**
Independent Director

**Mr Bobby Chin Yoke Choong**
Independent Director

## Management Team

**Mr Chong Hock Chang**
General Manager
(Business Development and Marketing)

**Mr Soh Hwee Cheow**
General Manager
(Projects)

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

**Mr Mark Khoo Chee Meng**
General Manager
(Hotel Windsor)

**Mr Nicholas Chua Wee Chern**
Senior Manager
(Business Development and Marketing)

**Mr Lum Hon Chew**
Senior Project Manager

**Mr Choong Kar Fai**
Project Manager

**Mr Hong Leng Guan**
Project Manager

**Ms Vivian Ng Lay Yen**
Marketing Manager

**Mr Low Lai Sai**
Finance Manager

## Company Secretary

**Mr Low Lai Sai**

## Registered Office

12 Tannery Road #10-01
HB Centre 1
Singapore 347722
Tel: (65)6748 7522
Fax: (65)6745 9167
Website: www.hobee.com

## Share Registrar

**M & C Services Private Limited**
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

## Audit Committee

**Mr Ch'ng Jit Koon**
Chairman

**Mr Tan Keng Boon**

**Mr Jeffery Chan Cheow Tong**

**Mr Bobby Chin Yoke Choong**

## Nominating Committee

**Mr Tan Keng Boon**
Chairman

**Mr Ch'ng Jit Koon**

**Mr Chua Thian Poh**

**Mr Bobby Chin Yoke Choong**

## Remuneration Committee

**Mr Jeffery Chan Cheow Tong**
Chairman

**Mr Tan Eng Bock**

**Mr Bobby Chin Yoke Choong**

## External Auditors

**KPMG**
**Public Accountants and Certified Public Accountants Singapore**
(Partner-In-Charge: Mr Tay Puay Cheng since 2007)
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

## Internal Auditors

**Grant Thornton Specialist Services Pte. Ltd.**
331 North Bridge Road
#04-04/05 Odeon Towers
Singapore 188720

## Company Registration No.

**198702381M**

# TREND:FIGURES

## FINANCIAL CONTENTS

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2007.

## Directors

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

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

## Directors' Interests

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

| | Holdings in the name of the director, spouse or infant children | | Other holdings in which the director is deemed to have an interest | |
|---|---|---|---|---|
| **Name of director and corporation in which interests are held** | **At beginning of the year** | **At end of the year** | **At beginning of the year** | **At end of the year** |
| **Chua Thian Poh** | | | | |
| The Company | | | | |
| - ordinary shares | – | – | 472,221,000 | 474,035,000 |
| **Immediate and ultimate holding company** | | | | |
| Ho Bee Holdings (Pte) Ltd | | | | |
| - ordinary shares | 19,070,000 | 19,070,000 | – | – |
| **Subsidiaries** | | | | |
| HBS Investments Pte Ltd | | | | |
| - ordinary shares | – | – | 700,000 | 700,000 |
| Ho Bee Cove Pte. Ltd. | | | | |
| - ordinary shares | – | – | 900,000 | 900,000 |
| Legion Holdings Pte Ltd | | | | |
| - ordinary shares | – | – | 4,800,000 | 4,800,000 |
| Parliament View Developments Limited | | | | |
| - ordinary shares of £1 each | – | – | 50,000 | 50,000 |
| Parliament View Management Company Limited | | | | |
| - ordinary shares of £1 each | – | – | 1 | 1 |

| Name of director and corporation in which interests are held | Holdings in the name of the director, spouse or infant children | | Other holdings in which the director is deemed to have an interest | |
|---|---|---|---|---|
| | At beginning of the year | At end of the year | At beginning of the year | At end of the year |
| **Chua Thian Poh (cont'd)** | | | | |
| **Related Corporations** | | | | |
| Airjet Auto-care Pte Ltd | | | | |
| - ordinary shares | – | – | 500,000 | 500,000 |
| Airjet Automotive Pte Ltd | | | | |
| - ordinary shares | – | – | 200,000 | 200,000 |
| HB Media Holdings Pte Ltd | | | | |
| - ordinary shares | – | – | 13,894,164 | 13,894,164 |
| Hin Lung Credit Pte. Ltd. | | | | |
| - ordinary shares | – | – | 3,530,000 | 3,530,000 |
| Ho Bee Capital Pte Ltd | | | | |
| - ordinary shares | – | – | 15,000,000 | 15,000,000 |
| Wing Heng Plastic Industries Pte. Ltd. | | | | |
| - ordinary shares | – | – | 480,000 | – |
| Zen Property Management Pte Ltd | | | | |
| - ordinary shares | – | – | 1,000,000 | 1,000,000 |
| **Desmond Woon Choon Leng** | | | | |
| The Company | | | | |
| - ordinary shares | 2,000,000 | 1,000,000 | – | – |
| **Ong Chong Hua** | | | | |
| The Company | | | | |
| - ordinary shares | 1,800,000 | 1,732,000 | – | – |
| **Ch'ng Jit Koon** | | | | |
| The Company | | | | |
| - ordinary shares | 300,000 | 300,000 | – | – |
| **Tan Keng Boon** | | | | |
| The Company | | | | |
| - ordinary shares | 300,000 | 300,000 | – | – |
| **Jeffery Chan Cheow Tong** | | | | |
| The Company | | | | |
| - ordinary shares | 50,000 | 150,000 | – | – |
| **Bobby Chin Yoke Choong** | | | | |
| The Company | | | | |
| - ordinary shares | – | 30,000 | – | – |

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

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

There were no other changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2008.

Except as disclosed under the "Share Options" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 29 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or its related corporations with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest.

## Share Options

The Ho Bee Investment Ltd Share Option Scheme (the Scheme) was approved and adopted by its members at an Extraordinary General Meeting held on 30 May 2001.

The Scheme is administered by a committee, comprising the Chairman and CEO, Mr Chua Thian Poh and 2 Independent Directors, Mr Ch'ng Jit Koon and Mr Tan Keng Boon.

Other statutory information regarding the Scheme are set out below:

(i) The subscription price of the options is determined at the average closing price of the Company's shares on the Singapore Exchange Securities Trading Limited (SGX-ST) on the 3 consecutive market days immediately preceding the date of grant of such options.

(ii) The total number of shares which may be granted under the Scheme shall not exceed 5% of the issued share capital of the Company at any time and from time to time.

(iii) The options vest 1 year after the grant date.

(iv) The options granted expire 10 years after the vesting date unless they are cancelled or have lapsed.

Since the commencement of the Scheme, no options have been granted to directors and/or employees of the Company or its subsidiaries under the Scheme.

## Corporate Governance

*Nominating Committee*

The primary objective of the Nominating Committee is to make recommendations to the Board on all Board appointments, formally assesses the Board as a whole and the contribution by each individual director to the effectiveness of the Board.

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

| | |
|---|---|
| Tan Keng Boon | (Chairman, Lead Independent Director) |
| Ch'ng Jit Koon | (Independent Director) |
| Chua Thian Poh | (Executive Director) |
| Bobby Chin Yoke Choong | (Independent Director) |

*Remuneration Committee*

The primary objective of the Remuneration Committee is to recommend to the Board a framework of remuneration for the Board and key executives and to determine specific remuneration packages for each executive director.

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

| | |
|---|---|
| Jeffery Chan Cheow Tong | (Chairman, Independent Director) |
| Tan Eng Bock | (Independent Director) |
| Bobby Chin Yoke Choong | (Independent Director) |

*Audit Committee*

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

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

The Audit Committee performs the functions specified in section 201B of the Companies Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held 5 meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

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

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

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

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

On behalf of the Board of Directors

**Chua Thian Poh**
*Chairman*

**Desmond Woon Choon Leng**
*Director*

20 March 2008

# STATEMENT BY DIRECTORS

YEAR ENDED 31 DECEMBER 2007

In our opinion:

(a) the financial statements set out on pages 46 to 92 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 2007 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

On behalf of the Board of Directors

**Chua Thian Poh**
*Chairman*

**Desmond Woon Choon Leng**
*Director*

20 March 2008

We have audited the financial statements of Ho Bee Investment Ltd (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2007, the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 46 to 92.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards. This responsibility includes:

(a) 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;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion:

(a) 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 to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results, changes in equity and cash flows of the Group for the year ended on that date; and

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

**KPMG**
*Public Accountants and Certified Public Accountants*

Singapore
20 March 2008

# BALANCE SHEETS
AS AT 31 DECEMBER 2007

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2007 | 2006 | 2007 | 2006 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 3 | 122,484 | 47,928 | 232 | 298 |
| Investment properties | 4 | 353,800 | 78,008 | – | – |
| Subsidiaries | 5 | – | – | 42,643 | 44,979 |
| Associates | 6 | 2,487 | 337 | 635 | 885 |
| Jointly-controlled entities | 7 | 2,126 | 1,142 | 1,500 | 500 |
| Other assets | 8 | 3,524 | 2,867 | – | – |
| Financial assets | 9 | 23,569 | 20,824 | 1,098 | 1,393 |
| Other receivables | 10 | 162,152 | 15,572 | 487,394 | 220,561 |
| Deferred tax assets | 11 | 74 | 502 | – | – |
| | | 670,216 | 167,180 | 533,502 | 268,616 |
| **Current assets** | | | | | |
| Inventories | | 13 | 15 | – | – |
| Development properties | 12 | 1,167,008 | 568,971 | – | 1,800 |
| Trade and other receivables | 13 | 23,859 | 96,194 | 12,959 | 19,272 |
| Financial assets | 9 | 138 | 139 | 56 | 55 |
| Cash and cash equivalents | 14 | 161,609 | 166,349 | 417 | 298 |
| | | 1,352,627 | 831,668 | 13,432 | 21,425 |
| **Total assets** | | 2,022,843 | 998,848 | 546,934 | 290,041 |
| **Equity attributable to equity holders of the Company** | | | | | |
| Share capital | 15 | 205,133 | 205,133 | 205,133 | 205,133 |
| Reserves | 16 | 605,319 | 295,435 | 38,981 | 38,237 |
| | | 810,452 | 500,568 | 244,114 | 243,370 |
| **Minority interest** | | 22,358 | 9,416 | – | – |
| **Total equity** | | 832,810 | 509,984 | 244,114 | 243,370 |
| **Non-current liabilities** | | | | | |
| Interest-bearing liabilities | 18 | 747,985 | 364,268 | – | – |
| Other liabilities | 19 | 14,008 | 19,807 | – | – |
| Deferred tax liabilities | 11 | 38,157 | 5,963 | – | – |
| | | 800,150 | 390,038 | – | – |
| **Current liabilities** | | | | | |
| Trade and other payables | 20 | 56,552 | 43,701 | 295,963 | 45,715 |
| Interest-bearing liabilities | 18 | 315,267 | 22,700 | 6,700 | 800 |
| Current tax payable | | 18,064 | 32,425 | 157 | 156 |
| | | 389,883 | 98,826 | 302,820 | 46,671 |
| **Total liabilities** | | 1,190,033 | 488,864 | 302,820 | 46,671 |
| **Total equity and liabilities** | | 2,022,843 | 998,848 | 546,934 | 290,041 |

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

| | Note | Group 2007 $'000 | Group 2006 $'000 |
|---|---|---|---|
| Revenue | 21 | 596,143 | 393,099 |
| Cost of sales | | (322,938) | (256,895) |
| **Gross profit** | | 273,205 | 136,204 |
| Other income | 22 | 95,979 | 12,574 |
| Administrative expenses | | (24,369) | (14,879) |
| Other expenses | | (7,911) | (4,435) |
| **Results from operating activities** | | 336,904 | 129,464 |
| **Finance costs** | 24 | (9,150) | (5,193) |
| Share of profits/(losses), net of tax, of: | | | |
| - associates | | 2,487 | (467) |
| - jointly-controlled entities | | (16) | 268 |
| **Profit before income tax** | | 330,225 | 124,072 |
| Income tax expense | 25 | (44,674) | (22,932) |
| **Profit for the year** | 26 | 285,551 | 101,140 |
| **Attributable to:** | | | |
| Equity holders of the Company | | 272,201 | 98,579 |
| Minority interest | | 13,350 | 2,561 |
| **Profit for the year** | | 285,551 | 101,140 |
| **Earnings per share** | | | |
| Basic earnings per share (cents) | 27 | 36.92 | 14.04 |
| Diluted earnings per share (cents) | 27 | 36.92 | 14.04 |

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

| Group | Share capital $'000 | Share premium $'000 | Capital reserve $'000 | Capital redemption reserve $'000 | Fair value reserve $'000 | Currency translation reserve $'000 | Accumulated profits $'000 | Total attributable to holders of the Company $'000 | Minority interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2006 | 30,867 | 66,006 | 2,230 | 1,133 | – | 2,309 | 205,336 | 307,881 | 9,096 | 316,977 |
| Exchange differences arising on consolidation | – | – | – | – | – | 706 | – | 706 | 299 | 1,005 |
| Changes in fair value of available-for-sale investment | – | – | – | – | (1,893) | – | – | (1,893) | – | (1,893) |
| Net gains/(losses) recognised directly in equity | – | – | – | – | (1,893) | 706 | – | (1,187) | 299 | (888) |
| Net profit for the year | – | – | – | – | – | – | 98,579 | 98,579 | 2,561 | 101,140 |
| Total recognised income and expense for the year | – | – | – | – | (1,893) | 706 | 98,579 | 97,392 | 2,860 | 100,252 |
| Issues of shares | 108,600 | – | – | – | – | – | – | 108,600 | – | 108,600 |
| Share placement expenses | (1,473) | – | – | – | – | – | – | (1,473) | – | (1,473) |
| Transfer from share premium account and capital redemption reserve to share capital upon implementation of the Companies (Amendment) Act 2005 | 67,139 | (66,006) | – | (1,133) | – | – | – | – | – | – |
| Capital injection from minority shareholders | – | – | – | – | – | – | – | – | 100 | 100 |
| Dividend paid to minority interest | – | – | – | – | – | – | – | – | (2,640) | (2,640) |
| First and final dividend paid of 0.75 cents per share less tax of 20% in respect of 2005 | – | – | – | – | – | – | (3,704) | (3,704) | – | (3,704) |
| Special dividend paid of 0.75 cents per share less tax of 20% in respect of 2005 | – | – | – | – | – | – | (3,704) | (3,704) | – | (3,704) |
| Interim dividend paid of 0.75 cents per share less tax of 20% in respect of 2006 | – | – | – | – | – | – | (4,424) | (4,424) | – | (4,424) |
| At 31 December 2006 | 205,133 | – | 2,230 | – | (1,893) | 3,015 | 292,083 | 500,568 | 9,416 | 509,984 |

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

| Group | Share capital $'000 | Capital reserve $'000 | Revaluation reserve $'000 | Fair value reserve $'000 | Currency translation reserve $'000 | Accumulated profits $'000 | Total attributable to holders of the Company $'000 | Minority interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2007, as previously reported | 205,133 | 2,230 | – | (1,893) | 3,015 | 292,083 | 500,568 | 9,416 | 509,984 |
| Effect of adopting FRS 40 | – | – | – | – | – | 9,362 | 9,362 | – | 9,362 |
| At 1 January 2007, as restated | 205,133 | 2,230 | – | (1,893) | 3,015 | 301,445 | 509,930 | 9,416 | 519,346 |
| Exchange differences arising on consolidation | – | – | – | – | (286) | – | (286) | (138) | (424) |
| Changes in fair value of available-for-sale investment | – | – | – | (295) | – | – | (295) | – | (295) |
| Net change in fair value of available-for-sale investment transferred to the income statement | – | – | – | 2,188 | – | – | 2,188 | – | 2,188 |
| Surplus on revaluation of property, plant and equipment | – | – | 45,782 | – | – | – | 45,782 | – | 45,782 |
| Net gains/(losses) recognised directly in equity | – | – | 45,782 | 1,893 | (286) | – | 47,389 | (138) | 47,251 |
| Net profit for the year | – | – | – | – | – | 272,201 | 272,201 | 13,350 | 285,551 |
| Total recognised income and expense for the year | – | – | 45,782 | 1,893 | (286) | 272,201 | 319,590 | 13,212 | 332,802 |
| Dividend paid to minority interest | – | – | – | – | – | – | – | (270) | (270) |
| Final dividend paid of 0.75 cents per share less tax of 18% in respect of 2006 | – | – | – | – | – | (4,534) | (4,534) | – | (4,534) |
| Special dividend paid of 1.25 cents per share less tax of 18% in respect of 2006 | – | – | – | – | – | (7,558) | (7,558) | – | (7,558) |
| Interim dividend paid of 0.30 cents per share less tax of 18% in respect of 2007 | – | – | – | – | – | (1,814) | (1,814) | – | (1,814) |
| Interim tax-exempt dividend paid of 0.70 cents per share in respect of 2007 | – | – | – | – | – | (5,162) | (5,162) | – | (5,162) |
| At 31 December 2007 | 205,133 | 2,230 | 45,782 | – | 2,729 | 554,578 | 810,452 | 22,358 | 832,810 |



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

# CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2007

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| **Operating activities** | | |
| Profit for the year | 285,551 | 101,140 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 1,408 | 430 |
| Property, plant and equipment written off | 1 | 1 |
| Gain on disposal of property, plant and equipment | – | (1) |
| Unrealised exchange loss | 1,249 | 1,396 |
| Loss on dilution of interest in former associate | – | 110 |
| Interest income | (3,417) | (1,393) |
| Loss on disposal of investment in an associate | 2 | – |
| Dividend income | (7) | (12) |
| Distribution income from financial assets designated at fair value through profit or loss | (1,662) | – |
| Finance costs | 9,150 | 5,193 |
| Change in fair value of investment properties | (83,297) | – |
| Net changes in fair value of financial assets at fair value through profit or loss | (1,313) | (583) |
| Net changes in fair value of financial derivatives | 817 | 1,077 |
| Net change in fair value of available-for-sale financial assets transferred from fair value reserve | 2,188 | – |
| Write back of allowance for impairment loss on investment properties | – | (9,740) |
| Reversal of write-down of properties held for sale | (4,400) | – |
| Share of (profits)/losses of: | | |
| - associates | (2,487) | 467 |
| - jointly-controlled entities | 16 | (268) |
| Income tax expense | 44,674 | 22,932 |
| | 248,473 | 120,749 |
| Changes in working capital: | | |
| Development properties | (569,818) | (119,738) |
| Inventories | 2 | (2) |
| Trade and other receivables | 51,795 | (70,675) |
| Trade and other payables | 11,409 | 6,532 |
| Cash used in operations | (258,139) | (63,134) |
| Income tax paid | (27,047) | (3,551) |
| **Cash flows from operating activities** | (285,186) | (66,685) |
| | | |
| **Investing activities** | | |
| Loans to associates | – | (400) |
| Advances to jointly-controlled entities | (144,452) | (13,107) |
| Purchase of property, plant and equipment | (19,085) | (4,499) |
| Purchase of other assets | (657) | (103) |
| Proceeds from disposal of property, plant and equipment | 1 | 1 |
| Proceeds from disposal of associate | 335 | – |
| Investments in jointly-controlled entities | (1,000) | (500) |
| Additions to investment properties | (179,010) | – |
| Interest received | 756 | 1,168 |
| Dividend received | 7 | 12 |
| Purchase of financial assets designated at fair value through profit and loss | (1,894) | (3,960) |
| Distributions from financial assets designated at fair value through profit and loss | 2,698 | – |
| Investments in debt securities | (1,606) | (2,548) |
| **Cash flows from investing activities** | (343,907) | (23,936) |

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

| | Note | 2007 $'000 | 2006 $'000 |
|---|---|---|---|
| **Financing activities** | | | |
| (Repayment to)/Advance from minority shareholders | | (7,950) | 16,552 |
| Proceeds from issue of shares, net of issue expenses | | – | 107,127 |
| Proceeds from bank loans | | 1,011,402 | 453,918 |
| Repayment of bank loans | | (335,118) | (335,231) |
| Capital contribution from minority shareholders | | – | 100 |
| Interest paid | | (24,620) | (18,043) |
| Dividends paid | | (19,068) | (11,832) |
| Dividend paid to minority shareholders | | (270) | (2,640) |
| **Cash flows from financing activities** | | 624,376 | 209,951 |
| **Net (decrease)/increase in cash and cash equivalents** | | (4,717) | 119,330 |
| Cash and cash equivalents at beginning of year | | 166,349 | 46,891 |
| Effect of exchange rate fluctuations on cash held | | (23) | 128 |
| **Cash and cash equivalents at end of year** | 14 | 161,609 | 166,349 |

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 20 March 2008.

## 1 Domicile and Activities

Ho Bee Investment Ltd (the Company) is incorporated in the Republic of Singapore and has its registered office at 12 Tannery Road, #10-01 HB Centre 1, Singapore 347722.

The principal activities of the Group and the Company are those relating to property development, property investment, hotel ownership and management and investment holding. The immediate and ultimate holding company during the financial year is Ho Bee Holdings (Pte) Ltd, incorporated in the Republic of Singapore.

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

## 2 Summary of Significant Accounting Policies

### 2.1 Basis of Preparation

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

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities which are measured at fair value: certain property, plant and equipment, investment properties, derivative financial instruments, certain financial assets and financial liabilities.

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

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 33 – *valuation of financial instruments* and note 35 to the financial statements.

The following accounting policies were changed during the year:

- the recognition of changes in fair value of investment properties as described in note 2.6; and

- the recognition of surplus on revaluation of property, plant and equipment as described in note 2.4.

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

## 2.2 Consolidation

### *Business Combinations*

Business combinations are accounted for under the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to the income statement in the period of the acquisition.

### *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

### *Associates and Jointly-controlled Entities*

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

The consolidated financial statements include the Group's share of the income, expenses and equity movements of associates and jointly-controlled entities, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an associate or a jointly-controlled entity, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

### *Transactions Eliminated on Consolidation*

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

### *Accounting for Subsidiaries, Associates, Jointly-controlled Entities by the Company*

Investments in subsidiaries, associates and jointly-controlled entities are stated in the Company's balance sheet at cost less accumulated impairment losses.

## 2.3 Foreign Currencies

### *Foreign Currency Transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below) and available-for-sale equity investments and financial liabilities designated as hedges of the net investment in a foreign operation.

## 2.3 Foreign Currencies (cont'd)

### *Foreign Operations*

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2006, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in the currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the currency translation reserve is transferred to the income statement.

### *Net Investment in a Foreign Operation*

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

## 2.4 Property, Plant and Equipment

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

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

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

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in the income statement.

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

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

## 2.4 Property, Plant and Equipment (cont'd)

The estimated useful lives are as follows:

| | |
|---|---|
| Building | 30 years |
| Leasehold improvements | 5 to 10 years |
| Furniture, fittings and office equipment | 5 years |
| Motor vehicles | 5 years |

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

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

## 2.5 Goodwill

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

### *Acquisitions Prior to 1 January 2001*

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree.

Goodwill and negative goodwill on acquisitions were written off against accumulated profits in the year of acquisition.

Goodwill and negative goodwill that have previously been taken to reserves are not taken to the income statement when (a) the business is disposed of or (b) the goodwill is impaired.

### *Acquisitions Occurring Between 1 January 2001 and 1 January 2005*

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree. Goodwill arising on the acquisition of subsidiaries is presented in intangible assets. Goodwill arising on the acquisition of associates and jointly-controlled entities is presented together with investments in associates and jointly-controlled entities.

Goodwill was stated at cost from the date of initial recognition and amortised over its estimated useful life of 20 years. On 1 January 2005, the Group discontinued amortisation of this goodwill. This remaining goodwill balance is subject to testing for impairment, as described in note 2.9.

Negative goodwill was derecognised by crediting accumulated profit on 1 January 2005.

### *Acquisitions on or after 1 January 2005*

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets. Goodwill arising on the acquisition of associates and jointly-controlled entities is presented together with investments in associates and jointly-controlled entities.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in note 2.9. Negative goodwill is recognised immediately in the income statement.

## 2.6 Investment Properties

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

Investment property is measured at fair value with any change therein recognised in the income statement. Rental income from investment properties is accounted for in the manner described in note 2.14.

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

### *Change in Accounting Policy*

The Group adopted FRS 40 *Investment Property* on 1 January 2007. Under FRS 40, the Group states its investment properties at fair value, but with changes in fair value recognised in the income statement. Before 1 January 2007, the investment properties were accounted for as long-term investments and were stated at cost less impairment loss.

Under the transitional provisions of FRS 40, the Group adjusted an amount of $9,362,000 to accumulated profits at 1 January 2007. The comparatives have not been restated.

The change in accounting policy had the following impact on the financial statements:

| | Group<br>Increased by<br>2007<br>$'000 |
|---|---|
| **Balance sheet at 31 December** | |
| Opening accumulated profits | 9,362 |
| **Income statement for the year ended 31 December** | |
| Other operating income | 83,297 |
| Share of profit of associate, net of tax | 2,724 |
| Profit for the year | 86,021 |
| **Earnings per share** | |
| Basic and diluted earnings per share (cents) | 11.23 |

## 2.7 Financial Instruments

### *Non-derivative Financial Instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, investments in private equity funds, trade and other receivables, cash and cash equivalents, financial liabilities, and trade and other payables.

Non-derivative financial instruments (excluding instruments that are classified as investments designated at fair value through profit or loss) are recognised initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

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

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

### *Available-for-sale Financial Assets*

The Group's investments in certain equity securities and debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses, and foreign exchange gains and losses on available-for-sale monetary items (see note 2.3), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

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

Debt securities that do not have fixed terms of repayment which represent, in substance, the Group's net investment in the issuer are stated at cost less accumulated impairment losses.

### *Investments at Fair Value Through Profit or Loss*

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

### *Other*

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

### *Derivative Financial Instruments and Hedging Activities*

Derivative financial instruments are used to manage exposures to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

## 2.7 Financial Instruments (cont'd)

### *Impairment of Financial Assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

### *Intra-group Financial Guarantees*

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

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

### *Share Capital*

Ordinary shares are classified as equity.

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

## 2.8 Leases

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

## 2.9 Impairment – Non-financial Assets

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

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

### 2.9 Impairment – Non-financial Assets (cont'd)

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

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

### 2.10 Development Properties

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

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

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

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

### 2.11 Inventories

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

### 2.12 Employee benefits

#### *Defined Contribution Plans*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

#### *Short-term Benefits*

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

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

#### *Share-based Payments*

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transactions costs are credited to share capital when the options are exercised.

## 2.13 Interest-free Related Party Loans – Non-quasi Equity

### *Loans to Subsidiaries*

In the Company's financial statements, interest-free inter-company loans to subsidiaries are stated at fair value at inception. The difference between the fair value and the loan amount at inception is recognised as additional investments in subsidiaries in the Company's financial statements. Subsequently, these loans are measured at amortised cost using the effective interest method. The unwinding of the difference is recognised as interest income in the income statement over the expected repayment period.

Such balances are eliminated in full in the Group's consolidated financial statements.

### *Loan to Associate*

Interest-free loan to an associate is stated at fair value at inception. The difference between the fair value and the loan amount at inception is recognised as additional investment in the associate. Subsequently, the loan is measured at amortised cost using the effective interest method. The unwinding of the difference is recognised as interest income in the income statement over the expected repayment period.

## 2.14 Revenue Recognition

### *Sale of Properties*

Income from sale of properties held is recognised upon completion of the sale and purchase agreement.

### *Development Properties Sold Under Normal Payment Scheme (NPS)*

The Group recognises income on property development projects when the risks and rewards of ownership have been transferred to the buyer through either the transfer of legal title or an equitable interest in a property. In cases where the Group is obliged to perform any significant acts after the transfer of legal title or an equitable interest, revenue is recognised as the acts are performed based on the percentage of completion method under Recommended Accounting Practice (RAP) 11 *Pre-completion Contracts for the Sale of Development Property* issued by the Institute of Certified Public Accountants of Singapore in October 2005. Under RAP 11, when (a) construction is beyond a preliminary stage, (b) minimum down payment criteria are met, (c) sales prices are collectible, and (d) aggregate sales proceeds and costs can be reasonably estimated, the percentage of completion method is an allowed alternative. If any of the above criteria are not met, pre-completion proceeds received are accounted for as deposits until such criteria are met.

Under the percentage of completion method, profit is brought into the financial statements only in respect of sales procured and to the extent that such profit relates to the progress of construction work. The progress of construction work is determined based on the stage of completion certified by an architect or a quantity surveyor.

### *Development Properties Sold Under Deferred Payment Scheme (DPS)*

In view of the higher risk profile under DPS, the revenue is deemed to become more certain and probable only when the project is awarded TOP. Accordingly, profits on property development projects sold under DPS are recognised based on the initial deposit received and/or receivable and upon TOP of the project, and only in respect of finalised sales agreements.

### *Properties in the United Kingdom*

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

## 2.14 Revenue Recognition (cont'd)

### *Rental Income*

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

### *Hotel Revenue*

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

### *Dividend Income*

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

### *Interest Income*

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

### *Distribution Income*

Distribution received from investment in private equity funds which constitute a return of capital are treated as return of investment and are set off against the carrying value of investment. Any other distributions are taken to the income statement.

## 2.15 Finance Costs

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

Capitalisation of interest for a development of property is discontinued upon the receipt of the Temporary Occupation Permit (TOP) issued by the relevant authority.

## 2.16 Income Tax Expense

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

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries, associates and jointly-controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

## 3 Property, Plant and Equipment

| | Freehold land and building $'000 | Leasehold improvements $'000 | Furniture, fittings and office equipment $'000 | Motor vehicles $'000 | Property under construction $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Cost/Valuation** | **Valuation** | **Cost** | **Cost** | **Cost** | **Cost** | |
| At 1 January 2006, as previously reported | – | 1,787 | 1,454 | 1,472 | – | 4,713 |
| Transfer from investment property to property, plant and equipment | 42,287 | – | – | – | – | 42,287 |
| At 1 January 2006, as restated | 42,287 | 1,787 | 1,454 | 1,472 | – | 47,000 |
| Translation differences | – | – | – | 7 | – | 7 |
| Transfer from investment property to property, plant and equipment | 4,439 | – | – | – | – | 4,439 |
| Additions | – | – | 56 | 4 | – | 60 |
| Disposals | – | (1,165) | (334) | (9) | – | (1,508) |
| At 31 December 2006 | 46,726 | 622 | 1,176 | 1,474 | – | 49,998 |
| | | | | | | |
| At 1 January 2007, as previously reported | – | 622 | 1,176 | 1,474 | – | 3,272 |
| Transfer from investment property to property, plant and equipment | 46,726 | – | – | – | – | 46,726 |
| At 1 January 2007, as restated | 46,726 | 622 | 1,176 | 1,474 | – | 49,998 |
| Translation differences | – | – | – | (7) | – | (7) |
| Transfer from development properties | – | – | – | – | 9,991 | 9,991 |
| Additions | 1,864 | – | 358 | 137 | 17,834 | 20,193 |
| Surplus on revaluation | 45,782 | – | – | – | – | 45,782 |
| Disposals | – | – | (343) | – | – | (343) |
| At 31 December 2007 | 94,372 | 622 | 1,191 | 1,604 | 27,825 | 125,614 |
| | | | | | | |
| **Accumulated depreciation and impairment losses** | | | | | | |
| At 1 January 2006 | – | 1,619 | 1,199 | 322 | – | 3,140 |
| Translation differences | – | – | – | 7 | – | 7 |
| Depreciation charge for the year | – | 125 | 135 | 170 | – | 430 |
| Disposals | – | (1,165) | (333) | (9) | – | (1,507) |
| At 31 December 2006 | – | 579 | 1,001 | 490 | – | 2,070 |
| Translation differences | – | – | – | (7) | – | (7) |
| Depreciation charge for the year | 1,072 | 11 | 136 | 189 | – | 1,408 |
| Disposals | – | – | (341) | – | – | (341) |
| At 31 December 2007 | 1,072 | 590 | 796 | 672 | – | 3,130 |
| | | | | | | |
| **Carrying amount** | | | | | | |
| At 1 January 2006 | 42,287 | 168 | 255 | 1,150 | – | 43,860 |
| At 31 December 2006 | 46,726 | 43 | 175 | 984 | – | 47,928 |
| At 31 December 2007 | 93,300 | 32 | 395 | 932 | 27,825 | 122,484 |

## 3 Property, Plant and Equipment (cont'd)

| Company | Furniture, fittings and office equipment $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2006 | 192 | 395 | 587 |
| Additions | 20 | 4 | 24 |
| Disposals | (7) | (9) | (16) |
| At 31 December 2006 | 205 | 390 | 595 |
| Additions | 12 | – | 12 |
| Disposals | (2) | – | (2) |
| At 31 December 2007 | 215 | 390 | 605 |
| **Accumulated depreciation and impairment losses** | | | |
| At 1 January 2006 | 140 | 89 | 229 |
| Depreciation charge for the year | 30 | 54 | 84 |
| Disposals | (7) | (9) | (16) |
| At 31 December 2006 | 163 | 134 | 297 |
| Depreciation charge for the year | 24 | 54 | 78 |
| Disposals | (2) | – | (2) |
| At 31 December 2007 | 185 | 188 | 373 |
| **Carrying amount** | | | |
| At 1 January 2006 | 52 | 306 | 358 |
| At 31 December 2006 | 42 | 256 | 298 |
| At 31 December 2007 | 30 | 202 | 232 |

### *Change in Accounting Policy*

(a) The Group adopted FRS 40 *Investment Property* on 1 January 2007. Following the adoption of FRS 40, the Group carried out a review of the classification of investment properties on a property-by-property basis. From the review, a property comprising a freehold land and building, with carrying amount of $46,726,000 as at 31 December 2006 did not meet the definition of investment property. As a result, the property was transferred from investment property to property, plant and equipment.

The change in accounting policy relating to the classification of property has been accounted for retrospectively in accordance with the requirements of FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The comparatives have been restated.

(b) In addition, the Group revalued the property mentioned in (a) on 1 January 2007. The revalued amount of the property was determined based on an independent valuation carried out by Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("Colliers"), a firm of independent professional valuers, at open market value on an existing use basis. The surplus on revaluation of the property amounting to $45,782,000 has been transferred to the revaluation reserve of the Group.

As at 31 December 2007, the carrying amount of freehold land and building of the Group would have been $43,036,000 (2006: $42,792,000) had the freehold land and building been carried at cost less accumulated depreciation and impairment losses.

## 3 Property, Plant and Equipment (cont'd)

### *Security*

The following property, plant and equipment is pledged as security to secure bank loans:

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Freehold land and building | 93,300 | 46,726 |

### *Property, Plant and Equipment Under Construction*

During the year, the Group acquired a land parcel for a consideration of $11,427,000. The Group intends to erect a new building on the site and has commenced construction during the current financial year. The construction costs incurred during the financial year amounted to $2,353,000.

The Group has also commenced construction of another building on an existing land parcel for future use as investment properties; costs incurred up to 31 December 2007 totalled $14,045,000 (2006: $9,991,000).

## 4 Investment Properties

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| **Freehold properties** | | |
| At 1 January, as previously reported | 66,114 | 61,675 |
| Transfer to property, plant and equipment (see Note 3) | (46,726) | (42,287) |
| Effect of adopting FRS 40 | 3,212 | – |
| At 1 January, as restated | 22,600 | 19,388 |
| Additions | 33,883 | 4,439 |
| Transfer to property, plant and equipment (see Note 3) | – | (4,439) |
| Changes in fair value | 4,017 | – |
| At 31 December | 60,500 | 19,388 |
| **Leasehold properties** | | |
| At 1 January, as previously reported | 58,620 | 65,738 |
| Effect of adopting FRS 40 | 6,150 | – |
| At 1 January, as restated | 64,770 | 65,738 |
| Additions | 149,250 | – |
| Changes in fair value | 79,280 | – |
| Impairment loss on leasehold properties | – | (7,118) |
| At 31 December | 293,300 | 58,620 |
| Total investment properties | 353,800 | 78,008 |

## 4 Investment Properties (cont'd)

Investment properties are revalued as at 31 December 2007 by Colliers, a firm of independent professional valuers that has appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared considering the aggregate of the estimated net cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time period.

Investment properties comprise a number of commercial properties that are leased to external customers. Each of the leases contains an initial non-cancellable period of 1 to 3 years. Subsequent renewals are negotiated with the lessee. There are no contingent rents arising from the lease of investment properties.

Certain investment properties with carrying value amounting to $304,600,000 (2006: $nil) have been pledged to secure banking facilities granted to the Group (see note 18).

## 5 Subsidiaries

| | Company | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Equity investments, at cost | 41,391 | 41,391 |
| Discount implicit in interest-free loans to subsidiaries | 2,252 | 4,588 |
| Impairment loss | (1,000) | (1,000) |
| | 42,643 | 44,979 |

Certain of the interest-free loans granted by the Company to the subsidiaries were repaid ahead of schedule. This resulted in the decrease of the discount implicit in such interest-free loans by $2,336,000 (2006: $1,764,000).

## 5 Subsidiaries (cont'd)

Details of the subsidiaries are as follows:

| Name of subsidiary | Country of incorporation | Effective equity held by the Group 2007 % | 2006 % |
|---|---|---|---|
| @ Ho Bee Developments Pte Ltd and its subsidiaries: | Singapore | 100 | 100 |
| @ Ho Bee (Eastwood Park) Pte Ltd | Singapore | 100 | 100 |
| @ Ho Bee (Pasir Ris) Pte Ltd | Singapore | 100 | 100 |
| @ Legion Holdings Pte Ltd | Singapore | 60 | 60 |
| @ Ho Bee Realty Pte Ltd | Singapore | 100 | 100 |
| @ Ho Bee (Sentosa) Pte Ltd | Singapore | 100 | 100 |
| @ Pacific Rover Pte Ltd | Singapore | 100 | 100 |
| @ Soon Wing Properties Pte Ltd | Singapore | 100 | 100 |
| @ HBO Investments Pte Ltd | Singapore | 100 | 100 |
| @ HB Properties International Pte Ltd | Singapore | 100 | 100 |
| @ HB Venture Capital Pte Ltd | Singapore | 100 | 100 |
| @ Ho Bee Homes Pte Ltd | Singapore | 100 | 100 |
| @ Ho Bee Cove Pte. Ltd. | Singapore | 90 | 90 |
| @ HBS Investments Pte Ltd and its subsidiaries: | Singapore | 70 | 70 |
| * Parliament View Developments Limited | United Kingdom | 70 | 70 |
| ** Parliament View Management Company Limited | United Kingdom | 70 | 70 |

@ Audited by KPMG Singapore.
* Audited by a member firm of KPMG International.
** Not required to be audited in its country of incorporation.



## 6 Associates

| | Group 2007 $'000 | Group 2006 $'000 | Company 2007 $'000 | Company 2006 $'000 |
|---|---|---|---|---|
| Investments in associates, at cost | 320 | 570 | 320 | 570 |
| Discount implicit in interest-free loan to associate | 315 | 315 | 315 | 315 |
| Share of post-acquisition profit/(loss) | 1,852 | (548) | – | – |
| | 2,487 | 337 | 635 | 885 |

Details of the associates are as follows:

| Name of associate | Country of incorporation | Effective equity held by the Group 2007 % | 2006 % |
|---|---|---|---|
| * Hasidon Holdings Pte Ltd | Singapore | 32 | 32 |
| 1 Taewin Pte Ltd | Singapore | – | 25 |

* Audited by Chan-Soh & Co.
1 Taewin Pte Ltd was liquidated during the year.

## 6 Associates (cont'd)

Summarised financial information on the associate is set out below:

| | 2007<br>$'000 | 2006<br>$'000 |
|---|---|---|
| **Results** | | |
| Revenue | 647 | 576 |
| Profit after taxation | 12,758 | 51 |
| | | |
| **Assets and liabilities** | | |
| Total assets | 25,904 | 14,587 |
| Total liabilities | 12,822 | 12,699 |
| | | |
| Group's share of contingent liabilities | 2,443 | 2,504 |

The summarised financial information is not adjusted for the percentage of ownership held by the Group.

In the previous financial year, the Group had not recognised losses relating to an associate where the Group's share of losses exceeded the carrying amount of its investment in the associate. As at 31 December 2006, the Group's share of these cumulative unrecognised losses was $1,553,000. The Group had no obligation in respect of these losses.

## 7 Jointly-controlled Entities

| | Group | | Company | |
|---|---|---|---|---|
| | 2007<br>$'000 | 2006<br>$'000 | 2007<br>$'000 | 2006<br>$'000 |
| Investments in jointly-controlled entities, at cost | 2,000 | 1,000 | 1,500 | 500 |
| Share of accumulated profits | 126 | 142 | – | – |
| | 2,126 | 1,142 | 1,500 | 500 |

Details of the jointly-controlled entities are as follows:

| | Name of jointly-controlled entities | Country of incorporation | Effective equity held by the Group | |
|---|---|---|---|---|
| | | | 2007<br>% | 2006<br>% |
| @ | Bodenheim Investments Pte Ltd | Singapore | 50 | 50 |
| * | Cavernbond Limited | United Kingdom | 50 | 50 |
| @ | Calne Pte Ltd | Singapore | 50 | 50 |
| @ | Seaview (Sentosa) Pte Ltd | Singapore | 50 | – |
| @ | Rivershore Pte Ltd | Singapore | 50 | – |

@ Audited by KPMG Singapore.
* Not required to be audited in its country of incorporation.

## 7 Jointly-controlled Entities (cont'd)

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

| | 2007<br>$'000 | 2006<br>$'000 |
|---|---|---|
| **Results** | | |
| Revenue | 8 | 152 |
| Expenses | (24) | 116 |
| Profit after income tax | (16) | 268 |
| | | |
| **Assets and liabilities** | | |
| Current assets | 523,089 | 1,236 |
| Current liabilities | (1,853) | (94) |
| Non-current liabilities | (519,110) | – |
| Net assets | 2,126 | 1,142 |
| | | |
| Group's share of jointly-controlled entities' capital commitments | 65,519 | 131,400 |

## 8 Other Assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2007<br>$'000 | 2006<br>$'000 | 2007<br>$'000 | 2006<br>$'000 |
| At cost | | | | |
| Club membership | 150 | 150 | – | – |
| Other investments | 3,374 | 2,717 | – | – |
| | 3,524 | 2,867 | – | – |

## 9 Financial Assets

| | Group | | Company | |
|---|---|---|---|---|
| | 2007<br>$'000 | 2006<br>$'000 | 2007<br>$'000 | 2006<br>$'000 |
| **Non-current assets** | | | | |
| **Investments designated at fair value through profit and loss** | | | | |
| Investment in private equity funds | 6,222 | 4,196 | – | – |
| | | | | |
| **Available-for-sale investments** | | | | |
| - Unquoted equity investments | 1,564 | 1,738 | – | – |
| - Unquoted debt securities | | | | |
| - interest bearing | 3,467 | 3,107 | – | – |
| - non-interest bearing | 11,218 | 10,390 | – | – |
| | 14,685 | 13,497 | – | – |
| - Quoted equity investment | 1,098 | 1,393 | 1,098 | 1,393 |
| | 17,347 | 16,628 | 1,098 | 1,393 |
| | 23,569 | 20,824 | 1,098 | 1,393 |
| **Current assets** | | | | |
| **Investments held for trading** | | | | |
| Quoted equity investments | 138 | 139 | 56 | 55 |
| | | | | |
| Total financial assets | 23,707 | 20,963 | 1,154 | 1,448 |

## 9 Financial Assets (cont'd)

The debt securities do not have fixed terms of repayment and represent, in substance, the Group's net investment in the issuer, and are stated at cost less accumulated impairment losses. The interest bearing amounts bear interest at 7.25% (2006: 7.31%) per annum. Interest rates reprice annually.

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

## 10 Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| **Non-current assets** | | | | |
| Amounts due from: | | | | |
| - subsidiaries (non-trade) | | | | |
| - interest bearing | – | – | 322,041 | 188,542 |
| - non-interest bearing | – | – | 3,201 | 16,613 |
| - jointly-controlled entities (non-trade) | | | | |
| - interest bearing | 160,846 | 14,100 | 160,846 | 14,100 |
| - associate (non-trade) | | | | |
| - non-interest bearing | 1,306 | 1,306 | 1,306 | 1,306 |
| - other (non-trade) | – | 166 | – | – |
| | 162,152 | 15,572 | 487,394 | 220,561 |

The above amounts are unsecured and are not expected to be repaid within the next 12 months. There is no allowance for doubtful debts arising from the outstanding balances.

Terms and conditions of the above outstanding amounts are as follows:

| | Effective interest rate | Expected year of maturity | 2007 | | 2006 | |
|---|---|---|---|---|---|---|
| | | | Face value | Carrying amount | Face value | Carrying amount |
| | % | | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | |
| Amounts due from jointly-controlled entities | 2.70 – 3.37 | 2010 – 2011 | 160,846 | 160,846 | 14,100 | 14,100 |
| Amounts due from associate * | 4.75 | 2009 – 2010 | 1,520 | 1,306 | 1,520 | 1,306 |
| Other * | 7.31 | 2009 | – | – | 166 | 166 |
| | | | 162,366 | 162,152 | 15,786 | 15,572 |
| **Company** | | | | | | |
| Amounts due from subsidiaries | | | | | | |
| - interest bearing | 3.50 | 2010 – 2011 | 322,041 | 322,041 | 188,542 | 188,542 |
| - non-interest bearing * | 4.75 | 2009 | 4,065 | 3,201 | 19,551 | 16,613 |
| | | | 326,106 | 325,242 | 208,093 | 205,155 |
| Amounts due from jointly-controlled entities | 2.70 – 3.37 | 2010 – 2011 | 160,846 | 160,846 | 14,100 | 14,100 |
| Amounts due from associate * | 4.75 | 2009 – 2010 | 1,520 | 1,306 | 1,520 | 1,306 |
| | | | 162,366 | 162,152 | 15,620 | 15,406 |
| | | | 488,472 | 487,394 | 223,713 | 220,561 |

* The effective interest rates are the prevailing market interest rates of similar loans used to discount the loans to subsidiaries and associate to their fair value at inception.

## 11 Deferred Tax

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

| Group | At 1 January 2006 $'000 | Recognised in income statement (note 25) $'000 | At 31 December 2006 $'000 | Recognised in income statement (note 25) $'000 | At 31 December 2007 $'000 |
|---|---|---|---|---|---|
| **Deferred tax liabilities** | | | | | |
| Development properties | 8,523 | (2,584) | 5,939 | 32,110 | 38,049 |
| Property, plant and equipment | – | – | – | 4 | 4 |
| Income not remitted into Singapore | 163 | (139) | 24 | 80 | 104 |
| Others | 46 | (46) | – | – | – |
| Total | 8,732 | (2,769) | 5,963 | 32,194 | 38,157 |
| **Deferred tax assets** | | | | | |
| Property, plant and equipment | (111) | 94 | (17) | (57) | (74) |
| Tax value of losses carry-forward | (557) | 72 | (485) | 485 | – |
| Total | (668) | 166 | (502) | 428 | (74) |

As at 31 December 2007, the Group has unutilised tax losses amounting to approximately $nil (2006: $2,425,000) which are available for set-off against future taxable income subject to the agreement of the Comptroller of Income Tax and compliance with Section 37 of the Singapore Income Tax Act, Chapter 134.

## 12 Development Properties

| | Note | Group 2007 $'000 | Group 2006 $'000 | Company 2007 $'000 | Company 2006 $'000 |
|---|---|---|---|---|---|
| Properties held for sale | | 79,872 | 85,632 | – | 1,800 |
| Properties under development: | | | | | |
| - Costs incurred and attributable profits | | 2,106,176 | 1,071,215 | – | – |
| - Progress billings | | (1,019,040) | (587,876) | – | – |
| | | 1,087,136 | 483,339 | – | – |
| Total development properties | | 1,167,008 | 568,971 | – | 1,800 |
| Interest capitalised during the year | 24 | 18,246 | 12,850 | – | – |

The finance costs have been capitalised at rates of 2.73% to 4.87% (2006: 3.45% to 5.03%) per annum for development properties.

## 12 Development Properties (cont'd)

The Group's current policy of recognising revenue using the percentage of completion method on its development projects in Singapore is an allowed alternative under RAP 11. The impact on the financial statements, had revenue on the Singapore projects been recognised using the completion of construction method, is as follows:

| | Group Increased/(Decreased) by | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Opening accumulated profits | (29,704) | (42,600) |
| Revenue for the year | (396,238) | 32,080 |
| Profit for the year | (183,495) | 12,896 |
| Development properties as at 1 January | 63,416 | 82,600 |
| Development properties as at 31 December | 276,159 | 63,416 |

## 13 Trade and Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | 16,095 | 50,469 | – | – |
| Accrued receivables | 2,589 | 20,150 | – | – |
| Impairment losses | (138) | (222) | – | – |
| Net receivables | 18,546 | 70,397 | – | – |
| Deposits placed for land purchase | – | 21,398 | – | – |
| Other deposits | 275 | 139 | 3 | 5 |
| Prepayments | 460 | 80 | 23 | 34 |
| Amounts due from: | | | | |
| - subsidiaries (non-trade) | – | – | 8,691 | 16,072 |
| - jointly-controlled entities (non-trade) | 110 | 1 | 109 | – |
| Tax recoverable | 4,098 | 3,349 | 4,042 | 3,143 |
| Other receivables | 370 | 830 | 91 | 18 |
| | 23,859 | 96,194 | 12,959 | 19,272 |

Amounts due from subsidiaries and jointly-controlled entities are unsecured and interest-free, and are repayable on demand. There are no allowances for doubtful debts arising from the outstanding balances.

## 14 Cash and Cash Equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash at banks and in hand | 7,738 | 6,033 | 417 | 298 |
| Fixed deposits | 153,871 | 160,316 | – | – |
| Cash and cash equivalents in cash flow statement | 161,609 | 166,349 | 417 | 298 |

Included in cash and cash equivalents of the Group are amounts held under the Housing Developers (Project Account) (Amendment) Rules 1997, totalling $150,890,000 (2006: $162,198,880), the use of which is subject to restrictions imposed by the aforementioned rules.

The weighted average effective interest rates per annum relating to fixed deposits, at the balance sheet date for the Group is 2.01% (2006: 3.04%). Interest rates reprice at intervals of one, three or six months.

## 15 Share Capital

| | Group and Company | |
|---|---|---|
| | 2007 | 2006 |
| | Number of shares | Number of shares |
| | ('000) | ('000) |
| **Fully paid ordinary shares, with no par value:** | | |
| At 1 January | 737,338 | 617,338 |
| Issue of ordinary shares during the year | – | 120,000 |
| At 31 December | 737,338 | 737,338 |

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

### *Capital Management*

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

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

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

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

The gearing ratio is calculated as net debt divided by total equity (excluding minority interest). Net debt is calculated as borrowings less cash and cash equivalents.

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| Net debt | 901,643 | 220,619 | 6,283 | 502 |
| Total equity (excluding minority interest) | 810,452 | 500,568 | 244,114 | 243,370 |
| **Gearing ratio** | 1.11 | 0.44 | 0.026 | 0.002 |

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2006 and 31 December 2007.

## 16 Reserves

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| Capital reserve | 2,230 | 2,230 | 187 | 187 |
| Currency translation reserve | 2,729 | 3,015 | – | – |
| Fair value reserve | – | (1,893) | – | (1,893) |
| Revaluation reserve | 45,782 | – | – | – |
| Accumulated profits | 554,578 | 292,083 | 38,794 | 39,943 |
| | 605,319 | 295,435 | 38,981 | 38,237 |

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

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised.

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

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

Included in the balance of the accumulated profits is a net accumulated profit of $1,978,000 (2006: loss of $406,000) representing share of post acquisition results of associates and jointly-controlled entities.

## 17 Employee Share Option

The Ho Bee Investment Ltd Share Option Scheme (the Scheme) was approved and adopted by its members at an Extraordinary General Meeting held on 30 May 2001.

The Scheme is administered by a committee, comprising the Chairman and CEO, Mr Chua Thian Poh and 2 Independent Directors, Mr Ch'ng Jit Koon and Mr Tan Keng Boon.

Other statutory information regarding the Scheme are set out below:

(i) The subscription price of the options is determined at the average closing price of the Company's shares on the Singapore Exchange Securities Trading Limited (SGX-ST) on the 3 consecutive market days immediately preceding the date of grant of such options.

(ii) The total number of shares which may be granted under the Scheme shall not exceed 5% of the issued share capital of the Company at any time and from time to time.

(iii) The options vest 1 year after the grant date.

(iv) The options granted expire 10 years after the vesting date unless they are cancelled or have lapsed.

Since the commencement of the Scheme, no options have been granted to directors and/or employees of the Company or its subsidiaries under the Scheme.

## 18 Financial Liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| **Non-current liabilities** | | | | |
| Secured bank loans | 747,985 | 364,268 | – | – |
| **Current liabilities** | | | | |
| Secured bank loans | 313,567 | 21,900 | 5,000 | – |
| Unsecured bank loans | 1,700 | 800 | 1,700 | 800 |
| | 315,267 | 22,700 | 6,700 | 800 |
| Total loans and borrowings | 1,063,252 | 386,968 | 6,700 | 800 |

The secured bank loans are secured on the following assets:

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Property, plant and equipment | 93,300 | 46,726 |
| Investment properties | 304,600 | – |
| Development properties | 1,158,026 | 480,024 |
| Carrying amounts | 1,555,926 | 526,750 |

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

### *Terms and Debt Repayment Schedule*

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

| | Effective interest rate % | Expected year of maturity | 2007 Face value $'000 | 2007 Carrying amount $'000 | 2006 Face value $'000 | 2006 Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Secured bank loans | | | | | | |
| - floating rate | 2.50 – 3.45 | 2008 – 2011 | 1,061,552 | 1,061,552 | 386,168 | 386,168 |
| Unsecured bank loans | | | | | | |
| - floating rate | 3.25 – 3.32 | 2008 | 1,700 | 1,700 | 800 | 800 |
| | | | 1,063,252 | 1,063,252 | 386,968 | 386,968 |
| **Company** | | | | | | |
| Secured bank loans | | | | | | |
| - floating rate | 2.89 – 2.93 | 2008 | 5,000 | 5,000 | – | – |
| Unsecured bank loans | | | | | | |
| - floating rate | 3.25 – 3.32 | 2008 | 1,700 | 1,700 | 800 | 800 |
| | | | 6,700 | 6,700 | 800 | 800 |

## 18 Financial Liabilities (cont'd)

### *Intra-group Guarantees*

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to $1,200,851,000 (2006: $367,609,000) extended to its subsidiaries, associates and jointly-controlled entities. The periods in which the financial guarantees expire as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| Less than 1 year | – | – | 300,045 | 21,900 |
| Between 1 and 5 years | 180,255 | 4,141 | 900,806 | 345,709 |
| | 180,255 | 4,141 | 1,200,851 | 367,609 |

## 19 Other Liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| Amounts due to minority shareholders (non-trade) | 9,982 | 18,186 | – | – |
| Non-current retention sums payable | 4,026 | 1,621 | – | – |
| | 14,008 | 19,807 | – | – |

Amounts due to minority shareholders are unsecured and interest is chargeable at 3.50% (2006: 4.35% to 4.75%) per annum. These amounts have no fixed terms of repayment and are not expected to be repaid within the next 12 months.

## 20 Trade and Other Payables

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2007 | 2006 | 2007 | 2006 |
| | | $'000 | $'000 | $'000 | $'000 |
| Trade payables | | 65 | 246 | – | – |
| Deposits and advances | | | | | |
| from customers | | 3,446 | 2,112 | – | 51 |
| Rental deposits | | 3,660 | 2,264 | – | 8 |
| Accrued operating expenses | | | | | |
| and development expenditure | | 42,252 | 33,553 | 15,419 | 8,422 |
| Derivative financial | | | | | |
| instruments | 31 | 1,422 | 605 | – | – |
| Non-trade amounts due to: | | | | | |
| - subsidiaries | | | | | |
| - interest bearing | | – | – | 151,400 | – |
| - non-interest bearing | | – | – | 128,251 | 37,208 |
| - jointly-controlled entities | | 200 | 200 | – | – |
| - minority shareholder | | 254 | – | – | – |
| Other payables | | 1,639 | 481 | 893 | 26 |
| Retention sums payable | | 3,614 | 4,240 | – | – |
| | | 56,552 | 43,701 | 295,963 | 45,715 |

Amounts due to subsidiaries are unsecured and are repayable on demand. For interest-bearing amounts due to subsidiaries, interests are charged at rates ranging from 2.57% to 2.85% per annum.

Amounts due to jointly-controlled entities and minority shareholder are unsecured and interest-free, and are repayable on demand.

## 21 Revenue

Revenue represents property development income, management fee income, rental income and service charges, and proceeds from letting of hotel rooms, food and beverages and other hotel related services, after eliminating inter-company transactions. Property development income consists of sales proceeds from properties held for resale, and in respect of property development projects, an appropriate portion of the contracted sales value on which profit has been recognised under the percentage of completion method. The amount of each significant category of revenue is as follows:

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Gross proceeds from properties sold | 571,933 | 377,723 |
| Rental income and service charges | 17,469 | 11,956 |
| Gross proceeds from hotel operations | 6,741 | 3,420 |
| | 596,143 | 393,099 |

Included in rental income and service charges is an amount arising from investment properties of $10,950,000 (2006: $3,976,000).

## 22 Other Income

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Interest income | 3,417 | 1,393 |
| Gross dividend from quoted equity investments | 7 | 12 |
| Gain on sale of property, plant and equipment | – | 1 |
| Distribution income from financial assets designated at fair value through profit or loss | 1,662 | – |
| Fair value changes of investment properties | 83,297 | – |
| Fair value changes of financial assets at fair value through profit or loss | 1,313 | 583 |
| Write back of allowance for impairment loss on investment properties | – | 9,740 |
| Reversal of write down of properties held for sale | 4,400 | – |
| Others | 1,883 | 845 |
| | 95,979 | 12,574 |

Included in interest income is an amount arising from the unwinding of discount implicit in the interest-free amount due from an associate amounting to $nil (2006: $59,000).

## 23 Directors' Remuneration

Number of directors in remuneration bands:

| | 2007 Number of Directors | 2006 Number of Directors |
|---|---|---|
| $500,000 and above | 3 | 3 |
| $250,000 to $499,999 | – | – |
| Below $250,000 | 5* | 5* |
| Total | 8 | 8 |

* Includes 5 (2006: 5) independent directors.

## 24 Finance Costs

| | | Group | |
|---|---|---|---|
| | Note | 2007 | 2006 |
| | | $'000 | $'000 |
| Interest expense | | 27,396 | 18,043 |
| Finance costs capitalised in properties under development | 12 | (18,246) | (12,850) |
| | | 9,150 | 5,193 |

## 25 Income Tax Expense

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| **Current tax expense** | | |
| Current year | 13,167 | 29,978 |
| Adjustments for prior years | (1,115) | (4,443) |
| | 12,052 | 25,535 |
| **Deferred tax expense** | | |
| Movements in temporary differences | 33,108 | (2,740) |
| Reduction in tax rate | (557) | – |
| Adjustments for prior years | 71 | 137 |
| | 32,622 | (2,603) |
| Income tax expense | 44,674 | 22,932 |

### *Reconciliation of Effective Tax Rate*

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Profit for the year | 285,551 | 101,140 |
| Total income tax expense | 44,674 | 22,932 |
| Profit excluding income tax | 330,225 | 124,072 |
| Tax calculated using Singapore tax rate at 18% (2006: 20%) | 59,441 | 24,814 |
| Effect of reduction in tax rates | (557) | – |
| Expenses not deductible for tax purposes | 2,551 | 2,762 |
| Tax exempt revenue | (232) | (83) |
| Income not subject to tax | (15,473) | (1,039) |
| Effect of different tax rates in other countries | 366 | 784 |
| Tax incentives | (378) | – |
| Adjustments for prior years | (1,044) | (4,306) |
| | 44,674 | 22,932 |

## 26 Profit for the Year

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

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Direct operating expenses from investment properties | 2,941 | 1,540 |
| Non-audit fees paid to auditors of the Company | 112 | 85 |
| Depreciation of property, plant and equipment | 1,408 | 430 |
| Property, plant and equipment written off | 1 | 1 |
| Exchange loss, net | 1,360 | 1,713 |
| Net change in fair value of financial derivatives | 817 | 1,077 |
| Staff costs | 5,178 | 4,258 |
| Contributions to defined contribution plans included in staff costs | 329 | 267 |
| Loss on dilution of interest in former associate | – | 110 |
| Loss on disposal of investment in an associate | 2 | – |
| Net change in fair value of available-for-sale financial assets transferred from fair value reserve | 2,188 | – |

## 27 Earnings Per Share

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Basic earnings per share is based on: | | |
| Net profit attributable to ordinary shareholders | 272,201 | 98,579 |

| | Group | |
|---|---|---|
| | 2007 Number of shares '000 | 2006 Number of shares '000 |
| Issued ordinary shares in issue at beginning of the year | 737,338 | 617,338 |
| Weighted average number of ordinary shares issued during the year | – | 85,000 |
| Weighted average number of ordinary shares in issue during the year | 737,338 | 702,338 |

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Diluted earnings per share is based on: | | |
| Net profit attributable to ordinary shareholders | 272,201 | 98,579 |

Diluted earnings per share is also computed based on a weighted average of 737,338,000 (2006: 702,338,000) shares as the Company does not have any dilutive potential ordinary shares in existence for the current and previous financial years.

## 28 Dividends

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

| | Group and Company | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Proposed final tax-exempt dividend of 2 cents per share | 14,747 | – |
| Proposed special dividend of 1.25 cents per share less tax of 18% | – | 7,558 |
| Proposed final dividend of 0.75 cents per share less tax of 18% | – | 4,534 |
| | 14,747 | 12,092 |

## 29 Significant Related Party Transactions

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

### *Key Management Personnel Compensation*

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

Key management personnel compensation comprises:

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Directors' fees | 231 | 160 |
| Directors' remuneration: | | |
| - short-term employee benefits | 13,520 | 7,508 |
| | 13,751 | 7,668 |

### *Other Related Party Transactions*

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

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| **Related corporations** | | |
| Rental income | 556 | 563 |
| Operating expenses incurred | 211 | 136 |
| | | |
| **Related parties** | | |
| Sale of properties to directors and their immediate families | 19,533 | 29,794 |

## 30 Commitments

As at 31 December 2007, commitments for expenditure which have not been provided for in the financial statements were as follows:

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Authorised and contracted for: | | |
| - development expenditure | 263,637 | 287,355 |
| - subscription for additional interest in private equity funds | 1,027 | 2,879 |
| - property purchase | – | 354,119 |
| - debt securities | 15,757 | 18,410 |

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

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Within 1 year | 18,818 | 8,019 |
| After 1 year but within 5 years | 18,828 | 4,943 |
| | 37,646 | 12,962 |

## 31 Derivative Financial Instruments

The table below sets out the notional principal amounts and the positive and negative fair values of the Group's derivative financial instruments. Positive and negative fair values represent the mark-to-market values of the derivative contracts held for trading purposes.

| | Notional amount (maturity) | | | | Negative |
|---|---|---|---|---|---|
| | within | 3 to 12 | more than | | fair value |
| Group | 3 months | months | 12 months | Total | (Note 20) |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2007** | | | | | |
| Interest rate derivatives: | | | | | |
| Swaps | – | 250,000 | 50,000 | 300,000 | 1,422 |
| **2006** | | | | | |
| Interest rate derivatives: | | | | | |
| Swaps | – | – | 227,000 | 227,000 | 605 |

The swaps have interest rates ranging from 2.65% to 3.61% (2006: 3.60% to 3.61%) per annum.

## 32 Financial Risk Management

### *Overview*

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

### *Credit Risk*

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

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

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

### *Financial Guarantee*

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

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

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

### *Liquidity Risk*

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

### *Market Risk*

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

## 32 Financial Risk Management (cont'd)

### *Interest Rate Risk*

The Group manages its interest rate exposure by actively reviewing its debt portfolio and switching to cheaper sources of funding in a low interest rate environment to achieve a certain level of protection against interest rate hikes. When necessary, the Group will utilise hedging instruments, such as interest rate swaps, denominated in Singapore dollar to minimise its exposure to interest rate volatility.

Interest rate swaps, which are denominated in Singapore dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposures within the Group's policy.

### *Foreign Currency Risk*

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

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



## 33 Financial Instruments

### *Credit Risk*

*Exposure to Credit Risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | Group Carrying amount | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Financial assets at fair value through profit or loss | 6,360 | 4,335 |
| Available-for-sale financial assets | 17,347 | 16,628 |
| Trade and other receivables | 186,011 | 111,766 |
| Cash and cash equivalents | 161,609 | 166,349 |
| | 371,327 | 299,078 |

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

## 33 Financial Instruments (cont'd)

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

| | Group Carrying amount 2007 $'000 | Group Carrying amount 2006 $'000 |
|---|---|---|
| Residential | 17,983 | 69,845 |
| Commercial | 277 | 368 |
| Retail | 286 | 184 |
| | 18,546 | 70,397 |

### *Impairment losses*

The ageing of trade receivables (excluding accrued receivables) at the reporting date was:

| Group | Gross 2007 $'000 | Impairment losses 2007 $'000 | Gross 2006 $'000 | Impairment losses 2006 $'000 |
|---|---|---|---|---|
| Past due 0 – 30 days | 12,301 | – | 40,410 | – |
| Past due 31 – 120 days | 3,446 | 8 | 7,340 | 77 |
| More than 120 days past due | 348 | 130 | 2,719 | 145 |
| | 16,095 | 138 | 50,469 | 222 |

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

| | Group 2007 $'000 | Group 2006 $'000 |
|---|---|---|
| At 1 January | 222 | 226 |
| Impairment loss written back | (14) | (4) |
| Impairment loss utilised | (70) | – |
| At 31 December | 138 | 222 |

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 30 days. These receivables are mainly arising by customers that have a good record with Group.

## 33 Financial Instruments (cont'd)

### *Liquidity Risk*

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

| | Carrying amount | Cash flows | | | |
|---|---|---|---|---|---|
| | | Contractual cash flows | Within 1 year | Within 1 to 5 years | More than 5 years |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | |
| **2007** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Secured bank loans | 1,061,552 | (1,118,316) | (438,920) | (679,396) | – |
| Unsecured bank loans | 1,700 | (1,756) | (1,756) | – | – |
| Amounts due to minority shareholders | 9,982 | (10,680) | (349) | (10,331) | – |
| Retention sum payable | 7,640 | (7,640) | (3,614) | (4,026) | – |
| **Derivative financial instruments** | | | | | |
| Interest rate swaps | 1,422* | (1,035) | (1,021) | (14) | – |
| | 1,082,296 | (1,139,427) | (445,660) | (693,767) | – |
| **2006** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Secured bank loans | 386,168 | (406,216) | (225,742) | (180,474) | – |
| Unsecured bank loans | 800 | (818) | (818) | – | – |
| Amounts due to minority shareholders | 18,186 | (20,468) | (761) | (19,707) | – |
| Retention sum payable | 5,861 | (5,861) | (4,240) | (1,621) | – |
| **Derivative financial instruments** | | | | | |
| Interest rate swaps | 605* | (284) | (192) | (92) | – |
| | 411,620 | (433,647) | (231,753) | (201,894) | – |

* This relates to the negative fair value of the derivative financial instruments.

| | Carrying amount | Contractual cash flows | Within 1 year | Within 1 to 5 years | More than 5 years |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **2007** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Secured bank loans | 5,000 | (5,146) | (5,146) | – | – |
| Unsecured bank loans | 1,700 | (1,756) | (1,756) | – | – |
| | 6,700 | (6,902) | (6,902) | – | – |
| **2006** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Unsecured bank loans | 800 | (818) | (818) | – | – |

## 33 Financial Instruments (cont'd)

### *Currency Risk*

*Exposure to Currency Risk*

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

| | 31 December 2007 | | | | 31 December 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | Pound Sterling $'000 | US dollar $'000 | Renminbi $'000 | Australia dollar $'000 | Pound Sterling $'000 | US dollar $'000 | Renminbi $'000 | Australia dollar $'000 |
| **Group** | | | | | | | | |
| Financial assets | – | 22,471 | – | 1,098 | – | 19,431 | – | 1,393 |
| Trade and other receivables | 373 | – | 119 | – | 397 | – | 1,705 | – |
| Cash and cash equivalents | 1,915 | 1,654 | 15 | – | 429 | 20 | 14 | – |
| Trade and other payables | 619 | – | 6 | – | 851 | – | – | – |
| | 2,907 | 24,125 | 140 | 1,098 | 1,677 | 19,451 | 1,719 | 1,393 |
| **Company** | | | | | | | | |
| Financial assets | – | – | – | 1,098 | – | – | – | 1,393 |

*Sensitivity Analysis*

The foreign currency which the Group is significantly exposed to is the US dollar. A 10% strengthening of the Singapore dollar against the US dollar at the reporting date would decrease profit before income tax by amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | Group Profit before income tax $'000 |
|---|---|
| **31 December 2007** | |
| US dollar | (2,413) |
| **31 December 2006** | |
| US dollar | (1,945) |

A 10% weakening of the Singapore dollar against the above currency would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

## 33 Financial Instruments (cont'd)

### Interest Rate Risk

*Sensitivity Analysis*

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

| Group | Profit before income tax in income statement<br>100 bp increase<br>$'000 | <br>100 bp decrease<br>$'000 | Balance sheet<br>100 bp increase<br>$'000 | <br>100 bp decrease<br>$'000 |
|---|---|---|---|---|
| **31 December 2007** | | | | |
| Variable rate instruments | (4,216) | 4,216 | 6,354 | (6,354) |
| Interest rate swaps | 2,133 | (2,143) | 2,133 | (2,143) |
| | (2,083) | 2,073 | 8,487 | (8,497) |
| **31 December 2006** | | | | |
| Variable rate instruments | (167) | 167 | 3,703 | (3,703) |
| Interest rate swaps | 2,975 | (3,055) | 2,975 | (3,055) |
| | 2,808 | (2,888) | 6,678 | (6,758) |

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

### *Estimation of Fair Values*

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

*Financial Assets*

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

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

*Derivatives*

The fair value of the interest rate swaps is based on banks quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

*Amounts Due From Subsidiaries, Associates and Jointly-controlled Entities*

The carrying value of amounts due from subsidiaries, associates and jointly-controlled entities that reprice within six months of the balance sheet date approximate their fair values. Fair value is calculated based on discounted expected future principal and interest cash flows.

## 33 Financial Instruments (cont'd)

*Amounts Due to Minority Shareholders*

The carrying value of amounts due to minority shareholders that reprice within six months of the balance sheet date approximate their fair values. Fair value is calculated based on discounted expected future principal and interest cash flows.

*Interest-bearing Bank Loans (Secured)*

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

*Other Financial Assets and Liabilities*

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

### *Interest Rates Used in Determining Fair Values*

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

| | 2007<br>% | 2006<br>% |
|---|---|---|
| Derivatives | 2.5 – 2.7 | 3.5 |
| Financial liabilities | 2.5 – 3.4 | 4.2 – 4.9 |
| Receivables | 2.7 – 3.4 | 4.5 – 4.8 |
| Payables | 3.5 | 4.4 – 4.8 |

### *Fair Values Versus Carrying Amounts*

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

| | 2007 | | 2006 | |
|---|---|---|---|---|
| **Group** | **Carrying amount $'000** | **Fair value $'000** | **Carrying amount $'000** | **Fair value $'000** |
| Available-for-sale financial assets | 17,347 | 17,347 | 16,628 | 16,628 |
| Financial assets designated at fair value through profit or loss | 6,222 | 6,222 | 4,196 | 4,196 |
| Financial assets held for trading | 138 | 138 | 139 | 139 |
| Trade and other receivables | 186,011 | 186,011 | 111,766 | 111,766 |
| Cash and cash equivalents | 161,609 | 161,609 | 166,349 | 166,349 |
| Financial liabilities | (1,063,252) | (1,063,252) | (386,968) | (386,968) |
| Trade and other payables | (70,560) | (70,560) | (63,508) | (63,508) |
| | (762,485) | (762,485) | (151,398) | (151,398) |
| **Company** | | | | |
| Available-for-sale financial assets | 1,098 | 1,098 | 1,393 | 1,393 |
| Financial assets held for trading | 56 | 56 | 55 | 55 |
| Trade and other receivables | 500,353 | 500,353 | 239,833 | 239,833 |
| Cash and cash equivalents | 417 | 417 | 298 | 298 |
| Financial liabilities | (6,700) | (6,700) | (800) | (800) |
| Trade and other payables | (295,963) | (295,963) | (45,715) | (45,715) |
| | (199,261) | (199,261) | (195,064) | (195,064) |

## 33 Financial Instruments (cont'd)

It is not practicable to reliably estimate the fair value of unquoted available-for-sale financial assets due to the lack of quoted market prices in an active market, significant range of reasonable fair value estimates, and the inability to reasonably assess the probabilities of the various estimates. However, management believes that the carrying amount recorded at balance sheet date reflect the corresponding fair values.

## 34 Segment Information

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on mutually agreed terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, interest income, interest expenses and related assets and liabilities.

*(i) Business Segments*

The Group comprises the following main business segments:

Property investment: Investment in properties.
Property development: The development, construction and trading in properties.
Investment holding: The investing activities in quoted and unquoted securities and private equity funds.
Hotel : The ownership and management of the hotel.

*(ii) Geographical Segments*

The hotel, property investment and investment holding segments are managed on a worldwide basis, but operate in three principal geographical areas.

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

**(a) Business Segments**

| | Property investment $'000 | Property development $'000 | Investment holding $'000 | Hotel $'000 | Consolidated total $'000 |
|---|---|---|---|---|---|
| **2007** | | | | | |
| Revenue | 12,698 | 576,704 | – | 6,741 | 596,143 |
| ***Segment Results*** | | | | | |
| Company and subsidiaries | 83,914 | 247,612 | 282 | 2,377 | 334,185 |
| Associate | 2,487 | – | – | – | 2,487 |
| Jointly-controlled entities | – | (16) | – | – | (16) |
| | 86,401 | 247,596 | 282 | 2,377 | 336,656 |
| Unallocated expenses | | | | | (698) |
| Interest expense | | | | | (9,150) |
| Interest income | | | | | 3,417 |
| Income tax expense | | | | | (44,674) |
| Profit for the year | | | | | 285,551 |

| | Property investment $'000 | Property development $'000 | Investment holding $'000 | Hotel $'000 | Consolidated total $'000 |
|---|---|---|---|---|---|
| **2007** | | | | | |
| ***Significant Non-cash Expenses*** | | | | | |
| Depreciation and amortisation | 519 | – | 77 | 812 | 1,408 |
| Reversal of write down of properties held for sale | – | 4,400 | – | – | 4,400 |
| **2006** | | | | | |
| Revenue | 7,495 | 382,184 | – | 3,420 | 393,099 |
| ***Segment Results*** | | | | | |
| Company and subsidiaries | 10,836 | 117,243 | 159 | 537 | 128,775 |
| Associates | (467) | – | – | – | (467) |
| Jointly-controlled entities | – | 268 | – | – | 268 |
| | 10,369 | 117,511 | 159 | 537 | 128,576 |
| Unallocated expenses | | | | | (709) |
| Unallocated income | | | | | 5 |
| Interest expense | | | | | (5,193) |
| Interest income | | | | | 1,393 |
| Income tax expense | | | | | (22,932) |
| Profit for the year | | | | | 101,140 |
| ***Significant Non-cash Expenses*** | | | | | |
| Depreciation and amortisation | – | 430 | – | – | 430 |
| Write back of allowance for impairment loss on investment properties | 9,740 | – | – | – | 9,740 |
| **2007** | | | | | |
| ***Assets and Liabilities*** | | | | | |
| Segment assets | 480,521 | 1,517,380 | 9,117 | 1,051 | 2,008,069 |
| Associate | 2,487 | – | – | – | 2,487 |
| Jointly-controlled entities | – | 2,126 | – | – | 2,126 |
| Unallocated assets | – | – | – | – | 10,161 |
| Total assets | 483,008 | 1,519,506 | 9,117 | 1,051 | 2,022,843 |
| Segment liabilities | 170,266 | 904,092 | 124 | 1,042 | 1,075,524 |
| Unallocated liabilities | – | – | – | – | 114,509 |
| Total liabilities | 170,266 | 904,092 | 124 | 1,042 | 1,190,033 |
| ***Capital Expenditure*** | 18,769 | – | 12 | 1,412 | 20,193 |

| | Property investment $'000 | Property development $'000 | Investment holding $'000 | Hotel $'000 | Consolidated total $'000 |
|---|---|---|---|---|---|
| **2006** | | | | | |
| ***Assets and Liabilities*** | | | | | |
| Segment assets | 144,845 | 838,033 | 5,749 | 571 | 989,198 |
| Associates | 337 | – | – | – | 337 |
| Jointly-controlled entities | – | 1,142 | – | – | 1,142 |
| Unallocated assets | – | – | – | – | 8,171 |
| Total assets | 145,182 | 839,175 | 5,749 | 571 | 998,848 |
| Segment liabilities | 9,228 | 423,158 | 42 | 598 | 433,026 |
| Unallocated liabilities | – | – | – | – | 55,838 |
| Total liabilities | 9,228 | 423,158 | 42 | 598 | 488,864 |
| ***Capital Expenditure*** | 60 | – | – | – | 60 |

## (b) Geographical Segments

| | China $'000 | Singapore $'000 | United Kingdom $'000 | Consolidated total $'000 |
|---|---|---|---|---|
| **2007** | | | | |
| Total revenue | – | 589,020 | 7,123 | 596,143 |
| Segment assets | 17,432 | 1,978,189 | 12,448 | 2,008,069 |
| Capital expenditure | – | 20,193 | – | 20,193 |
| **2006** | | | | |
| Total revenue | 1,762 | 379,483 | 11,854 | 393,099 |
| Segment assets | 18,212 | 958,471 | 12,515 | 989,198 |
| Capital expenditure | – | 60 | – | 60 |

## 35 Accounting Estimates and Judgements

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

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

*Impairment of Other Investments*

The Group's management makes certain assumption that the value of other investments is appreciating in the long run. The assumption is based on current market conditions for the investments. The Group determines the impairment of other investments on an annual basis. When market value is not available, management will make a comparison with similar investments. Such comparison will require judgement on the similarity with the investments.

*Impairment Loss on Trade Receivables*

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

*Assessment of Stage of Completion and Estimated Total Construction Costs of Development Properties*

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

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

## 36 Contingent Liabilities (Unsecured)

A former contractor filed a claim against the Company for $150,484 for variation works and for reduction of alleged unfairly assessed liquidated damages of $980,000 for work performed in previous years. The Directors are of the view that there are no merits to the claim and the Company intends to vigorously resist the action. As the Directors are of the view that the claim by the former contractor is unlikely to succeed, no provision has been made for the claim.

## 37 Comparative Information

Comparatives in the financial statements have been changed from the previous year due to changes in accounting policies as described in the respective notes.

## 38 New Accounting Standards and Interpretations Not Yet Adopted

The Group has not applied the following accounting standards (including their consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

- Amendments to FRS 23 — *Borrowing Costs*
- FRS 108 — *Operating Segments*
- INT FRS 111 — *FRS 102 Group and Treasury Share Transactions*
- INT FRS 112 — *Service Concession Arrangements*

FRS 23 (amended) will become effective for financial statements for the year ending 31 December 2009. FRS 23 (amended) removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group's current policy is consistent with the FRS 23 (amended) requirement to capitalise borrowing costs.

FRS 108 will become effective for financial statements for the year ending 31 December 2009. FRS 108, which replaces FRS 14 *Segment Reporting*, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group is currently reviewing the presentation of segments for disclosure under FRS 108.

The initial application of these standards (and their consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of accounting standards issued after the balance sheet date.

## Development Properties

| | Location | Description | Land Tenure | Stage of Completion (Sq m) | Site area (Sq m) | Gross Floor Area | Actual / Expected Date of Completion | Group's Effective Interest |
|---|---|---|---|---|---|---|---|---|
| | **Singapore** | | | | | | | |
| 1 | Coral Island Sentosa Cove | 21 units of bungalow | Leasehold -99 years | 100% | 17,153 | 12,865 | July 2007 | 100% |
| 2 | Montview 63 Mt Sinai Drive | 115-unit condominium | Freehold | 85% | 5,800 | 14,302 | March 2008 | 100% |
| 3 | Vertis 20 Amber Gardens | 42-unit condominium | Freehold | 30% | 1,970 | 5,517 | March 2009* | 100% |
| 4 | Paradise Island Sentosa Cove | 29 units of bungalow | Leasehold -99 years | 35% | 23,026 | 17,269 | March 2009* | 100% |
| 5 | The Coast at Sentosa Cove Sentosa Cove | 249-unit condominium | Leasehold -99 years | 35% | 25,684 | 47,308 | June 2009* | 90% |
| 6 | Quinterra 359 Holland Road | 55-unit condominium | Leasehold -99 years | 30% | 3,663 | 7,691 | December 2008* | 100% |
| 7 | Orange Grove Residences 27/29/31/33/35/37 Orange Grove Road | 60-unit condominium | Freehold | 30% | 8,567 | 11,994 | June 2009* | 100% |
| 8 | The Orange Grove 36/38 Orange Grove Road | 72-unit condominium | Freehold | - | 9,193 | 14,709 | December 2010* | 100% |
| 9 | Trilight 7/9 Newton Road | 152-unit condominium | Freehold | - | 10,327 | 28,917 | December 2011* | 100% |
| 10 | Turquoise Sentosa Cove | 91-unit condominium | Leasehold -99 years | - | 11,103 | 18,319 | June 2010* | 90% |

*Expected date of completion

## Developed Properties

| | Location | Description | Land Tenure | Type of Development | Lettable/ Saleable Area (Sq m) | Group's Effective Interest |
|---|---|---|---|---|---|---|
| | **Singapore** | | | | | |
| 1 | TG Building<br>222 Tagore Lane | a block of 4-storey high-tech warehouse building | Freehold | Industrial | 11,686 | 100% |
| 2 | Frontech Centre<br>15 Jalan Kilang Barat | a block of 8-storey high-tech industrial building | Leasehold-99 years | Industrial | 6,446 | 100% |
| 3 | HB Centre 1<br>12 Tannery Road | a block of 10-storey high-tech industrial building | Freehold | Industrial | 7,662 | 100% |
| | **London** | | | | | |
| 1 | Parliament View<br>1 Albert Embankment<br>London SE 1 | 5 units of apartments | Freehold | Residential | 575 | 70% |

## Investment Properties & Hotel

| | Location | Description | Tenure of Land | Lettable Area (sq m) | Group's Effective Interest |
|---|---|---|---|---|---|
| 1 | 9 Temasek Boulevard<br>17th Floor Suntec City Tower 2 | 1 floor of office space | Leasehold - 99 yrs | 1,117 | 60% |
| 2 | 9 Temasek Boulevard<br>20th Floor Suntec City Tower 2 | 1 floor of office space | Leasehold - 99 yrs | 1,117 | 100% |
| 3 | 623A Bukit Timah Rd | SPC petrol station | Leasehold - 999 yrs | 1,857 | 100% |
| 4 | Hotel Windsor<br>401 Macpherson Rd | 225 room hotel with commercial space | Freehold | 14,400 | 100% |
| 5 | Eastwood Centre<br>20 Eastwood Road | 2 units of retail space for supermarket | Leasehold - 99 yrs | 972 | 100% |
| 6 | Kovan Centre<br>9 Yio Chu Kang Road | 2 storey of retail space | Freehold | 3,821 | 100% |
| 7 | 15, 17, 19, 21, 23, 45 & 47<br>Kaki Bukit Rd 2 | 7 units of terrace warehouse | Leasehold - 60 yrs | 5,619 | 100% |
| 8 | Samsung Hub<br>3 Church Street | 8 floors of office space | Leasehold - 999 yrs | 9,015 | 100% |
| 9 | 55 Jalan Pemimpin | 4-storey factory building | Leasehold - 999 yrs | 5,017 | 100% |
| 10 | HB Centre 2<br>31 Tannery Lane | A block of 8-storey light industrial building | Freehold | 3,216 | 100% |
| 11 | One Tannery<br>1 Tannery Road | A block of 9-storey light industrial building | Freehold | 6,208 | 100% |

## Properties held for Sale

| | Location | Description | Land Tenure | Saleable Area (sq m) | Group's Effective Interest |
|---|---|---|---|---|---|
| | **Shanghai** | | | | |
| 1 | Changyuan<br>888 Yu Yuan Road, Shanghai | 1 unit of apartment | Leasehold - 70 yrs | 190 | 100% |

## SHARE CAPITAL

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

## SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 5 March 2008, 33.59% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual is complied with.

## ANALYSIS OF SHAREHOLDINGS

| Range of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 999 | 5 | 0.05 | 1,613 | 0.00 |
| 1,000 - 10,000 | 8,428 | 88.44 | 26,555,010 | 3.60 |
| 10,001 - 1,000,000 | 1,072 | 11.25 | 46,304,600 | 6.28 |
| 1,000,001 and above | 25 | 0.26 | 664,476,777 | 90.12 |
| | 9,530 | 100.00 | 737,338,000 | 100.00 |

## TOP 20 SHAREHOLDERS

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | Ho Bee Holdings (Pte) Ltd | 462,500,000 | 62.73 |
| 2 | DBS Nominees Pte Ltd | 57,671,395 | 7.82 |
| 3 | Citibank Nominees Singapore Pte Ltd | 29,087,855 | 3.94 |
| 4 | HSBC (Singapore) Nominees Pte Ltd | 25,455,662 | 3.45 |
| 5 | DBSN Services Pte Ltd | 17,756,547 | 2.41 |
| 6 | Airjet Auto-Care Pte Ltd | 12,345,000 | 1.67 |
| 7 | DB Nominees (S) Pte Ltd | 8,422,033 | 1.14 |
| 8 | Raffles Nominees Pte Ltd | 7,012,867 | 0.95 |
| 9 | UOB Kay Hian Pte Ltd | 6,872,000 | 0.93 |
| 10 | Chua Pin Chong | 6,610,000 | 0.90 |
| 11 | United Overseas Bank Nominees Pte Ltd | 6,149,318 | 0.83 |
| 12 | Chua Thiam Chok | 3,459,000 | 0.47 |
| 13 | Yap Boh Sim | 3,000,000 | 0.41 |
| 14 | Phillip Securities Pte Ltd | 2,128,000 | 0.29 |
| 15 | Morgan Stanley Asia (S) Securities Pte Ltd | 1,786,100 | 0.24 |
| 16 | DBS Vickers Securities (S) Pte Ltd | 1,766,000 | 0.24 |
| 17 | Ong Chong Hua | 1,732,000 | 0.23 |
| 18 | Capital Intelligence Limited | 1,580,000 | 0.21 |
| 19 | Kim Eng Securities Pte. Ltd. | 1,528,000 | 0.21 |
| 20 | Royal Bank Of Canada (Asia) Ltd | 1,500,000 | 0.20 |
| | | 658,361,777 | 89.27 |

## SUBSTANTIAL SHAREHOLDERS

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| **Substantial Shareholders** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| Ho Bee Holdings (Pte) Ltd | 462,500,000 | 62.73 | 12,345,000[1] | 1.67 |
| Chua Thian Poh | - | - | 474,845,000[2] | 64.40 |
| Ng Noi Hinoy | - | - | 474,845,000[3] | 64.40 |
| Chua Kong Chian | - | - | 474,845,000[4] | 64.40 |

### Notes

(1) Ho Bee Holdings (Pte) Ltd is deemed to have an interest in 12,345,000 shares held by Airjet Auto-Care Pte Ltd.

(2) Chua Thian Poh is deemed to have an interest in 462,500,000 shares held by Ho Bee Holdings (Pte) Ltd and 12,345,000 shares held by Airjet Auto-Care Pte Ltd.

(3) Ng Noi Hinoy is deemed to have an interest in 462,500,000 shares held by Ho Bee Holdings (Pte) Ltd and 12,345,000 shares held by Airjet Auto-Care Pte Ltd.

(4) Chua Kong Chian is deemed to have an interest in 462,500,000 shares held by Ho Bee Holdings (Pte) Ltd and 12,345,000 shares held by Airjet Auto-Care Pte Ltd.

NOTICE IS HEREBY GIVEN that the 20th annual general meeting of Ho Bee Investment Ltd will be held at 12 Tannery Road #10-01, HB Centre 1, Singapore 347722 on Tuesday, 29 April 2008 at 10.30 a.m. for the following purposes:-

## Ordinary Business

1 To receive and adopt the audited financial statements for the year ended 31 December 2007 and the reports of the directors and auditors thereon.

2 To declare a one-tier tax exempt final dividend of 2 cents per ordinary share for the year ended 31 December 2007.

3 To approve directors' fees of S$245,833 for the year ended 31 December 2007. (2006: S$145,450)

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

4.1 "That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Ch'ng Jit Koon be re-appointed a director of the Company to hold office until the next annual general meeting of the Company."

Note: Mr Ch'ng Jit Koon is an independent non-executive director. If re-appointed, he will remain a member and the chairman of the audit committee.

4.2 "That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Tan Eng Bock be re-appointed a director of the Company to hold office until the next annual general meeting of the Company."

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

Note: Mr Tan Keng Boon is the lead independent non-executive director. If re-elected, he will remain a member of the audit committee.

6 To re-elect Mr Chan Cheow Tong Jeffery who will retire by rotation pursuant to Article 104 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

Note: Mr Chan Cheow Tong Jeffery is an independent non-executive director. If re-elected, he will remain a member of the audit committee.

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

## Special Business

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

8.1 "That pursuant to Section 161 of the Companies Act, Cap. 50 and the provisions of Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the directors of the Company be authorised and empowered 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 of the Company may in their absolute discretion deem fit; and

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

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

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the number of issued shares in the capital of the Company as at the date of the passing of this resolution, excluding treasury shares, after adjusting for:-

(a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards outstanding or subsisting as at the date of the passing of this resolution; and

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

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

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

8.2 "That authority be and is hereby given to the directors of the Company to offer and grant options in accordance with the provisions of the Ho Bee Investment Ltd Share Option Scheme (the "Scheme") and to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of the options under the Scheme, provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed 5% of the total number of issued shares, excluding treasury shares, in the capital of the Company at any time and from time to time."

9 To transact such other business as can be transacted at an annual general meeting of the Company.

By Order of the Board

Low Lai Sai
Company Secretary

Singapore
2 April 2008

## Note

A member entitled to attend and vote at the annual general meeting may appoint not more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 12 Tannery Road #10-01, HB Centre 1, Singapore 347722 not less than 48 hours before the time appointed for the meeting.

### Statement Pursuant to Article 64 of the Company's Articles of Association

The ordinary resolution proposed in item 8.1 above, if passed, will empower the directors from the date of the above meeting until the date of the next annual general meeting, or the date by which the next annual general meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to issue further shares and Instruments in the Company. The maximum number of shares and Instruments which the directors may issue under this resolution shall not exceed the quantum set out in this resolution.

The ordinary resolution proposed in item 8.2 above, if passed, will authorise the directors to offer and grant options in accordance with the provisions of the Ho Bee Investment Ltd Share Option Scheme and to allot and issue shares thereunder.

## NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATES

NOTICE IS HEREBY GIVEN that the transfer book and register of members of the Company will be closed on 13 May 2008 for the purpose of determining members' entitlements to the one-tier tax exempt final dividend for the year ended 31 December 2007.

Duly completed transfers received by the Company's Registrar, M & C Services Private Limited at 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906 up to 5.00 p.m. on 12 May 2008 will be registered before entitlements to the one-tier tax exempt final dividend are determined.

Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 12 May 2008 will be entitled to the one-tier tax exempt final dividend.

The one-tier tax exempt final dividend, if approved by the members at the Company's 20th annual general meeting to be held on 29 April 2008, will be paid on 29 May 2008.

By Order of the Board

Low Lai Sai
Company Secretary

Singapore
2 April 2008

## HO BEE INVESTMENT LTD

(Incorporated In The Republic Of Singapore)
Company Registration No. 198702381M

**IMPORTANT**

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

## PROXY FORM

I/We ____________________________________________, NRIC/Passport no. ______________________________

of ________________________________________________________________________________
being a member/members of Ho Bee Investment Ltd hereby appoint

| Name | Address | NRIC/Passport No. | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

and/or (delete as appropriate)

| Name | Address | NRIC/Passport No. | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll at the 20th annual general meeting of the Company to be held at 12 Tannery Road #10-01, HB Centre 1, Singapore 347722 on Tuesday, 29 April 2008 at 10.30 a.m. and at any adjournment thereof.

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

| No. | Resolutions | For | Against |
|---|---|---|---|
| 1 | Adoption of audited financial statements and reports | | |
| 2 | Declaration of one-tier tax exempt final dividend | | |
| 3 | Approval of directors' fees | | |
| 4.1 | Re-appointment of Mr Ch'ng Jit Koon as director | | |
| 4.2 | Re-appointment of Mr Tan Eng Bock as director | | |
| 5 | Re-election of Mr Tan Keng Boon as director | | |
| 6 | Re-election of Mr Chan Cheow Tong Jeffery as director | | |
| 7 | Re-appointment of KPMG as auditors | | |
| 8.1 | Authority to issue shares and make grant instruments convertible into shares | | |
| 8.2 | Authority to offer and grant options and allot and issue shares under the Ho Bee Investment Ltd Share Option Scheme | | |

Dated this ____________ day of ____________________ 2008

Total Number of Shares Held

| |
|---|
| |

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

**IMPORTANT**
**PLEASE READ NOTES OVERLEAF**

Notes

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

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

3 The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 12 Tannery Road #10-01, HB Centre 1, Singapore 347722 not less than 48 hours before the time appointed for the meeting.

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

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

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

7 A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

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

*HO BEE INVESTMENT LTD*
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Tel: +65 67490833  Fax: +65 67459167
Website: www.hobee.com
Company Registration No. 198702381M