

HO BEE ANNUAL REPORT 2010

Journey



HO BEE GROUP

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We have come a distance.

For 24 years, we have been driven by a vision of creating property projects of distinction. Each development is thoroughly researched, and innovative architecture and engineering are merged with stylish design. It has been a wonderful journey thus far and we invite you to take a walk with us through these years.

We've been
to where
the land meets
the seas...

Seascape at Sentosa, Singapore



... and where
the sun shines
on the greens.

Turquoise at Sentosa, Singapore



To grounds higher
than the rest...

Trilight, Singapore



... and crossed seas
to distant lands.

Residential Development at Xujing, Qingpu District, Shanghai, China



At times,
we push boundaries.
Taking on challenges
as we see.

Office Towers at One North, Singapore



It has been an
amazing journey.
But stopping,
we are not.
For every step we take,
take us further.

And higher.

Chairman's Message

Dear Shareholders,

2010 was another year of great achievement for Ho Bee Group. Not only have we continued to perform above expectation, registering the second highest record in profits attributable to shareholders in the history of the Group, but we've also expanded our investments in the People's Republic of China ("PRC") and made a sizeable acquisition for a commercial development in Singapore.

STERLING FINANCIAL RESULTS

Despite a much lower turnover of S\$539 million due to lower recognition of revenue from property development projects for the year ended 31st December 2010, the Group recorded a strong net profit after tax and minority interest of S\$308.4 million. This translated into earnings per share of 41.9 cents and was only marginally weaker than the earnings recorded in the preceding year.

The good results were boosted by gains from the sale of and fair value changes in investment properties amounting to S\$31.6 million and S\$66.5 million respectively. Another contributing factor was the share of profits of S\$51.6 million from jointly controlled entities.

The Group's financial position remains strong. Shareholders fund as at 31st December 2010 has strengthened to S\$1.48 billion, representing a net tangible assets ("NTA") of S\$2.01 per share, an increase of 23% over the same period last year. The ratio of net borrowings over equity at 0.46 times, is still at a healthy level.

PROPOSED DIVIDEND

The Board is recommending a one-tier tax exempt final dividend of 3.0 cents per share. Including the interim dividend of 1.0 cent paid out earlier last year, the aggregate dividend payment for FY 2010 will be 4 cents per share. Subject to shareholders' approval at the Annual General Meeting of the Company to be held on 26 April 2011, the final dividend will be paid on 31 May 2011.

BUSINESS REVIEW

Property Development

Turnover for property development for FY 2010 was S\$506.7 million, 55% lower than that of the previous year. This was due to the exceptional recognition of revenue from property developments in FY 2009, when five residential projects, namely Vertis, Quinterra, Orange Grove Residences, The Coast and Paradise Island, were completed.

During the year, Temporary Occupation Permits were obtained for residential projects, Turquoise at Sentosa Cove and The Orange Grove at Orange Grove Road. Our JV project, Seascape at Sentosa Cove was completed at the end of February 2011.

For our One-North development project comprising 1.2 million sq ft of commercial space, planning permission has been granted and construction work has commenced. Due for completion in the 4th quarter of 2013, this twin towers development standing at 21 and 23 storeys is set to become the new business icon in One-North.

The Group has also embarked on the redevelopment of its industrial building at 55 Jalan Pemimpin. The new development known as One Pemimpin, comprising 115 strata units of high-tech industrial building has started construction early this year and is expected to complete by the 2nd quarter of 2012. The marketing launch has just commenced and is expected to be well received.

Property Investment

Revenue from property investment for FY 2010 increased 25% from S\$20.2 million in the corresponding period last year to S\$25.3 million.

The Group's financial position remains strong. Shareholders fund as at 31st December 2010 has strengthened to S\$1.48 billion, representing a NTA of S\$2.01 per share, an increase of 23% over the same period last year.





We are honoured to be awarded the Forbes Asia Best Under A Billion in 2010 – a distinction that recognises the region's top 200 small and midsize companies.

The Board is optimistic about the Group's performance in 2011 where earnings are expected to remain positive with the progressive recognition of income from the sale of development projects in the previous and current years.

During the last quarter of 2010, the Group sold several of its investment properties, TG Building, Frontech Centre and four floors of office space at Samsung Hub, generating a net gain of S\$30.2 million. Another ground floor space at Samsung Hub and Platinum 28, a high-tech industrial building had also been contracted for sale, completion of which took place in the 1st quarter this year.

The above disposal is part of the Group's strategy to rationalise its investment property portfolio, following the acquisition of 1.2 million sq ft of prime commercial development in One-North. This new investment is expected to increase our recurring income by four fold when fully let out.

BUSINESS PROSPECTS

Statistics from the Urban Redevelopment Authority continued to register a smaller increase of 2.7% in the prices of private residential properties in the 4th quarter of 2010 as compared to 2.9% in the previous quarter.

The recent anti-speculation measures introduced by the government in mid-January 2011 are expected to have a more dampening impact on both the volume of transactions and prices

of private residential properties. This will provide acquisition opportunities for the Group.

The Board is optimistic about the Group's performance in 2011 where earnings are expected to remain positive with the progressive recognition of income from the sale of development projects in the previous and current years. Our investments in the PRC and the commercial development project in One-North will also contribute to the Group's earnings in the years ahead.

CORPORATE SOCIAL RESPONSIBILITY

Even as the Group continues to grow, we have not forgotten our corporate social responsibility to the public. We have established Ho Bee Foundation (the "Foundation") as the philanthropic arm of the Ho Bee Group.

The Foundation was incorporated as a public company limited by guarantee in Singapore on 10 October 2010 and was officially registered as a charity on 10 November 2010.

The Group shall be making donations to the Foundation from time to time, and the Foundation shall channel such donations towards supporting a host of worthy charitable causes in Singapore, such as education, the arts, culture, sports and social welfare.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere gratitude to all management and staff for their dedication and contribution to the growth of the Group. Last but not least, I would also like to convey my utmost appreciation to all our loyal shareholders, customers, business associates for their invaluable support.

Chua Thian Poh
Chairman & CEO



HB
CENTRE
I&H

Board of Directors

Mr Chua Thian Poh

Chairman and CEO

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

Mr Chua sits on the board of numerous civil and business organisations. Among his other appointments, he is the Chairman of Singapore Federation of Chinese Clan Associations, Immediate Past President of the Singapore Chinese Chamber of Commerce and Industry, Chairman of Business China and the Chairman of the Bishan East Citizens' Consultative Committee. Mr Chua is also the Trustee cum Chairman of the Finance and Establishment Committee of the Chinese

Development Assistance Council as well as the chairman of Ren Ci Hospital & Medicare Centre.

In August 2004, Mr Chua was conferred The Public Service Star (BBM) by Singapore President S R Nathan. He has held the appointment of Justice of the Peace since 2005. In March 2007, Mr Chua was being conferred The 2006 Businessman of the Year in the Singapore Business Awards 2007 jointly 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. Mr Woon's career highlights include holding the post of Finance and Administration Manager at two of Indonesia's leading electronics companies.

Mr Ong Chong Hua

Executive Director

Mr Ong joined the Group in August 1995 as an Executive Director. He works with the Chairman in charting the Group's investment, development and marketing strategies for Singapore as well as overseas. In addition, he directs the project management team that drives the construction of the Group's various development projects in Singapore. He 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 before joining Jones Lang LaSalle in 1990 as head of its Consultancy and Project Management Department. Mr Ong holds a Masters degree in Town and Regional Planning from the University of Sheffield, UK.

Mr Ch'ng Jit Koon

Independent Director

Mr Ch'ng was appointed to the Board in November 1999. He also sits on the board of a few other public listed as well as private companies. Mr Ch'ng was a Member of the Singapore Parliament from 1968 to 1996 and held the post of Senior Minister of State, Ministry of Community Development, when he retired in February 1997. An appointed Justice of the Peace, Mr Ch'ng currently serves in several community organisations.



Mr Tan Keng Boon*Lead Independent Director*

Mr Tan was appointed to the Board in November 1999. An active venture capitalist, Mr Tan is the Managing Director of many venture funds managed by Seavi Advent, a group of fund management companies. Additionally, he takes on directorship roles in both local and foreign companies, including Engro Corporation Ltd. Mr Tan's career highlights include serving as the Chairman of the Singapore Venture Capital Association from 1993 to 2001. Mr Tan graduated with a Bachelor of Engineering (Honours) in 1969 from the University of Singapore, where he also received a postgraduate Diploma in Business Administration.

Mr Tan Eng Bock*Independent Director*

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

Mr Bobby Chin Yoke Choong*Independent Director*

Mr Bobby Chin was appointed to the Board in November 2006. He was the Managing Partner of KPMG Singapore from 1992 until his retirement in September 2005. He is a Fellow of the Institute of Certified Public Accountants of Singapore, and an associate member of the Institute of Chartered Accountants in England & Wales. Mr Chin served as a Board member of Urban Redevelopment Authority from 1997 to 2006 and was its Chairman from 2001 to 2006. He is currently the Chairman of Singapore Totalisator Board and a member of the Competition Commission of Singapore, Singapore Labour Foundation and Board of Trustees of Singapore Indian Development Association. He was appointed as a member of the Council of Presidential Advisers in January 2010. Mr Chin serves on the Boards

of several listed companies including Oversea-Chinese Banking Corporation Limited, Yeo Hiap Seng Limited, Neptune Orient Lines Limited, AV Jennings Limited and Sembcorp Industries Ltd.

Mr Jeffery Chan Cheow Tong*Independent Director*

Mr Chan was appointed to the Board on 15th October 2002. He is also an Independent Director of AXA Insurance Singapore Pte Ltd. He is a Fellow of the Institute of Chartered Accountants in England and Wales and of the Institute of Certified Public Accountants of Singapore.



The Management Team

Chong Hock Chang

Associate Director

Hock Chang first joined the Ho Bee Group in 1995 as the Manager in charge of Business Development and Marketing. Elevated to the position as Associate Director of the company this year, he steers the marketing of the Group's investment and development properties as well as develops new business ventures for the Group.

Hock Chang started his career as a Valuer at the Inland Revenue Authority of Singapore. This was followed by a stint serving as a Consultant to Jones Lang Wootton (now known as Jones Lang Lasalle), where he undertook major research and feasibility studies and formulated marketing strategies for clients.

Holder of a Bachelor of Science (Honours) in Estate Management from the National University of Singapore, Hock Chang is a member of the Singapore Institute of Surveyors and Valuers. He is currently serving as a council member in the Management Committee of the Real Estate Developers Association of Singapore.

Nicholas Chua

Associate Director

Nicholas first joined the Group in May 2002 as Manager of Business Development and Marketing. He is responsible for identifying and evaluating business opportunities and the marketing of the Group's investment and development properties. He was promoted to Associate Director in January 2011.

Prior to this, Nicholas was with DBS Group Holdings Ltd. Nicholas graduated with a Bachelor of Science in Finance and Marketing from the University of Oregon.



Soh Hwee Cheow

General Manager,
Projects

Hwee Cheow joined the Group in 1995 as Divisional Manager in charge of Project and Property Management. Currently, he has held the position of General Manager of Projects, where he is responsible for directing the Group's development projects.

Hwee Cheow launched his career in 1982 when he joined a private developer. In 1989, he moved to Jones Lang Wootton (now known as Jones Lang Lasalle), where he served in the Development Consultancy and Project Management Division.

Hwee Cheow graduated with a Bachelor of Law (Honours) from the University of London. His other qualifications include a Diploma in Civil Engineering and an Advanced Diploma in Building Management and Maintenance, both from the Singapore Polytechnic.

Caroline Ee-Lee

General Manager,
HR and Corporate Affairs

Caroline has held the post of General Manager of the Human Resource and Corporate Affairs Department in the Group since 2005.

Caroline began her career at National Computer Systems (now known as NCS) before joining the Singapore Chinese Chamber of Commerce and Industry in 1993 as the Assistant Director of Administration and Special Projects. She left the chamber as the Assistant Executive Director after successfully spinning off Cyber Business Network Pte Ltd, a subsidiary of the chamber, into an independent bilingual Web publishing house providing business solutions that give businesses a distinctive online presence. For her entrepreneurial achievements, Caroline was conferred the Top 10 Woman Entrepreneur of The Year 2000 award by the Singapore Association of Small and Medium Enterprises.

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

Mark Khoo Chee Meng

General Manager,
Hotel Windsor

Mark first came onboard the Ho Bee Group as Project Manager in 1996. When the Group embarked on hotel operations in 2000, Mark was appointed the General Manager of Hotel Windsor.

Mark boasts 15 years of experience in Project and Resort Management in both the private and public sectors. His career included a stint with Khai Chin Realty Management Pte Ltd, where he directed the construction and management of properties. He was also the Director in charge of projects at Sijori Holidays Resort Pte Ltd, where he oversaw the operation of Sijori Resort in Batam.

Lum Hon Chew

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 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

Senior Project Manager

When he joined the Group in 2005, Kar Fai took on the post of Project Manager, where he has been managing Project and Property Management since.

Kar Fai began his career as Senior Project Manager with a G7 building contractor. In 1998, he joined the residential development company, Pidemco Land Ltd which merged with DBS Land Ltd to form Capitaland Residential (S) Ltd till 2005.

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 a Project Manager in charge of Project and Property Management.

Leng Guan began his career as Project Engineer with a G8 building contractor. He next joined a private property developer as a Senior Resident Engineer as well as taking on the role of Site Manager. He was previously 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 joined Ho Bee Group in 1997 and has since been involved in the operations of the Marketing Department. Primarily, she is tasked to oversee the leasing and sale of the properties within the Group, with the focus on industrial and retail properties. Recently promoted to Marketing Manager, she will continue to concentrate on the leasing and marketing of the Group's growing investment portfolio.

Prior to joining Ho Bee, Vivian spent three years with a leading real estate management company as a Property Management Executive, taking care of several industrial and residential developments.

Vivian graduated from Ngee Ann Polytechnic with a Diploma in Building Management before obtaining her Bachelor of Science in Estate Management degree from the Oxford Brooke University.



Portfolio Updates

Completed Residential Projects 2010

2010 saw the completion of four residential properties. These are our joint-venture project in Dakota Residences in April 2010; Turquoise in June 2010 and The Orange Grove in December 2010. Seascape, in Sentosa Cove has also received its Temporary Occupation Permit at the end of February this year.

Dakota Residences, Dakota Crescent

Set to be an outstanding landmark in Mountbatten, Dakota Residences stands out with its remarkable architecture featuring cascading waterscapes while offering expansive views of the city. Surrounded by major sports and recreational facilities, it lies within an easy drive of the business and downtown districts.

Seascape, Sentosa Cove

The epitome of luxurious living, Seascape is nestled within prestigious Sentosa Cove. 151 exclusive waterfront homes flaunting elegant, bold exteriors lie amidst the mystic charm of its natural surroundings and is set against a dramatic backdrop of serene waters.

The Orange Grove, Orange Grove Road

Designed to stand up to the test of time, The Orange Grove offers an exclusive selection of just 72 residences. Its superb location places the Orchard Road belt within a stone's throw while offering spectacular views of both the city skyline and ambient greenery.

Turquoise, Sentosa Cove

Luxury seafront living awaits at Turquoise, a 91-unit apartment development fronted by charming waterways and neighbor to an internationally acclaimed golf course. Breathtaking views and exquisite luxuries including private lifts and 21 private berths make this the crown jewel of Sentosa Cove.



1	2
3	4

- 1 Dakota Residences
- 2 Seascape
- 3 The Orange Grove
- 4 Turquoise

Upcoming Properties

Office Towers at One North

This project is a twin-tower commercial development strategically located along North Buona Vista Road, placing it well within the reach of the MRT Circle Line, East-West Line and all major expressways. An architectural marvel, it offers expansive and flexible column-free space to meet the demanding needs of modern businesses.

The 23-storey Tower 1 and 21-storey Tower 2 offer spacious floor plates averaging 29,000 and 26,000 square feet respectively. Quality fittings, fixtures and facilities provide for optimum and undisrupted business operations while the exclusive Sky Gardens and inspiring vistas of the city make this the most conducive of locations to work, to grow and to succeed. This project will be for lease and will be completed by Q4 2013.

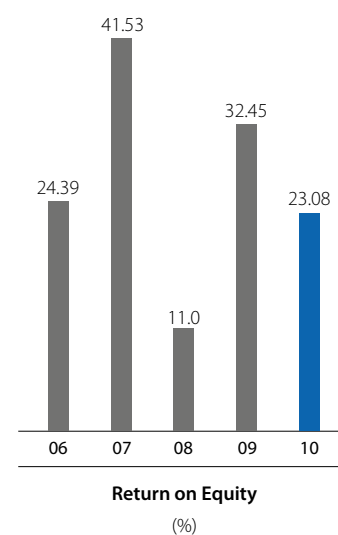
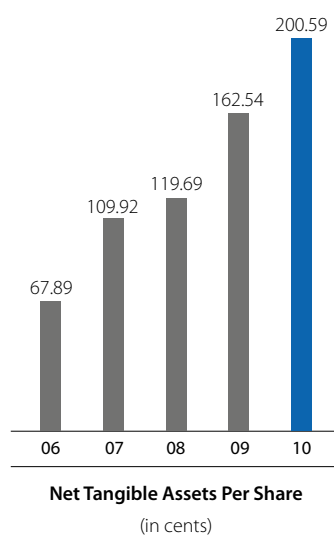
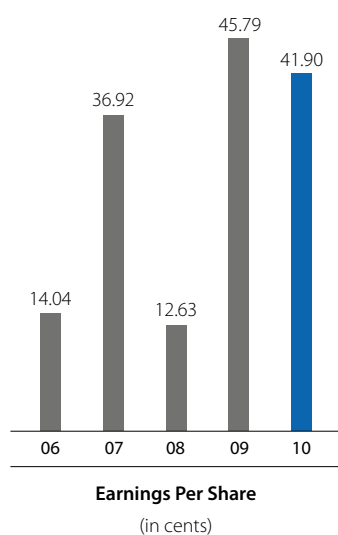
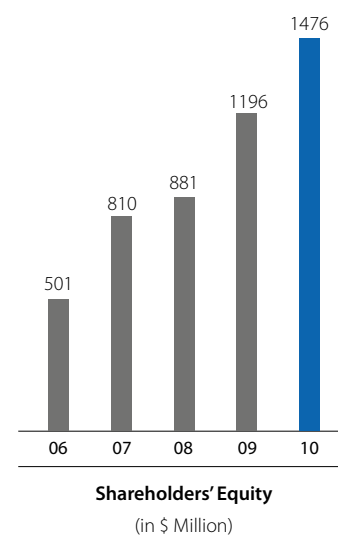
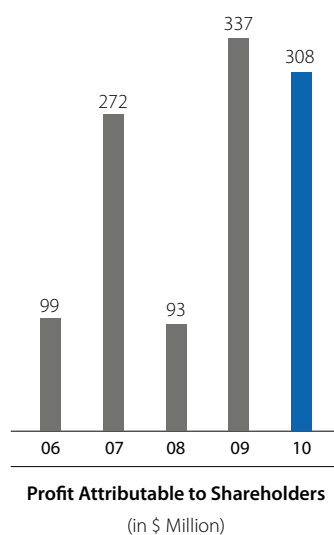
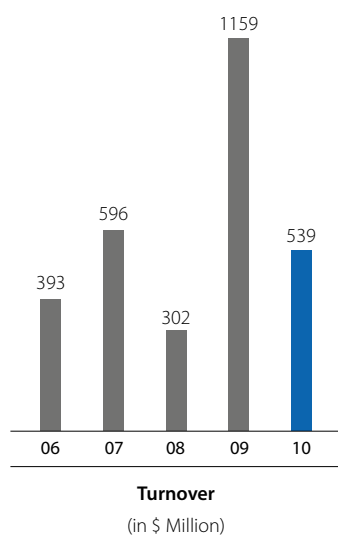


One Pemimpin

A high-tech industrial space located within the Pemimpin Industrial Estate, One Pemimpin is only a short walk away from the Marymount MRT Station and minutes from major expressways. This new development is a sleek and modern 12-storey building with an office-like environment to specially match the needs of light industries. A total of 115 units of strata industrial space, each with an average size of about 1,200 square feet will be made available when the development is ready in 2012.

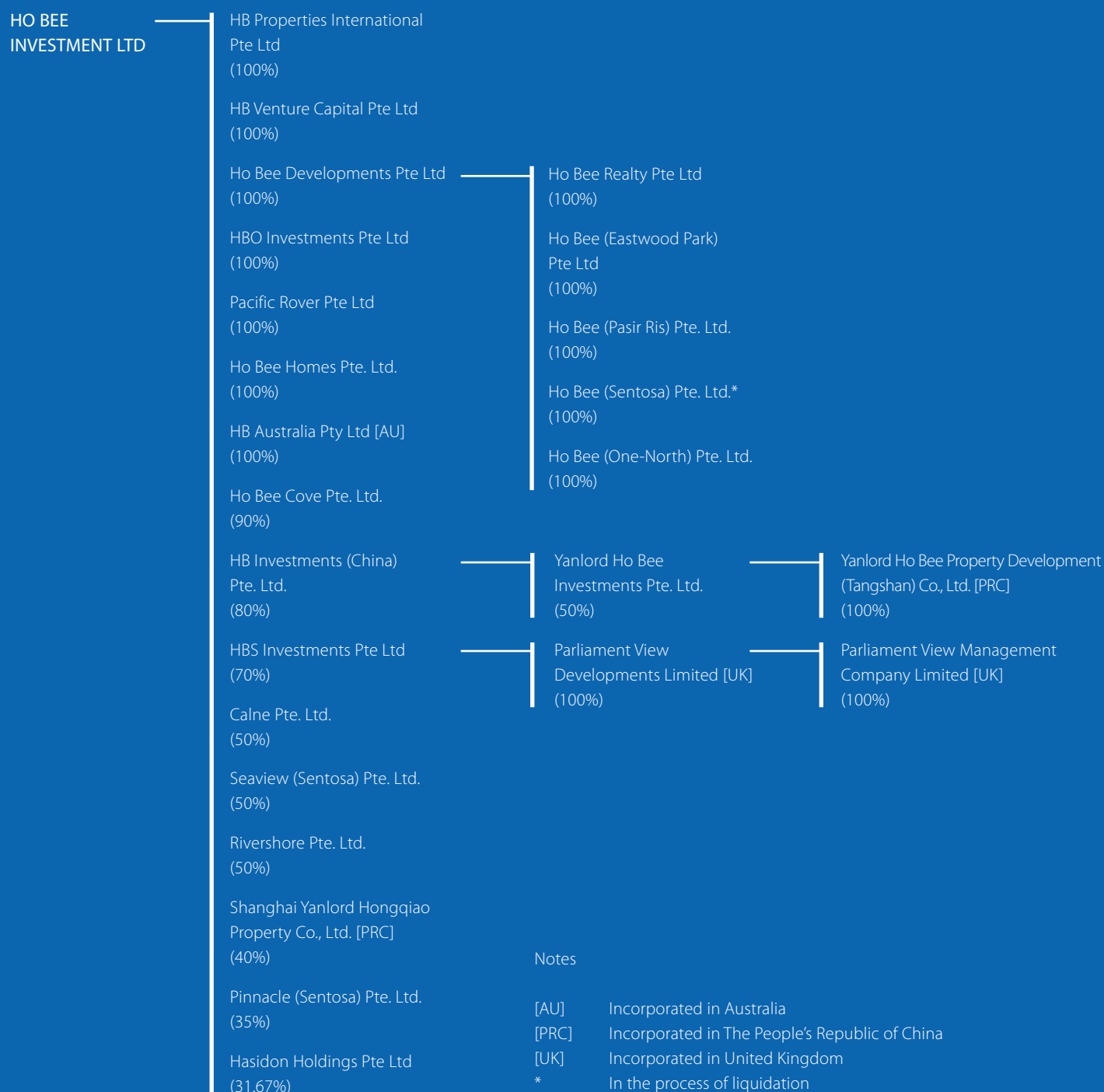


Five-Year Financial Summary



		2006	2007	2008	2009	2010
Turnover	(\$'000)	393,099	596,143	302,081	1,159,250	538,996
Profit Before Taxation & Minority Interest	(\$'000)	124,072	330,225	125,219	446,959	370,324
Profit Attributable to Shareholders	(\$'000)	98,579	272,201	93,066	337,010	308,389
Shareholders' Equity	(\$'000)	500,568	810,452	880,909	1,196,240	1,476,306
Earnings Per Share	(cents)	14.04	36.92	12.63	45.79	41.90
Net Tangible Assets Per Share	(cents)	67.89	109.92	119.69	162.54	200.59
Gross Dividends Per Share	(cents)	2.75	3.0	2.0	4.0	4.0
Return on Equity	(%)	24.39	41.53	11.0	32.45	23.08

Corporate Structure



Corporate Governance

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 report 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 approve strategic plans, key operational and financial issues, evaluate performance of the Group and supervise executive management to achieve optimal shareholders' value.

Board Processes

The Board has established various Board committees to assist in fulfilling its duties and responsibilities. These committees are the Audit 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 2010 is as follows:

Name of Director	Board meeting		AC meeting		NC meeting		RC meeting	
	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 Tian Poh	5	5	NA	NA	1	1	NA	NA
Desmond Woon Choon Leng	5	5	NA	NA	NA	NA	NA	NA
Ong Chong Hua	5	5	NA	NA	NA	NA	NA	NA
Ch'ng Jit Koon	5	5	5	5	1	1	NA	NA
Tan Keng Boon	5	5	5	5	1	1	NA	NA
Jeffery Chan Cheow Tong	5	5	5	5	NA	NA	2	2
Tan Eng Bock	5	5	NA	NA	NA	NA	2	2
Bobby Chin Yoke Choong	5	5	5	5	1	1	2	2

Note: NA means not applicable.

Corporate Governance

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 plans; and
- major acquisitions/disposals.

Training for Directors

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

Corporate Governance

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 Age : 62	8 Aug 1987	NA	NA	Chairman & CEO	NC - Member SOC-Member	
Desmond Woon Choon Leng Age : 55	11 Aug 1995	29 Apr 2010	NA	Executive director		
Ong Chong Hua Age : 56	11 Aug 1995	29 Apr 2009	Masters Degree in Town & Regional Planning	Executive director		
Ch'ng Jit Koon Age : 77	12 Nov 1999	29 Apr 2010	Degree in Economics & Political Science	Independent non-executive director	AC - Member NC - Member SOC-Member	- Ban Leong Technologies Ltd - Pan-United Corporation Ltd - Progen Holdings Ltd - Santak Holdings Ltd - Tung Lok Restaurant (2000) Ltd - Cortina Holdings Limited (Resigned on 31 Mar 2010) - Eastern Asia Technology Limited (Resigned on 9 Feb 2011)
Tan Keng Boon Age : 65	12 Nov 1999	29 Apr 2010	Honours Degree in Engineering	Lead independent non-executive director	AC - Member NC - Chairman SOC-Member	- Engro Corporation Limited - Sunvic Chemical Holdings Ltd (Resigned on 24 Apr 2009)
Jeffery Chan Cheow Tong Age : 62	15 Oct 2002	29 Apr 2008	F.C.A. (Institute of Chartered Accountants in England & Wales)	Independent non-executive director	AC - Member RC - Chairman	
Tan Eng Bock Age : 74	15 Oct 2002	29 Apr 2010	NA	Independent non-executive director	RC - Member	Ban Leong Technologies Ltd
Bobby Chin Yoke Choong Age : 59	29 Nov 2006	29 Apr 2009	Bachelor in Accountancy, ACA (Institute of Chartered Accountants in England & Wales)	Independent non-executive director	AC - Chairman RC - Member NC - Member	- Oversea-Chinese Banking Corporation Limited - AV Jennings Limited - Yeo Hiap Seng Ltd - Neptune Orient Lines Limited - Sembcorp Industries Ltd - The Straits Trading Company Ltd (Resigned on 24 Apr 2008)

Notes: 1) Information on directors' shareholdings in the Company and its related corporations is set out in the Directors' Report on pages 35 - 37.

2) NA means not applicable.

Corporate Governance

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

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 of the Company since its incorporation. The Board is of the opinion that it has a strong and independent group of non-executive directors and is well balanced. In addition, the Company had appointed Mr Tan Keng Boon, an independent non-executive director, to be lead independent director of the Company since 26 February 2007.

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

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

Corporate Governance

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

The NC 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.

The Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee has been provided to all AC members. In carrying out their responsibilities, the AC would refer to the guidebook as appropriate.

Corporate Governance

Internal Audit

The Company has engaged Grant Thornton Advisory 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 a whistle-blowing policy 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 AC.

Corporate Governance

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

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 committee meetings, the extent of participations and contributions, and comparison with industry peers.

Corporate Governance

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.

Corporate Governance

Remuneration of Directors and Key Executives

The remuneration of directors and key executives for the year ended 31 December 2010 is set out in the tables below:

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

Name of director	Salary	Bonus	Fees*	Allowances and other benefits	Total
Above \$9,500,000 and up to \$9,750,000					
Chua Tian Poh <i>Chairman & CEO</i>	6%	93%		1%	100%
Above \$1,000,000 and up to \$1,250,000					
Ong Chong Hua <i>Executive director</i>	25%	72%		3%	100%
Desmond Woon Choon Leng <i>Executive director</i>	26%	72%		2%	100%
\$250,000 and below					
Ch'ng Jit Koon <i>Non-executive director</i>			100%		100%
Tan Keng Boon <i>Non-executive director</i>			100%		100%
Jeffery Chan Cheow Tong <i>Non-executive director</i>			100%		100%
Tan Eng Bock <i>Non-executive director</i>			100%		100%
Bobby Chin Yoke Choong <i>Non-executive director</i>			100%		100%

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

Corporate Governance

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

Name of key executive	Salary	Bonus	Fees	Allowances and other benefits	Total
Above \$500,000 and up to \$750,000					
Chong Hock Chang	33%	67%		–	100%
Above \$250,000 and up to \$500,000					
Soh Hwee Cheow	42%	58%		–	100%
Caroline Ee-Lee	49%	51%		–	100%
Chua Wee Chern*	29%	71%		–	100%
\$250,000 and below					
Mark Khoo Chee Meng	70%	30%		–	100%

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

Information on the Ho Bee Investment Ltd Share Option Scheme is set out in the Directors' Report on page 37.

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 AC, NC and RC are available to answer any question or issue regarding the Company.

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

Corporate Governance

Securities Transactions

The Company has its own internal Code of Best Practices on Securities Transactions. 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. They are also discouraged from dealing in the Company's securities on short-term consideration. The Company has complied with the best practices set out in the Listing Manual of the Singapore Exchange Securities Trading Limited.

Interested Person Transactions (IPT)

The Company has adopted a set of procedures for reporting and approving IPT. Details of IPT for the year ended 31 December 2010 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 - Lease rental	\$22,566	NA
Hin Lung Credit Pte. Ltd. - Motor vehicle expenses - Insurance premium	\$8,976 \$55,369	NA
Airjet Automotive Pte Ltd - Motor vehicles expenses	\$21,316	NA
Ho Bee Print Pte Ltd - Printing expenses	\$30,955	NA
Mr Chua Wee Liong (Cai WeiLong) and Mr Chua Wee Tong - Sale of a condominium unit at Dakota Residences, a 50% joint residential development, for a consideration of \$1,779,520	\$889,760	NA
Mr Chua Tian Poh - Sale of a condominium unit at Seascape, a 50% joint residential development, for a consideration of \$7,585,200	\$3,792,600	NA
Mdm Ng Noi Hinoy - Sale of a condominium unit at Seascape, a 50% joint residential development, for a consideration of \$5,641,600	\$2,820,800	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.

Corporate Information

BOARD OF DIRECTORS

Mr Chua Thian Poh

Chairman and CEO

Mr Desmond Woon Choon Leng

Executive Director

Mr Ong Chong Hua

Executive Director

Mr Tan Keng Boon

Lead Independent Director

Mr Ch'ng Jit Koon

Independent Director

Mr Jeffery Chan Cheow Tong

Independent Director

Mr Tan Eng Bock

Independent Director

Mr Bobby Chin Yoke Choong

Independent Director

MANAGEMENT TEAM

Mr Chong Hock Chang

Associate Director

Mr Nicholas Chua Wee Chern

Associate Director

Mr Soh Hwee Cheow

General Manager
(Projects)

Mrs Caroline Ee-Lee

General Manager
(HR and Corporate Affairs)

Mr Mark Khoo Chee Meng

General Manager
(Hotel Windsor)

Mr Lum Hon Chew

Senior Project Manager

Mr Choong Kar Fai

Senior 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 Bobby Chin Yoke Choong

Chairman

Mr Tan Keng Boon

Mr Jeffery Chan Cheow Tong

Mr Ch'ng Jit Koon

NOMINATING COMMITTEE

Mr Tan Keng Boon

Chairman

Mr Ch'ng Jit Koon

Mr Chua Thian Poh

Mr Bobby Chin Yoke Choong

REMUNERATION COMMITTEE

Mr Jeffery Chan Cheow Tong

Chairman

Mr Tan Eng Bock

Mr Bobby Chin Yoke Choong

EXTERNAL AUDITORS

KPMG LLP

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 Advisory Services Pte. Ltd.

331 North Bridge Road
#04-04/05 Odeon Towers
Singapore 188720

COMPANY REGISTRATION NO.

198702381M

Financial Review

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Directors' Report

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 2010.

Directors

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

Chua Tian 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:

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 Tian Poh				
The Company				
- ordinary shares	–	–	477,145,000	478,081,000
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
HB Investments (China) Pte Ltd				
- ordinary shares	–	–	80,000	80,000
Parliament View Developments Limited				
- ordinary shares of £1 each	–	–	50,000	50,000
Parliament View Management Company Limited				
- ordinary shares of £1 each	–	–	1	1

Directors' Report

Name of director and corporation in which interests are held	Holdings in the name of the director, spouse or infant children		Other holdings in which the director is deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
Chua Thian Poh (cont'd)				
<u>Related corporations</u>				
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
Zen Property Management Pte Ltd				
- ordinary shares	—	—	1,000,000	1,000,000
Desmond Woon Choon Leng				
The Company				
- ordinary shares	2,100,000	2,100,000	—	—
Ong Chong Hua				
The Company				
- ordinary shares	1,800,000	1,800,000	—	—
Ch'ng Jit Koon				
The Company				
- ordinary shares	400,000	400,000	—	—
Tan Keng Boon				
The Company				
- ordinary shares	500,000	500,000	—	—
Jeffery Chan Cheow Tong				
The Company				
- ordinary shares	370,000	370,000	—	—
Bobby Chin Yoke Choong				
The Company				
- ordinary shares	131,000	131,000	—	—

Directors' Report

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 2011.

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 31 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. It will expire on 29 May 2011.

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 Limited 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.

Directors' Report

Corporate Governance

Nominating Committee

The primary objective of the Nominating Committee is to make recommendations to the Board on all Board appointments, and to formally assess 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 Tian 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 package 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:

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

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

The Audit Committee has held 4 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;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the Board of 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 LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Directors' Report

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

On behalf of the Board of Directors

Chua Thian Poh

Chairman

Desmond Woon Choon Leng

Director

23 March 2011

Statement By Directors

In our opinion:

- (a) the financial statements set out on pages 42 to 94 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 2010 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

23 March 2011

Independent Auditors' Report

Members of the Company
Ho Bee Investment Ltd

Report on the financial statements

We have audited the accompanying financial statements of Ho Bee Investment Ltd (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2010, the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 42 to 94.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP

Public Accountants and
Certified Public Accountants

Singapore

23 March 2011

Statements of Financial Position

As at 31 December 2010

		Group		Company	
	Note	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Non-current assets					
Property, plant and equipment	4	102,455	93,391	254	316
Investment properties	5	209,667	305,320	–	–
Subsidiaries	6	–	–	43,176	43,207
Associates	7	300,473	1,901	311,170	728
Jointly-controlled entities	8	(3,707)	(54,664)	1,500	1,000
Other assets	9	4,744	3,524	–	–
Financial assets	10	26,122	28,387	–	–
Other receivables	11	581,951	409,739	578,867	543,262
Deferred tax assets	12	807	8	–	–
		1,222,512	787,606	934,967	588,513
Current assets					
Inventories		18	16	–	–
Development properties	13	1,027,057	845,082	–	–
Investment properties	5	46,433	–	–	–
Trade and other receivables	14	54,923	37,441	93,898	443
Financial assets	10	120	98	59	51
Cash and cash equivalents	15	75,280	171,747	127	95,498
		1,203,831	1,054,384	94,084	95,992
Total assets		2,426,343	1,841,990	1,029,051	684,505
Equity attributable to equity holders of the Company					
Share capital	16	205,133	205,133	205,133	205,133
Reserves	17	1,271,173	991,107	348,057	269,029
		1,476,306	1,196,240	553,190	474,162
Non-controlling interests		23,376	26,395	–	–
Total equity		1,499,682	1,222,635	553,190	474,162
Non-current liabilities					
Loans and borrowings	19	608,500	312,600	85,000	–
Other liabilities	20	17,460	4,780	–	–
Deferred tax liabilities	12	12,756	21,268	–	–
Deferred income	21	3,766	–	–	–
		642,482	338,648	85,000	–
Current liabilities					
Trade and other payables	22	73,314	63,621	360,651	210,014
Loans and borrowings	19	141,700	96,900	30,000	–
Deferred income	21	982	–	–	–
Current tax payable		68,183	120,186	210	329
		284,179	280,707	390,861	210,343
Total liabilities		926,661	619,355	475,861	210,343
Total equity and liabilities		2,426,343	1,841,990	1,029,051	684,505

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

Consolidated Income Statement

Year ended 31 December 2010

	Note	2010 \$'000	2009 \$'000
Revenue	23	538,996	1,159,250
Cost of sales		(298,587)	(608,015)
Gross profit		240,409	551,235
Other income	24	110,248	11,517
Administrative expenses		(22,366)	(22,233)
Other expenses		(7,484)	(38,174)
Results from operating activities		320,807	502,345
Finance costs	26	(2,289)	(6,006)
Share of profits/(losses), net of tax, of:			
- associates		185	(921)
- jointly-controlled entities		51,621	(48,459)
Profit before income tax		370,324	446,959
Income tax expense	27	(52,979)	(86,023)
Profit for the year	28	317,345	360,936
Profit attributable to:			
Owners of the Company		308,389	337,010
Non-controlling interests		8,956	23,926
Profit for the year		317,345	360,936
Earnings per share			
Basic earnings per share (cents)	29	41.90	45.79
Diluted earnings per share (cents)	29	41.90	45.79

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	2010 \$'000	2009 \$'000
Profit for the year	317,345	360,936
Other comprehensive income		
Foreign currency translation differences relating to foreign operations	(5,955)	275
Share of foreign currency translation differences of equity-accounted investee	(12,054)	–
Surplus on revaluation of property, plant and equipment	10,526	221
Other comprehensive income for the year, net of income tax	(7,483)	496
Total comprehensive income for the year	309,862	361,432
Attributable to:		
Owners of the Company	302,145	337,411
Non-controlling interests	7,717	24,021
Total comprehensive income for the year	309,862	361,432

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners of the Company						Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Reserve for own shares \$'000	Capital reserve \$'000	Revaluation reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000			
Group									
At 1 January 2009	205,133	(659)	2,230	47,048	1,633	625,524	880,909	23,354	904,263
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	337,010	337,010	23,926	360,936
Other comprehensive income									
Foreign currency translation differences relating to foreign operations	–	–	–	–	180	–	180	95	275
Surplus on revaluation of property, plant and equipment	–	–	–	221	–	–	221	–	221
Total other comprehensive income	–	–	–	221	180	–	401	95	496
Total comprehensive income for the year	–	–	–	221	180	337,010	337,411	24,021	361,432
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Dividend paid to minority shareholder	–	–	–	–	–	–	–	(21,000)	(21,000)
Capital injection from minority shareholder	–	–	–	–	–	–	–	20	20
Final tax exempt dividend paid of 1 cent per share in respect of 2008	–	–	–	–	–	(7,360)	(7,360)	–	(7,360)
Interim tax exempt dividend paid of 2 cents per share in respect of 2009	–	–	–	–	–	(14,720)	(14,720)	–	(14,720)
Total contributions by and distributions to owners of the Company	–	–	–	–	–	(22,080)	(22,080)	(20,980)	(43,060)
At 31 December 2009	205,133	(659)	2,230	47,269	1,813	940,454	1,196,240	26,395	1,222,635

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners of the Company						Total \$'000	Non- controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Reserve for own shares \$'000	Capital reserve \$'000	Revaluation reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000			
Group									
At 1 January 2010	205,133	(659)	2,230	47,269	1,813	940,454	1,196,240	26,395	1,222,635
Total comprehensive income for the year									
Profit for the year	—	—	—	—	—	308,389	308,389	8,956	317,345
Other comprehensive income/(expense)									
Foreign currency translation differences relating to foreign operations	—	—	—	—	(4,716)	—	(4,716)	(1,239)	(5,955)
Share of foreign currency translation differences of equity-accounted investee	—	—	—	—	(12,054)	—	(12,054)	—	(12,054)
Surplus on revaluation of property, plant and equipment	—	—	—	10,526	—	—	10,526	—	10,526
Total other comprehensive income/(expense)	—	—	—	10,526	(16,770)	—	(6,244)	(1,239)	(7,483)
Total comprehensive income/(expense) for the year	—	—	—	10,526	(16,770)	308,389	302,145	7,717	309,862
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(10,260)	(10,260)
Return of capital to minority shareholders	—	—	—	—	—	—	—	(476)	(476)
Final tax exempt dividend paid of 2 cents per share in respect of 2009	—	—	—	—	—	(14,719)	(14,719)	—	(14,719)
Interim tax exempt dividend paid of 1 cent per share in respect of 2010	—	—	—	—	—	(7,360)	(7,360)	—	(7,360)
Total contributions by and distributions to owners of the Company	—	—	—	—	—	(22,079)	(22,079)	(10,736)	(32,815)
At 31 December 2010	205,133	(659)	2,230	57,795	(14,957)	1,226,764	1,476,306	23,376	1,499,862

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	2010 \$'000	2009 \$'000
Cash flows from operating activities		
Profit for the year	317,345	360,936
Adjustments for:		
Depreciation of property, plant and equipment	1,536	1,466
Loss on disposal of property, plant and equipment	–	1
Unrealised exchange loss	2,666	931
Interest income	(8,067)	(5,219)
Dividend income	(511)	(97)
Distribution income from financial assets designated at fair value through profit or loss	(277)	–
Finance costs	2,289	6,006
Changes in fair value of investment properties	(66,525)	29,548
Net changes in fair value of financial assets at fair value through profit or loss	(401)	579
Net changes in fair value of financial derivatives	(467)	(692)
(Gain)/Loss on disposal of investment properties	(31,614)	137
Write down of properties held for sale	–	3,708
Share of (profits)/losses of:		
- associates	(185)	921
- jointly-controlled entities	(51,621)	48,459
Income tax expense	52,979	86,023
	217,147	532,707
Changes in working capital:		
Development properties	(209,990)	468,265
Inventories	(2)	4
Trade and other receivables	(12,387)	(29,926)
Trade and other payables	12,873	2,854
Cash generated from operations	7,641	973,904
Income taxes paid	(114,230)	(10,727)
Net cash (used in)/from operating activities		
carried forward	(106,589)	963,177

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Note	2010 \$'000	2009 \$'000
Net cash (used in)/from operating activities brought forward		(106,589)	963,177
Cash flows from investing activities			
Advances to jointly-controlled entities		(176,688)	(50,426)
Purchase of property, plant and equipment		(74)	(323)
Proceeds from disposal of property, plant and equipment		–	120
Proceeds from disposal of investment properties		183,535	22,843
Investments in jointly-controlled entities		–	(69)
Investment in associate		(310,442)	–
Purchase of investment properties		–	(924)
Interest received		2,086	1,530
Dividend received		511	97
Purchase of financial assets designated at fair value through profit or loss		(325)	(120)
Investments in debt securities		(6,204)	(3,537)
Repayment of debt securities		5,769	2,759
Distributions from financial assets designated at fair value through profit or loss		985	242
Purchase of other assets		(1,220)	–
Proceeds from liquidation of a jointly controlled entity		–	16
Net cash used in investing activities		(302,067)	(27,792)
Cash flows from financing activities			
Proceeds from/(Repayment to) minority shareholders		11,107	(4,421)
Proceeds from bank loans		822,475	17,876
Repayment of bank loans		(481,775)	(762,296)
Cash and cash equivalents pledged to banks		–	22,495
Decrease in amounts due to jointly-controlled entities (non-trade)		–	(660)
Interest paid		(6,735)	(16,103)
Dividends paid		(22,079)	(22,080)
Dividend paid to minority shareholders		(10,260)	(21,000)
Capital contribution from minority shareholders		–	20
Return of capital to minority shareholders		(476)	–
Net cash from/(used in) financing activities		312,257	(786,169)
Net (decrease)/increase in cash and cash equivalents		(96,399)	149,216
Cash and cash equivalents at 1 January		171,747	22,611
Effect of exchange rate fluctuations on cash held		(68)	(80)
Cash and cash equivalents at 31 December	15	75,280	171,747

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 23 March 2011.

1 Domicile and activities

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

The financial statements of the Company as at and for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and jointly controlled entities.

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

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except 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.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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

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

2.5 Adoption of new and revised FRSs

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on 1 January 2010. The adoption of these new and revised FRSs and INT FRSs does not result in substantial changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

Accounting for business combinations

From 1 January 2010, the Group has applied FRS 103 Business Combinations (2009) in accounting for business combinations. Business combinations are now accounted for using the acquisition method as at the acquisition date (see note 3.1).

Previously, business combinations were accounted for under the purchase method. The cost of an acquisition was 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 was credited to profit or loss in the period of the acquisition. For business acquisitions that were achieved in stages, any existing equity interests in the acquiree were not re-measured to their fair value. Contingent consideration was recognised as an adjustment to the cost of acquisition only when it was probable and can be measured reliably.

The change in accounting policy has been applied prospectively to new business combinations occurring on or after 1 January 2010 and has no material impact on earnings per share.

Notes to the Financial Statements

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which addresses adoption of new and revised FRSs.

3.1 Business of consolidation

Business combinations

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

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

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

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

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

Subsidiaries

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

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

Loss of control

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

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

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

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

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

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

Notes to the Financial Statements

3 Significant accounting policies (cont'd)

3.1 Business of consolidation(cont'd)

Transactions eliminated on consolidation

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

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

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

3.2 Foreign currency

Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss except for differences arising on the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

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, excluding foreign operations in hyper inflationary economies, are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

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

Notes to the Financial Statements

3 Significant accounting policies (cont'd)

3.3 Financial instruments

Non-derivative financial assets

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

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

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

Financial assets at fair value through profit or loss

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

Available-for-sale financial assets

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

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

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.

Loans and receivables

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

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

Non-derivative financial liabilities

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

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

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

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

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

Notes to the Financial Statements

3 Significant accounting policies (cont'd)

3.3 Financial instruments (cont'd)

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 profit or loss 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 profit or loss.

Impairment of financial assets

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

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

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

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

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

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

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

Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Group that 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 are recognised as a deduction from equity, net of any tax effects.

Where share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, net of any tax effects, is presented as a deduction from equity. Where such shares are subsequently reissued, sold or cancelled, the consideration received is recognised as a change in equity. No gain or loss is recognised in profit or loss.

Notes to the Financial Statements

3 Significant accounting policies (cont'd)

3.4 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 profit or loss. A decrease in value is recognised in profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to accumulated profits and is not taken into account in arriving at the gain or loss on disposal.

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

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

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

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

The estimated useful lives for the current and comparative years 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.

3.5 Goodwill

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

Goodwill represents the excess of:

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

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

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

Notes to the Financial Statements

3 Significant accounting policies (cont'd)

3.6 Investment properties

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

Investment property is measured at fair value with any change therein recognised in profit or loss. Rental income from investment properties is accounted for in the manner described in note 3.13.

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

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

Where a property is expected to be sold within the foreseeable future, it is classified as current assets in the statement of financial position. Immediately before the classification, the property is remeasured with any change in fair value recognised in profit or loss, and its fair value becomes its carrying amount for subsequent accounting. Thereafter, it is measured at the lower of its carrying amount and fair value less costs to sell.

3.7 Leases

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

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

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

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

3.8 Impairment – non-financial assets

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

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

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

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

3.9 Development properties

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

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

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

Notes to the Financial Statements

3 Significant accounting policies (cont'd)

3.9 Development properties (cont'd)

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

3.10 Inventories

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

3.11 Employee benefits

Defined contribution plans

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

Short-term employee benefits

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

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

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

Loans to subsidiaries and associate

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

Intra-group balances between the Company and its subsidiaries are eliminated in full in the Group's consolidated financial statements.

3.13 Revenue recognition

Sale of properties

Income from the 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. 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.

Notes to the Financial Statements

3 Significant accounting policies (cont'd)

3.13 Revenue recognition (cont'd)

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.

Rental income

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

Hotel revenue

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

Dividend income

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

Interest income

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

Distribution income

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

Management fee income

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

3.14 Finance costs

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

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

3.15 Income tax

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

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

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

Notes to the Financial Statements

3 Significant accounting policies (cont'd)

3.15 Income tax (cont'd)

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

3.16 Government grants

Jobs Credit Scheme

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as other income upon receipt, except for those that are capitalised as part of the cost of the development property until the completion of development.

3.17 Earnings per share

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

3.18 Segment reporting

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

3.19 New standards and interpretations not adopted

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

FRS 24 (revised)	:	Related party disclosures
INT FRS 115	:	Agreements for the Construction of Real Estate
Amendments to INT FRS 114	:	Amendments relating to the Prepayment of Minimum Funding Requirement
Amendments to FRS 32	:	Amendments relating to classification of rights issues
Amendments to INT FRS 119	:	Amendments relating to extinguishing financial liabilities with equity instruments
Improvements to FRSs 2010		

The initial application of these standards and interpretations relevant to the Group's operations is not expected to have any material impact on the Group's financial statements. The Group has not considered the impact of the financial reporting standards issued after 31 December 2010.

Notes to the Financial Statements

4 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 2009	93,300	622	1,227	1,658	27,024	123,831
Transfer to investment properties	–	–	–	–	(27,024)	(27,024)
Additions	–	–	27	296	–	323
Surplus on revaluation	221	–	–	–	–	221
Reversal of depreciation on revaluation	(1,121)	–	–	–	–	(1,121)
Disposals	–	–	–	(264)	–	(264)
At 31 December 2009	92,400	622	1,254	1,690	–	95,966
Additions	–	3	71	–	–	74
Surplus on revaluation	10,526	–	–	–	–	10,526
Reversal of depreciation on revaluation	(1,326)	–	–	–	–	(1,326)
Disposals	–	–	(21)	–	–	(21)
At 31 December 2010	101,600	625	1,304	1,690	–	105,219
Accumulated depreciation and impairment losses						
At 1 January 2009	–	601	908	872	–	2,381
Depreciation charge for the year	1,121	10	123	212	–	1,466
Reversal of depreciation on revaluation	(1,121)	–	–	–	–	(1,121)
Disposals	–	–	–	(151)	–	(151)
At 31 December 2009	–	611	1,031	933	–	2,575
Depreciation charge for the year	1,326	1	116	93	–	1,536
Reversal of depreciation on revaluation	(1,326)	–	–	–	–	(1,326)
Disposals	–	–	(21)	–	–	(21)
At 31 December 2010	–	612	1,126	1,026	–	2,764
Carrying amount						
At 1 January 2009	93,300	21	319	786	27,024	121,450
At 31 December 2009	92,400	11	223	757	–	93,391
At 31 December 2010	101,600	13	178	664	–	102,455

Notes to the Financial Statements

4 Property, plant and equipment (cont'd)

	Furniture, fittings and office equipment \$'000	Motor vehicles \$'000	Total \$'000
Company			
Cost			
At 1 January 2009	206	390	596
Additions	6	296	302
Disposals	–	(210)	(210)
At 31 December 2009	212	476	688
Additions	18	–	18
Disposals	(15)	–	(15)
At 31 December 2010	215	476	691
Accumulated depreciation and impairment losses			
At 1 January 2009	190	242	432
Depreciation charge for the year	11	70	81
Disposals	–	(141)	(141)
At 31 December 2009	201	171	372
Depreciation charge for the year	10	70	80
Disposals	(15)	–	(15)
At 31 December 2010	196	241	437
Carrying amount			
At 1 January 2009	16	148	164
At 31 December 2009	11	305	316
At 31 December 2010	19	235	254

Freehold land and building of the Group are revalued as at 31 December 2010 by Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("Colliers"), a firm of independent professional valuers, at open market value on an existing use basis. The surplus on revaluation of the property amounting to \$10,526,000 (2009: \$221,000) was recognised in the revaluation reserve of the Group.

As at 31 December 2010, the carrying amount of freehold land and building of the Group would have been \$41,849,000 (2009: \$42,551,000) had the freehold land and building been carried at cost less accumulated depreciation and impairment losses.

Security

At 31 December 2010, freehold land and building with a carrying amount of \$101,600,000 (2009: \$92,400,000) are pledged to secure bank facilities granted to the Group (see note 19).

Notes to the Financial Statements

5 Investment properties

	Group	
	2010 \$'000	2009 \$'000
Freehold properties		
At 1 January	99,500	91,500
Additions	–	924
Disposals	–	(22,200)
Transfer (to)/from development properties	(6,500)	27,024
Changes in fair value	39,700	2,252
At 31 December	132,700	99,500
Leasehold properties		
At 1 January	205,820	238,400
Disposals	(147,173)	(780)
Transfer from development properties	37,928	–
Changes in fair value	26,825	(31,800)
At 31 December	123,400	205,820
Total investment properties	256,100	305,320
Investment properties (non-current)	209,667	305,320
Investment properties (current)	46,433	–
Total investment properties	256,100	305,320

During the year, a leasehold property was disposed of under a sale and leaseback arrangement (see Note 21).

The Group has also entered into option agreements to divest certain investment properties, and consequently, these properties have been classified in current assets.

Investment properties are stated at fair value based on desktop valuations carried out by Colliers. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuers have considered valuation techniques including the direct comparison method, and investment method in arriving at the open market value as at the balance sheet date. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sale prices to that reflective of the investment properties. The investment method involves the estimation and projection of an income stream over a period, using market rates on vacancy and expenses.

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

Certain investment properties with carrying value amounting to \$184,100,000 (2009: \$165,000,000) have been pledged to secure banking facilities granted to the Group (see note 19).

Notes to the Financial Statements

6 Subsidiaries

	Company	
	2010 \$'000	2009 \$'000
Equity investments, at cost	41,599	41,599
Discount implicit in interest-free loans to subsidiaries	2,577	2,608
Impairment loss	(1,000)	(1,000)
	43,176	43,207

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Effective equity held by the Group	
		2010 %	2009 %
@ 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
¹ Legion Holdings Pte Ltd	Singapore	–	60
@ Ho Bee Realty Pte Ltd	Singapore	100	100
@ Ho Bee (Sentosa) Pte Ltd	Singapore	100	100
² Ho Bee (One North) Pte. Ltd.	Singapore	100	–
@ Pacific Rover Pte Ltd	Singapore	100	100
³ 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
@ HB Investments (China) Pte. Ltd.	Singapore	80	80
⁴ HB Australia Pty Ltd	Australia	100	100
@ 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 LLP, Singapore.

* Audited by a member firm of KPMG International.

** Not required to be audited in its country of incorporation.

¹ The liquidation was concluded during the year

² The subsidiary was incorporated during the financial year.

³ Soon Wing Properties Pte Ltd filed for members' voluntary liquidation on 23 September 2010.

⁴ The subsidiary had applied for relief with the Australian Securities & Investments Commission from the requirement to prepare and lodge audited financial statements for the financial year ended 31 December 2010.

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

Notes to the Financial Statements

7 Associates

The Group's associates include share of the associates' post-acquisition profits of \$1,358,000 (2009: \$1,173,000) and an implicit discount in respect of its interest-free loan to an associate of \$408,000 (2009: \$408,000).

Details of the associates are as follows:

Name of associates	Country of incorporation	Effective equity held by the Group	
		2010 %	2009 %
* Hasidon Holdings Pte Ltd	Singapore	32	32
^ Shanghai Yanlord Hongqiao Property Co., Ltd	China	40	–

* Audited by Chan-Soh & Co. The entity is not considered a significant associate of the Group.

^ Audited by 上海中惠会计师事务所. The entity is considered a significant associate of the Group.

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

	2010 \$'000	2009 \$'000
Results		
Revenue	1,281	1,331
Profit/(Loss) after taxation	620	(2,909)
Assets and liabilities		
Total assets	806,412	22,189
Total liabilities	35,651	11,768
Group's share of contingent liabilities	1,717	1,921

8 Jointly-controlled entities

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Investments in jointly-controlled entities	(3,707)	(54,664)	1,500	1,000

Included in the Company's investments in jointly-controlled entities are impairment losses amounting to \$350,000 (2009: \$850,000).

Notes to the Financial Statements

8 Jointly-controlled entities (cont'd)

Details of the jointly-controlled entities are as follows:

Name of jointly-controlled entities	Country of incorporation	Effective equity held by the Group	
		2010 %	2009 %
* Cavernbond Limited	United Kingdom	50	50
@ Calne Pte Ltd	Singapore	50	50
@ Seaview (Sentosa) Pte Ltd	Singapore	50	50
@ Rivershore Pte Ltd	Singapore	50	50
@ Pinnacle (Sentosa) Pte Ltd	Singapore	35	35
1 Yanlord Ho Bee Investment Pte. Ltd.	Singapore	40	40

@ Audited by KPMG LLP, Singapore.

* Not required to be audited in its country of incorporation.

1 The jointly-controlled entity is audited by Deloitte & Touche LLP Singapore. The entity is not considered a significant jointly-controlled entity of the Group.

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

	2010 \$'000	2009 \$'000
Results		
Revenue	62,312	59,433
Expenses	(10,691)	(107,892)
Profit/(Loss) after income tax	51,621	(48,459)
Assets and liabilities		
Current assets	898,745	966,802
Current liabilities	(37,728)	(45,091)
Non-current liabilities	(864,724)	(976,375)
Net liabilities	(3,707)	(54,664)
Group's share of jointly-controlled entities' capital commitments	149,242	123,550

Notes to the Financial Statements

9 Other assets

	Group	
	2010 \$'000	2009 \$'000
At cost		
Club membership	150	150
Other investments	4,594	3,374
	<u>4,744</u>	<u>3,524</u>

10 Financial assets

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Non-current assets				
Investments designated at fair value through profit or loss				
Investment in private equity funds	4,139	4,560	–	–
Available-for-sale investments				
- Unquoted equity investments	1,386	1,527	–	–
- Unquoted debt securities	20,597	22,300	–	–
- non-interest bearing	21,983	23,827	–	–
	<u>26,122</u>	<u>28,387</u>	<u>–</u>	<u>–</u>
Current assets				
Investments held for trading				
Quoted equity investments	120	98	59	51
Total financial assets	<u>26,242</u>	<u>28,485</u>	<u>59</u>	<u>51</u>

The unquoted debt securities are unsecured and do not have fixed terms of repayment. They represent, in substance, the Group's net investment in the issuer, and are stated at cost less accumulated impairment losses.

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.

Notes to the Financial Statements

11 Other receivables

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Non-current assets				
Amounts due from subsidiaries (non-trade)				
- interest-bearing	–	–	53,806	179,487
- non-interest bearing	–	–	57,957	11,418
	–	–	111,763	190,905
Amounts due from jointly-controlled entities (non-trade)				
- interest-bearing	523,035	408,354	523,035	408,354
- non-interest bearing	57,465	–	–	–
Impairment losses	–	–	(57,382)	(57,382)
	580,500	408,354	465,653	350,972
Amount due from associate (non-trade)				
- non-interest bearing	1,451	1,385	1,451	1,385
	581,951	409,739	578,867	543,262

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

Included in non-interest bearing amounts due from subsidiaries is an amount of \$54,507,000 (2009: \$7,614,000) for which settlement is neither planned nor likely to occur in the foreseeable future. As this amount is, in substance, a part of the Company's net investment in the subsidiary, it is stated at cost less accumulated impairment losses.

The settlement for the non-interest bearing amounts due from jointly-controlled entities of \$57,465,000 is neither planned nor likely to occur in the foreseeable future. As this amount is, in substance, a part of the Group's net investment in the jointly-controlled entity, it is stated at cost less accumulated impairment losses.

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

	Effective interest rate %	Expected year of maturity	2010		2009	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Group						
Amounts due from jointly-controlled entities	1.27 – 3.37	2012	523,035	523,035	408,354	408,354
Amount due from associate	4.75*	2012	1,520	1,451	1,520	1,385
			524,555	524,486	409,874	409,739

Notes to the Financial Statements

11 Other receivables (cont'd)

	Effective interest rate %	Expected year of maturity	2010		2009	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Company						
Amounts due from subsidiaries						
- interest-bearing	2.25 – 3.50	2012	53,806	53,806	179,487	179,487
- non-interest bearing	3.50 – 4.75*	2012 – 2013	3,649	3,450	4,138	3,804
			57,455	57,256	183,625	183,291
Amounts due from jointly-controlled entities	1.27 – 3.37	2012	523,035	523,035	408,354	408,354
Amount due from associate	4.75*	2012	1,520	1,451	1,520	1,385
			524,555	524,486	409,874	409,739
			582,010	581,742	593,499	593,030

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

12 Deferred tax

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

	At 1 January 2009 \$'000	Recognised in income statement (note 27) \$'000	At 31 December 2009 \$'000	Recognised in income statement (note 27) \$'000	At 31 December 2010 \$'000
Group					
Deferred tax liabilities					
Development properties	50,614	(29,454)	21,160	(13,815)	7,345
Property, plant and equipment	4	–	4	–	4
Income not remitted into Singapore	104	–	104	–	104
Investment properties	–	–	–	5,303	5,303
Total	50,722	(29,454)	21,268	(8,512)	12,756
Deferred tax assets					
Property, plant and equipment	(8)	–	(8)	8	–
Deferred income	–	–	–	(807)	(807)
Total	(8)	–	(8)	(799)	(807)

Notes to the Financial Statements

13 Development properties

		Group	
	Note	2010 \$'000	2009 \$'000
Properties held for sale		4,913	71,950
Properties under development:			
- Costs incurred and attributable profits		1,602,531	2,650,313
- Progress billings		(580,387)	(1,877,181)
		1,022,144	773,132
Total development properties		1,027,057	845,082
Interest capitalised during the year	26	3,306	9,037

The finance costs have been capitalised at rates ranging from 0.84% to 2.95% (2009: 0.95% to 3.28%) per annum for development properties.

Certain development properties with carrying value amounting to \$1,026,507,000 (2009: \$527,420,000) have been pledged to secure banking facilities granted to the Group (see note 19).

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 (Decreased)/Increased by	
	2010 \$'000	2009 \$'000
Opening accumulated profits	(66,392)	(239,214)
Revenue for the year	216,674	481,890
Profit for the year	17,318	172,822
Development properties as at 1 January	(75,959)	(288,450)
Development properties as at 31 December	(17,670)	(75,959)
Investments in jointly-controlled entities	(44,969)	(7,546)

Notes to the Financial Statements

14 Trade and other receivables

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade receivables	19,566	34,079	–	–
Accrued receivables	–	1,814	–	–
Impairment losses	(89)	(86)	–	–
Net receivables	19,477	35,807	–	–
Other deposits	227	130	15	–
Prepayments	129	94	22	23
Amounts due from:				
- subsidiary (non-trade)	–	–	87,640	–
- jointly-controlled entity (non-trade)	6,135	–	6,119	–
Tax recoverable	–	273	–	50
Goods and services tax recoverable	28,791	–	–	–
Other receivables	164	1,137	102	370
	54,923	37,441	93,898	443

Amounts due from subsidiary and jointly-controlled entity are unsecured and interest-free, and are repayable on demand.

15 Cash and cash equivalents

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash at banks and in hand	20,718	13,794	127	498
Fixed deposits	54,562	157,953	–	95,000
	75,280	171,747	127	95,498

Included in cash and cash equivalents of the Group are amounts held under the Housing Developers (Project Account) (Amendment) Rules 1997, totalling \$72,103,000 (2009: \$6,234,000), the use of which is subject to restrictions imposed by the aforementioned rules.

The weighted average effective interest rates relating to fixed deposits at the balance sheet date for the Group and the Company is 0.1% (2009: 0.1%) and nil (2009: 0.5%) per annum, respectively. Interest rates reprice at intervals of one, three or six months.

Notes to the Financial Statements

16 Share capital

	Group and Company	
	2010 Number of shares (‘000)	2009 Number of shares (‘000)
Fully paid ordinary shares, with no par value:		
At 1 January and 31 December	737,338	737,338

As at 31 December 2010, included in the total number of ordinary shares was 1,363,000 (2009: 1,363,000) shares purchased by the Company (the “Treasury Shares”) by way of market acquisition at an average price of \$0.48 per share. The Treasury Shares were deducted from total equity (see note 17).

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

Capital management

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

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

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

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

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

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

	Group		Company	
	2010 \$’000	2009 \$’000	2010 \$’000	2009 \$’000
Net debt	674,920	237,753	114,873	–
Total equity (excluding non-controlling interests)	1,476,306	1,196,240	553,190	474,162
Gearing ratio	0.46	0.20	0.21	–

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2009 and 31 December 2010.

Notes to the Financial Statements

17 Capital and reserves

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Reserve for own shares	(659)	(659)	(659)	(659)
Capital reserve	2,230	2,230	187	187
Foreign currency translation reserve	(14,957)	1,813	–	–
Revaluation reserve	57,795	47,269	–	–
Retained earnings	1,226,764	940,454	348,529	269,501
	1,271,173	991,107	348,057	269,029

Reserve for own shares

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

Capital reserve

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

Foreign currency translation reserve

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

Revaluation reserve

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

Retained earnings

Included in retained earnings is a net accumulated profit of \$1,290,000 (2009: accumulated loss of \$50,516,000) representing share of post acquisition results of associates and jointly-controlled entities.

18 Employee share option scheme

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. It will expire on 29 May 2011.

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 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.

Notes to the Financial Statements

19 Loans and borrowings

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Non-current liabilities				
Secured bank loans	608,500	312,600	85,000	–
Current liabilities				
Secured bank loans	141,700	96,900	30,000	–
	750,200	409,500	115,000	–

The secured bank loans are secured on the following assets:

	Group	
	2010 \$'000	2009 \$'000
Property, plant and equipment	101,600	92,400
Investment properties	184,100	165,000
Development properties	1,026,507	527,420
Carrying amounts	1,312,207	784,820

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

Terms and debt repayment schedule

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

	Effective interest rate %	Expected year of maturity	2010		2009	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Group						
Secured bank loans						
- floating rate	0.87 – 2.95	2011 – 2013	750,200	750,200	409,500	409,500
Company						
Secured bank loans						
- floating rate	1.29 – 1.35	2011 – 2013	115,000	115,000	–	–

Notes to the Financial Statements

19 Loans and borrowings (cont'd)

Intra-group guarantees

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to \$947,689,000 (2009: \$787,732,000) extended to its subsidiaries, associates and jointly-controlled entities. The periods in which the financial guarantees expire are as follows:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Less than 1 year	–	180,500	116,700	96,900
Between 1 and 5 years	197,489	197,732	830,989	690,832
	197,489	378,232	947,689	787,732

20 Other liabilities

	Group	
	2010 \$'000	2009 \$'000
Amount due to a minority shareholder (non-trade)	14,370	3,263
Non-current retention sums payable	3,090	1,517
	17,460	4,780

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

21 Deferred income

	Group	
	2010 \$'000	2009 \$'000
Deferred gain:		
- current	982	–
- non-current	3,766	–
	4,748	–

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

Notes to the Financial Statements

22 Trade and other payables

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade payables	143	72	–	–
Deposits and advances from customers	1,988	826	–	–
Rental deposits	4,990	6,006	–	–
Accrued operating expenses and development expenditure	43,051	51,829	11,759	13,751
Derivative financial instruments	–	467	–	–
Amount due to subsidiaries (non-trade)				
- interest bearing	–	–	56,431	–
- non-interest bearing	–	–	292,336	196,164
Other payables	3,192	2,225	181	99
Goods and services tax payable	17,435	–	44	–
Retention sums payable	2,515	2,196	–	–
	73,314	63,621	360,651	210,014

Amounts due to subsidiaries are unsecured and repayable on demand. For interest-bearing amounts due to subsidiaries, interests are charged at 0.8% (2009: nil) per annum.

23 Revenue

Revenue represents property development 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	
	2010 \$'000	2009 \$'000
Gross proceeds from properties sold	504,802	1,127,790
Rental income and service charges	27,214	26,505
Gross proceeds from hotel operations	6,980	4,955
	538,996	1,159,250

Included in rental income and service charges is an amount generated from the lease of investment properties of \$25,290,000 (2009: \$20,154,000).

Notes to the Financial Statements

24 Other income

	Group	
	2010 \$'000	2009 \$'000
Interest income	8,067	5,219
Gross dividend income from:		
- quoted equity investments	36	13
- unquoted equity investments	475	84
Gain on disposal of investment properties	31,614	–
Fair value gain on investment properties	66,525	–
Distribution income from financial assets designated at fair value through profit or loss	277	–
Forfeiture income	1,392	2,335
Management fee income	629	2,502
Government grants received under Jobs Credit Scheme	21	245
Net change in fair value of financial derivatives	467	692
Fair value gain on financial assets at fair value through profit or loss	401	–
Others	344	427
	<u>110,248</u>	<u>11,517</u>

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 \$66,000 (2009: \$63,000).

Included in gain on sale of investment properties is an amount of \$164,000 (2009: nil) relating to amortisation of deferred gain on the sale of leasehold property under a sale and leaseback arrangement.

25 Directors' remuneration

Number of directors in remuneration bands:

	2010 Number of Directors	2009 Number of Directors
\$500,000 and above	3	3
\$250,000 to \$499,999	–	–
Below \$250,000	5*	5*
Total	<u>8</u>	<u>8</u>

* Includes 5 (2009: 5) independent directors.

26 Finance costs

		Group	
	Note	2010 \$'000	2009 \$'000
Interest expenses on loans and borrowings		5,595	15,043
Finance costs capitalised in properties under development	13	(3,306)	(9,037)
		<u>2,289</u>	<u>6,006</u>

Notes to the Financial Statements

27 Income tax expense

	Group	
	2010 \$'000	2009 \$'000
Current tax expense		
Current year	62,556	117,516
Adjustments for prior years	(266)	(2,039)
	62,290	115,477
Deferred tax expense		
Movements in temporary differences	(9,261)	(28,540)
Reduction in tax rate	–	(2,817)
Adjustments for prior years	(50)	1,903
	(9,311)	(29,454)
Income tax expense	52,979	86,023

Reconciliation of effective tax rate

	Group	
	2010 \$'000	2009 \$'000
Profit for the year	317,345	360,936
Total income tax expense	52,979	86,023
Profit excluding income tax	370,324	446,959
Tax calculated using Singapore tax rate of 17% (2009: 17%)	62,955	75,983
Effect of reduction in tax rate	–	(2,817)
Expenses not deductible for tax purposes	6,697	14,943
Tax exempt revenue	(190)	(240)
Income not subject to tax	(15,523)	(842)
Effect of different tax rates in other countries	8	29
Tax incentives	(652)	(897)
Adjustments for prior years	(316)	(136)
	52,979	86,023

Notes to the Financial Statements

28 Profit for the year

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

	Group	
	2010	2009
	\$'000	\$'000
Direct operating expenses from investment properties	3,244	3,583
Audit fees paid to auditors of the Company	238	238
Non-audit fees paid to auditors of the Company	119	105
Depreciation of property, plant and equipment	1,536	1,466
Loss on disposal of property, plant and equipment	–	1
Loss on disposal of investment properties	–	137
Exchange loss, net	2,298	840
Staff costs	8,204	9,144
Contributions to defined contribution plans included in staff costs	389	370
Fair value loss on investment properties	–	29,548
Write down of properties held for sale	–	3,708
Fair value loss on financial assets at fair value through profit or loss	–	579
Impairment loss made/(write back) on trade receivables	5	(2)

29 Earnings per share

	Group	
	2010	2009
	\$'000	\$'000
Basic earnings per share is based on:		
Net profit attributable to ordinary shareholders	308,389	337,010
	Group	
	2010	2009
	Number of shares '000	Number of shares '000
Issued ordinary shares in issue at beginning of the year	737,338	737,338
Effect of own shares held	(1,363)	(1,363)
Weighted average number of ordinary shares in issue during the year	735,975	735,975

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

Notes to the Financial Statements

30 Dividends

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

	Group and Company	
	2010	2009
	\$'000	\$'000
Proposed final tax-exempt dividend of 3 cents (2009: 2 cents) per share	22,080	14,720

31 Significant related party transactions

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

Key management personnel compensation

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

Key management personnel compensation comprises:

	Group	
	2010	2009
	\$'000	\$'000
Directors' fees	300	250
Directors' remuneration:		
- short-term employee benefits	11,866	12,126
	12,166	12,376

Other related party transactions

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

	Group	
	2010	2009
	\$'000	\$'000
Related corporations		
Rental income	23	705
Operating expenses incurred	117	152
Directors and their immediate families		
Sale of properties by a subsidiary	–	2,183
Sale of properties by a jointly controlled entity	15,006	5,101

Notes to the Financial Statements

32 Commitments

As at 31 December 2010, commitments for expenditure which have not been provided for in the financial statements were as follows:

	Group	
	2010	2009
	\$'000	\$'000
Authorised and contracted for:		
- development expenditure	106,338	179,849
- subscription for additional interest in private equity funds	1,514	2,010
- debt securities	2,606	9,116

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	
	2010	2009
	\$'000	\$'000
Within 1 year	16,288	22,362
After 1 year but within 5 years	10,674	17,499
After 5 years	1,539	2,300
	28,501	42,161

33 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 marked-to-market values of the derivative contracts held for trading purposes.

	Notional amount (maturity)				Negative fair value (note 22)
	within 3 months	3 to 12 months	more than 12 months	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
2009					
Interest rate derivatives: Swaps	50,000	50,000	–	100,000	467

The interest rate swaps bore interest at rates ranging from 1.99% to 2.17% per annum.

The interest rate swaps matured in 2010.

Notes to the Financial Statements

34 Financial risk management

Overview

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. 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 to is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. Guarantees are only given to its subsidiaries, associate and jointly-controlled entities.

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

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

Liquidity risk

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

Market risk

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

Interest rate risk

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

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

Notes to the Financial Statements

34 Financial risk management (cont'd)

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, the Chinese 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.

35 Financial instruments

Credit risk

Exposure to credit risk

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

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

At the balance sheet date, the Group has receivables due from jointly-controlled entities amounting to \$586,635,000 (2009: \$408,354,000) representing 92% (2009: 91%) of total gross trade and other receivables. Except for these receivables, there was no concentration of credit risk.

The majority of the Group's exposure to credit risk for trade receivables at the reporting date is from residential customers and this accounts for 97% (2009: 99%) of the Group's trade receivables as at 31 December 2010.

Impairment losses

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

	Gross 2010 \$'000	Impairment losses 2010 \$'000	Gross 2009 \$'000	Impairment losses 2009 \$'000
Group				
Past due 0 – 30 days	13,905	–	23,749	–
Past due 31 – 120 days	6	–	4,396	–
More than 120 days past due	5,655	89	5,934	86
	19,566	89	34,079	86

Notes to the Financial Statements

35 Financial instruments (cont'd)

Impairment losses (cont'd)

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

	Group	
	2010 \$'000	2009 \$'000
At 1 January	86	95
Impairment loss made	5	–
Impairment loss written back	–	(2)
Impairment loss utilised	(2)	(7)
At 31 December	89	86

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

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

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 2 to 5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000
Group					
2010					
Non-derivative financial liabilities					
Secured bank loans	750,200	(786,543)	(148,787)	(637,756)	–
Retention sums payable	5,605	(5,605)	(2,515)	(3,090)	–
Trade and other payables ^	63,821	(63,821)	(63,821)	–	–
	819,626	(855,969)	(215,123)	(640,846)	–
2009					
Non-derivative financial liabilities					
Secured bank loans	409,500	(415,281)	(101,415)	(313,866)	–
Retention sums payable	3,713	(3,713)	(2,196)	(1,517)	–
Trade and other payables ^	54,126	(54,126)	(54,126)	–	–
Derivative financial instruments					
Interest rate swaps	467*	(377)	(377)	–	–
	467,806	(473,497)	(158,114)	(315,383)	–

Notes to the Financial Statements

35 Financial instruments (cont'd)

Liquidity risk (cont'd)

	Carrying amount	Cash flows			
		Contractual cash flows	Within 1 year	Within 2 to 5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000
Company					
2010					
Non-derivative financial liabilities					
Secured bank loans	115,000	(118,773)	(31,486)	(87,287)	–
Amounts due to subsidiaries	348,667	(348,667)	(348,667)	–	–
Trade and other payables ^	11,984	(11,984)	(11,984)	–	–
	475,651	(479,424)	(392,137)	(87,287)	–
2009					
Non-derivative financial liabilities					
Amounts due to subsidiaries	196,164	(196,164)	(196,164)	–	–
Trade and other payables ^	13,850	(13,850)	(13,850)	–	–
	210,014	(210,014)	(210,014)	–	–

* The carrying amount relates to the negative fair value of derivative financial instruments and the contractual cash flows relate to net interest payment.

^ Excludes deposits and advances from customers, rental deposits and derivative financial instruments.

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

Currency risk

Exposure to currency risk

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

	31 December 2010				31 December 2009			
	Pound Sterling \$'000	US dollar \$'000	Chinese Renminbi \$'000	Australia dollar \$'000	Pound Sterling \$'000	US dollar \$'000	Chinese Renminbi \$'000	Australia dollar \$'000
Group								
Financial assets	–	26,122	–	–	–	28,387	–	–
Trade and other receivables	100	–	17	–	289	–	2	–
Cash and cash equivalents	445	726	2	3	1,312	5,328	1	13
Trade and other payables	(639)	(1)	–	–	–	–	(10)	–
	(94)	26,847	19	3	1,601	33,715	(7)	13

The Company is not subject to significant exposures to foreign currencies.

Notes to the Financial Statements

35 Financial instruments (cont'd)

Currency risk (cont'd)

Sensitivity analysis

The foreign currency which the Group is significantly exposed to is the US dollar. A strengthening of the Singapore dollar against the US dollar at the reporting date would 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 2010	
US dollar (10% strengthening)	(2,685)
31 December 2009	
US dollar (10% strengthening)	(3,372)

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

Interest rate risk

Profile

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

	Group Carrying Amount		Company Carrying Amount	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Fixed rate instruments				
Financial assets	–	141,980	53,806	321,467
Variable rate instruments				
Financial assets	523,035	366,944	465,653	303,992
Financial liabilities	(750,200)	(409,967)	(115,000)	–
	(227,165)	(43,023)	350,653	303,992

Notes to the Financial Statements

35 Financial instruments (cont'd)

Currency risk (cont'd)

Sensitivity analysis (cont'd)

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

	Profit before income tax in income statement		Statement of financial position	
	100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp decrease \$'000
Group				
31 December 2010				
Variable rate instruments	2,490	(2,490)	4,762	(4,762)
31 December 2009				
Variable rate instruments	1,656	(1,656)	4,171	(4,171)
Interest rate swaps	397	(305)	349	(349)
	2,053	(1,961)	4,520	(4,520)
Company				
31 December 2010				
Variable rate instruments	3,507	(3,507)	–	–
31 December 2009				
Variable rate instruments	3,040	(3,040)	–	–

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

Estimation of fair values

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

Financial assets

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

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

Notes to the Financial Statements

35 Financial instruments (cont'd)

Estimation of fair values (cont'd)

Financial assets (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.

Derivatives

The fair value of the interest rate swaps is based on quotes provided by the bank counterparties. 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/to subsidiaries, associate, jointly-controlled entities and minority shareholders

The carrying values of amounts due from/to subsidiaries, associate, jointly-controlled entities and 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. For non-interest bearing amounts, the prevailing market interest rates of similar loans are used to discount the loans to subsidiaries and associate to arrive at their fair values.

Interest-bearing bank loans (secured)

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

Other financial assets and liabilities

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

Interest rates used in determining fair values

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

	2010 %	2009 %
Derivatives	—	1.0 – 1.1
Financial liabilities	0.9 – 3.0	1.3 – 3.7
Receivables	1.3 – 3.4	1.6 – 2.3
Payables	0.9 – 3.0	1.3 – 3.7

Fair values versus carrying amounts

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010 and 2009.

Notes to the Financial Statements

35 Financial instruments (cont'd)

Fair value hierarchy

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group				
31 December 2010				
Financial assets designated at fair value through profit or loss	–	–	4,139	4,139
Financial assets held for trading	120	–	–	120
	120	–	4,139	4,259
31 December 2009				
Financial assets designated at fair value through profit or loss	–	–	4,560	4,560
Financial assets held for trading	98	–	–	98
	98	–	4,560	4,658
Derivative financial liabilities	–	(467)	–	(467)
	98	(467)	4,560	4,191

Notes to the Financial Statements

35 Financial instruments (cont'd)

Fair value hierarchy (cont'd)

Assets measured at fair value based on level 3 fair value measurement as at 31 December 2010:

	Financial assets at fair value through profit or loss \$'000
Group	
1 January 2010	4,560
Fair value changes of financial assets at fair value through profit or loss recognised in profit or loss	379
Distribution income from financial assets designated at fair value through profit or loss	277
Exchange loss recognised in profit or loss	(417)
Purchases	325
Settlements	(985)
31 December 2010	4,139
Total gain for the year included in profit or loss for assets held as at 31 December 2010	239
1 January 2009	5,428
Fair value changes of financial assets at fair value through profit or loss recognised in profit or loss	(579)
Exchange loss recognised in profit or loss	(167)
Purchases	120
Settlements	(242)
31 December 2009	4,560
Total losses for the year included in profit or loss for assets held as at 31 December 2009	(746)

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

	2010 \$'000	2009 \$'000
Other income		
Fair value changes of financial assets at fair value through profit or loss	379	–
Distribution income from financial assets designated at fair value through profit or loss	277	–
	656	–
Other expense		
Fair value loss on financial assets at at fair value through profit or loss	–	(579)
Exchange loss recognised	(417)	(167)
	(417)	(746)
Total gain/(loss) included in profit or loss for the year	239	(746)

Notes to the Financial Statements

35 Financial instruments (cont'd)

Fair value hierarchy (cont'd)

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

- (a) Buy-out/late stage investments for which subsequent rounds of financing are not anticipated: once the investment has been held in the portfolio for one year, an analysis of the fair market value of the investment will be performed. The analysis will typically be based on a discounted multiple of earnings, revenues, earnings before interest and taxes (EBIT) or EBIT adjusted for certain non-cash changes (EBITDA) (depending on what is appropriate for that particular company/industry). Valuations may also be based on pending sale or initial public offering prices.
- (b) Private equity investments are initially valued based upon transaction price, with subsequent adjustments to values which reflect the consideration of available market data, including primarily observations of the trading multiples of public companies considered comparable to the privately held companies being valued. Valuations are also adjusted to give consideration to the financial condition and operating results specific to the issuer. Any investment in a privately-held company, suffering a permanent impairment in its value is written down to anywhere from 75% to 100% of the carrying value of the investment depending on the severity of the situation.
- (c) Public stocks, not restricted to sale or transfer, are valued at the bid price on their principal exchange as of the valuation date. If any listed security was not traded on such date, then the mean of the high bid and low ask prices as of the close of such date is used. Public stocks restricted as to sale or transfer are discounted by analyzing the nature and length of the restriction and the relative volatility of the market prices of such security.

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

Notes to the Financial Statements

35 Financial instruments (cont'd)

Financial instruments by category

	Loans and receivables \$'000	Financial assets at fair value through profit or loss \$'000	Available- for-sale financial assets \$'000	Financial liabilities at fair value through profit or loss \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
Group						
31 December 2010						
Available-for-sale financial assets	–	–	21,983	–	–	21,983
Financial assets held for trading	–	120	–	–	–	120
Trade and other receivables*	579,053	–	–	–	–	579,053
Financial assets at fair value through profit or loss	–	4,139	–	–	–	4,139
Cash and cash equivalents	75,280	–	–	–	–	75,280
Loans and borrowings	–	–	–	–	(750,200)	(750,200)
Trade and other payables^	–	–	–	–	(69,426)	(69,426)
	654,333	4,259	21,983	–	(819,626)	(139,051)
31 December 2009						
Available-for-sale financial assets	–	–	23,827	–	–	23,827
Derivative financial instruments	–	–	–	(467)	–	(467)
Financial assets held for trading	–	98	–	–	–	98
Trade and other receivables*	446,956	–	–	–	–	446,956
Financial assets at fair value through profit or loss	–	4,560	–	–	–	4,560
Cash and cash equivalents	171,747	–	–	–	–	171,747
Loans and borrowings	–	–	–	–	(409,500)	(409,500)
Trade and other payables^	–	–	–	–	(57,839)	(57,839)
	618,703	4,658	23,827	(467)	(467,339)	179,382

Notes to the Financial Statements

35 Financial instruments (cont'd)

Financial instruments by category (cont'd)

	Loans and receivables \$'000	Financial assets at fair value through profit or loss \$'000	Financial liabilities at amortised cost \$'000	Total \$'000
Company				
31 December 2010				
Financial assets held for trading	–	59	–	59
Trade and other receivables*	618,221	–	–	618,221
Cash and cash equivalents	127	–	–	127
Trade and other payables^	–	–	(360,651)	(360,651)
Loans and borrowings	–	–	(115,000)	(115,000)
	618,348	59	(475,651)	142,756
31 December 2009				
Financial assets held for trading	–	51	–	51
Trade and other receivables*	536,068	–	–	536,068
Cash and cash equivalents	95,498	–	–	95,498
Trade and other payables^	–	–	(210,014)	(210,014)
	631,566	51	(210,014)	421,603

* Excludes deposits, prepayments and amounts whereby, in substance, are part of the Group's and the Company's net investment.

^ Excludes deposits and advances from customers, rental deposits and amount due to minority shareholder which, in substance, are part of the minority shareholder's net investment in the Group.

36 Operating segments

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

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

Other operations include investing in quoted and unquoted securities and private equity funds. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2010 or 2009.

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

Notes to the Financial Statements

36 Operating segments (cont'd)

(a) Operating segments

	Property investment \$'000	Property development \$'000	Hotel \$'000	Others \$'000	Total \$'000
2010					
Revenue from external customers	25,290	506,726	6,980	–	538,996
Reportable segment gross profit	20,350	213,895	6,164	–	240,409
Other operating income					102,181
Other operating expenses					(29,850)
Profit from operations					312,740
Interest income					8,067
Finance costs					(2,289)
Share of profits of associates					185
Share of profits of jointly-controlled entities					51,621
Profit before income tax					370,324
Other material non-cash items:					
- Fair value changes on investment properties	66,525	–	–	–	66,525
- Depreciation	–	–	(1,326)	–	(1,326)
Reportable segment assets	256,220	1,075,510	101,734	26,186	1,459,650
Investments in associate and jointly-controlled entities	2,139	294,627	–	–	296,766
Reportable segment liabilities	159,000	603,786	–	1,784	764,570
2009					
Revenue from external customers	20,154	1,134,141	4,955	–	1,159,250
Reportable segment gross profit	16,571	530,479	4,185	–	551,235
Other operating income					6,298
Other operating expenses					(60,407)
Profit from operations					497,126
Interest income					5,219
Finance costs					(6,006)
Share of loss of associate					(921)
Share of losses of jointly-controlled entities					(48,459)
Profit before income tax					446,959
Other material non-cash items:					
- Write down of properties held for sale	–	(3,708)	–	–	(3,708)
- Fair value changes on investment properties	(29,548)	–	–	–	(29,548)
- Depreciation	–	–	(1,121)	–	(1,121)
Reportable segment assets	305,535	908,269	92,422	28,485	1,334,711
Investments in associate and jointly-controlled entities	1,901	(54,664)	–	–	(52,763)
Capital expenditure	924	–	–	–	924
Reportable segment liabilities	94,500	315,000	–	3,263	412,763

Notes to the Financial Statements

36 Operating segments (cont'd)

(a) Operating segments (cont'd)

Reconciliations of reportable segment assets and liabilities and other material items

	2010 \$'000	2009 \$'000
Assets		
Total assets for reportable segments	1,433,464	1,306,226
Other assets	26,186	28,485
Investments in equity accounted investees	296,766	(52,763)
Other unallocated amounts	669,927	560,042
Consolidated total assets	2,426,343	1,841,990
Liabilities		
Total liabilities for reportable segments	762,786	409,500
Other liabilities	1,784	3,263
Other unallocated amounts	162,091	206,592
Consolidated total liabilities	926,661	619,355
Other material items 2010		
Capital expenditure	–	74
Depreciation	1,326	210
Other material items 2009		
Capital expenditure	924	323
Depreciation	1,121	345

Notes to the Financial Statements

36 Operating segments (cont'd)

(b) Geographical segments

The Group operates principally in Singapore.

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

	Singapore \$'000	Others \$'000	Consolidated total \$'000
2010			
Revenue	538,739	257	538,996
Non-current assets*	556,745	56,887	613,632
2009			
Revenue	1,157,771	1,479	1,159,250
Non-current assets*	325,645	23,827	349,472

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

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

37 Accounting estimates and judgements

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

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

Impairment loss on trade receivables

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

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 or a quantity surveyor of the stage of completion of the development project.

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

Income taxes

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

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

Additional Information

as at 31 December 2010

Development Properties

	Location	Description	Land Tenure	Stage of completion	Site area (Sq m)	Gross Floor Area (Sq m)	Date of Completion	Group's effective interest
Singapore								
1	The Orange Grove Orange Grove Road	72-unit condominium	Freehold	100%	9,193	14,709	December 2010	100%
2	Trilight Newton Road	205-unit condominium	Freehold	21%	10,327	28,917	December 2012 *	100%
3	Turquoise Cove Drive, Sentosa Cove	91-unit condominium	Leasehold- 99 years	100%	11,103	18,319	June 2010	90%
4	One Pemimpin Pemimpin Drive	115-unit high-tech industrial building	Leasehold - 999 yrs	-	5,336	13,341	September 2012 *	100%
5	One North Office Towers North Buona Vista Drive	Two office towers with retail component	Leasehold- 99 years	-	17,994	113,797	December 2013 *	100%
Development Properties of Jointly-Controlled Entities								
1	Parvis Holland Hill	248-unit condominium	Freehold	17%	22,863	36,589	September 2012 *	50%
2	Dakota Residences Dakota Crescent	348-unit condominium	Leasehold- 99 years	100%	11,601	40,605	June 2010	50%
3	Seascape Cove way, Sentosa Cove	151-unit condominium	Leasehold- 99 years	95%	14,596	31,381	February 2011	50%
4	Pinnacle Collection Cove way, Sentosa Cove	302-unit condominium	Leasehold- 99 years	Piling stage	21,523	55,960	September 2013 *	35%

* Expected date of completion

Additional Information

as at 31 December 2010

Developed Properties

Location		Description	Land Tenure	Type of Development	Net Lettable/ Saleable Area (Sq m)	Group's effective interest
London						
1	Parliament View 1 Albert Embankment London SE 1	4 units of apartments	Freehold	Residential	489	70%

Additional Information

as at 31 December 2010

Investment Properties & Hotel

	Location	Description	Tenure of Land	Lettable Area (sq m)	Group's effective interest
1	623A Bukit Timah Rd	SPC petrol station	Leasehold - 999 yrs	1,857	100%
2	Hotel Windsor 401 Macpherson Rd	225 room hotel with commercial space	Freehold	14,400	100%
3	Eastwood Centre 20 Eastwood Road	2 units of retail space	Leasehold - 99 yrs	972	100%
4	Samsung Hub 3 Church Street	4 floors of office space	Leasehold - 999 yrs	4,144	100%
5	HB Centre I 12 Tannery Road	A block of 10-storey high-tech industrial building	Freehold	7,662	100%
6	HB Centre 2 31 Tannery Lane	A block of 8-storey light industry building	Freehold	3,216	100%
7	One Tannery 1 Tannery Road	A block of 9-storey light industry building	Freehold	6,208	100%
8	Platinum 28 28 Genting Lane	A block of 9-storey high-tech industrial building	Freehold	7,622	100%
9	Forte 29 New Industrial Road	A block of 8-storey high-tech industrial building	Freehold	9,128	100%

Properties held for Sale

	Location	Description	Land Tenure	Saleable Area (sq m)	Group's effective interest
Shanghai					
1	Changyuan 888 Yu Yuan Road, Shanghai	1 unit of apartment	Leasehold-70 yrs	190	100%

Shareholdings Statistics

as at 3 March 2011

SHARE CAPITAL

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

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 3 March 2011, 32.48%** 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	9	0.09	3,309	0.00
1,000 - 10,000	8,870	85.60	31,196,862	4.23
10,001 - 1,000,000	1,453	14.02	60,974,590	8.27
1,000,001 and above	30	0.29	645,163,239	87.50
	10,362	100.00	737,338,000	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%**
1	Ho Bee Holdings (Pte) Ltd	480,081,000	65.23
2	Citibank Nominees Singapore Pte Ltd	36,969,786	5.02
3	DBS Nominees Pte Ltd	31,940,884	4.34
4	DBSN Services Pte Ltd	15,137,751	2.06
5	Raffles Nominees (Pte) Ltd	13,078,000	1.78
6	HSBC (Singapore) Nominees Pte Ltd	12,652,520	1.72
7	Estate of Chua Pin Chong, Deceased	6,610,000	0.90
8	United Overseas Bank Nominees Pte Ltd	5,129,400	0.70
9	BNP Paribas Securities Services Singapore Pte Ltd	4,843,750	0.66
10	DB Nominees (S) Pte Ltd	4,408,528	0.60
11	Chua Thiam Chok	3,459,000	0.47
12	Yap Boh Sim	3,300,000	0.45
13	UOB Kay Hian Pte Ltd	2,886,000	0.39
14	Woon Choon Leng Desmond	2,100,000	0.29
15	Hong Leong Finance Nominees Pte Ltd	1,920,000	0.26
16	Phillip Securities Pte Ltd	1,882,000	0.26
17	Ong Chong Hua	1,800,000	0.24
18	Lee Seak Sung @ Lee Seak Song	1,702,000	0.23
19	Lee Pineapple Company Pte Ltd	1,500,000	0.20
20	Chua Wee-Chern	1,432,000	0.19
		632,832,619	85.99

@ Ordinary shares purchased and held as treasury shares by the Company will have no voting rights. As at 3 March 2011, the Company has 1,363,000 ordinary shares held as treasury shares and this represents approximately 0.19% against the total number of issued ordinary shares excluding treasury shares as at that date.

** The percentage is calculated based on the number of issued ordinary shares of the company as at 3 March 2011, excluding 1,363,000 ordinary shares held as treasury shares as at that date.

Shareholdings Statistics

as at 3 March 2011

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Ho Bee Holdings (Pte) Ltd ⁽²⁾	480,081,000	65.23	-	-
Mr Chua Thian Poh ^{(2) (3) (4)}	-	-	480,081,000	65.23
Mdm Ng Noi Hinoy ^{(2) (3)}	-	-	480,081,000	65.23
Mr Chua Kong Chian ^{(2) (4)}	-	-	480,081,000	65.23

Notes

- ⁽¹⁾ The percentage is calculated based on the number of issued ordinary shares of the Company as at 3 March 2011, excluding 1,363,000 ordinary shares held as treasury shares as at that date.
- ⁽²⁾ Mr Chua Thian Poh, Mdm Ng Noi Hinoy and Mr Chua Kong Chian have a deemed interest in the 480,081,000 shares held by Ho Bee Holdings (Pte) Ltd.
- ⁽³⁾ Mr Chua Thian Poh and Mdm Ng Noi Hinoy are husband and wife.
- ⁽⁴⁾ Mr Chua Thian Poh and Mr Chua Kong Chian are brothers.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 23rd annual general meeting of the Company will be held at 12 Tannery Road #10-01, HB Centre 1, Singapore 347722 on Tuesday, 26 April 2011 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 2010 and the reports of the directors and auditors thereon. [Resolution 1]
- 2 To declare a one-tier tax exempt final dividend of 3 cents per share for the year ended 31 December 2010. [Resolution 2]
- 3 To approve directors' fees of S\$300,000 for the year ended 31 December 2010. (2009: S\$250,000) [Resolution 3]
- 4 To re-appoint Mr Ch'ng Jit Koon pursuant to Section 153(6) of the Companies Act, Cap. 50 as a director to hold such office from the date of this annual general meeting until the next annual general meeting of the Company.

Note: Mr Ch'ng Jit Koon is an independent non-executive director. If re-appointed, he will remain a member of the audit committee and a member of the nominating committee. [Resolution 4]
- 5 To re-appoint Mr Tan Eng Bock pursuant to Section 153(6) of the Companies Act, Cap. 50 as a director to hold such office from the date of this annual general meeting until the next annual general meeting of the Company.

Note: Mr Tan Eng Bock is an independent non-executive director. If re-appointed, he will remain a member of the remuneration committee. [Resolution 5]
- 6 To re-elect Mr Ong Chong Hua, a director who will retire by rotation pursuant to Article 104 of the Company's Articles of Association and who, being eligible, will offer himself for re-election. [Resolution 6]
- 7 To re-elect Mr Chan Cheow Tong Jeffery, a director who will retire by rotation pursuant to Article 104 of the Company's Articles of Association and who, being eligible, will offer himself for re-election.

Note: Mr Chan Cheow Tong Jeffery is an independent non-executive director. If re-elected, he will remain a member of the audit committee and a member and the chairman of remuneration committee. [Resolution 7]
- 8 To re-appoint KPMG LLP as auditors of the Company and to authorise the directors to fix their remuneration. [Resolution 8]

Notice of Annual General Meeting

Special Business

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

“That authority be and is hereby given to the directors of the Company to:-

- (i) (a) issue shares in the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
- (b) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

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

- (ii) issue Shares in pursuance of any Instrument made or granted by the directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution),

Provided that:-

- (iii) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 50% of the total number of issued Shares (as calculated in accordance with paragraph (iv) below), and provided further that where shareholders of the Company with registered addresses in Singapore are not given the opportunity to participate in the same on a pro-rata basis, then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20% of the total number of issued Shares (as calculated in accordance with paragraph (iv) below);
- (iv) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”)) for the purpose of determining the aggregate number of the Shares that may be issued under paragraph (iii) above, the total number of issued Shares shall be based on the total number of issued Shares (excluding treasury shares) at the time such authority was conferred, after adjusting for:-
 - (a) new Shares arising from the conversion or exercise of any convertible securities;
 - (b) new Shares arising from exercising share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and
 - (c) any subsequent bonus issue, consolidation or subdivision of the Shares;

and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;

Notice of Annual General Meeting

(v) 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

(vi) (unless revoked or varied by the Company in general meeting), the authority so conferred shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.” [Resolution 9]

10 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
25 March 2011

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 Resolution 9 above, if passed, will empower the directors from the date of Resolution 9 being passed until the date of the next annual general meeting of the Company, or the date by which the next annual general meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to issue Shares or make or grant Instruments and to issue Shares in pursuance of such Instruments. The maximum number of Shares and Instruments which the directors may issue under this Resolution 9 shall not exceed the quantum set out in this resolution.

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 2011 for the purpose of determining members' entitlements to the one-tier tax exempt final dividend for the year ended 31 December 2010.

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 2011 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 2011 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 23rd annual general meeting to be held on 26 April 2011, will be paid on 31 May 2011.

By Order of the Board

Low Lai Sai
Company Secretary

Singapore
25 March 2011

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HO BEE INVESTMENT LTD

(Incorporated In The Republic Of Singapore)

Company Registration No. 198702381M

PROXY FORM

IMPORTANT

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

I/We _____, NRIC/Passport no. _____

of _____

being a member/members of Ho Bee Investment Ltd 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 23rd annual general meeting of the Company to be held at 12 Tannery Road #10-01, HB Centre 1, Singapore 347722 on Tuesday, 26 April 2011 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	Re-appointment of Mr Ch'ng Jit Koon as director	☐	☐
5	Re-appointment of Mr Tan Eng Bock as director	☐	☐
6	Re-election of Mr Ong Chong Hua as director	☐	☐
7	Re-election of Mr Chan Cheow Tong Jeffery as director	☐	☐
8	Re-appointment of KPMG LLP as auditors	☐	☐
9	Authority to issue shares and make or grant instruments convertible into shares	☐	☐

Dated this _____ day of _____ 2011

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

12 Tannery Road #10-01 HB Centre 1 Singapore 347722

Tel. 65 67490833 Fax. 65 67459167

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