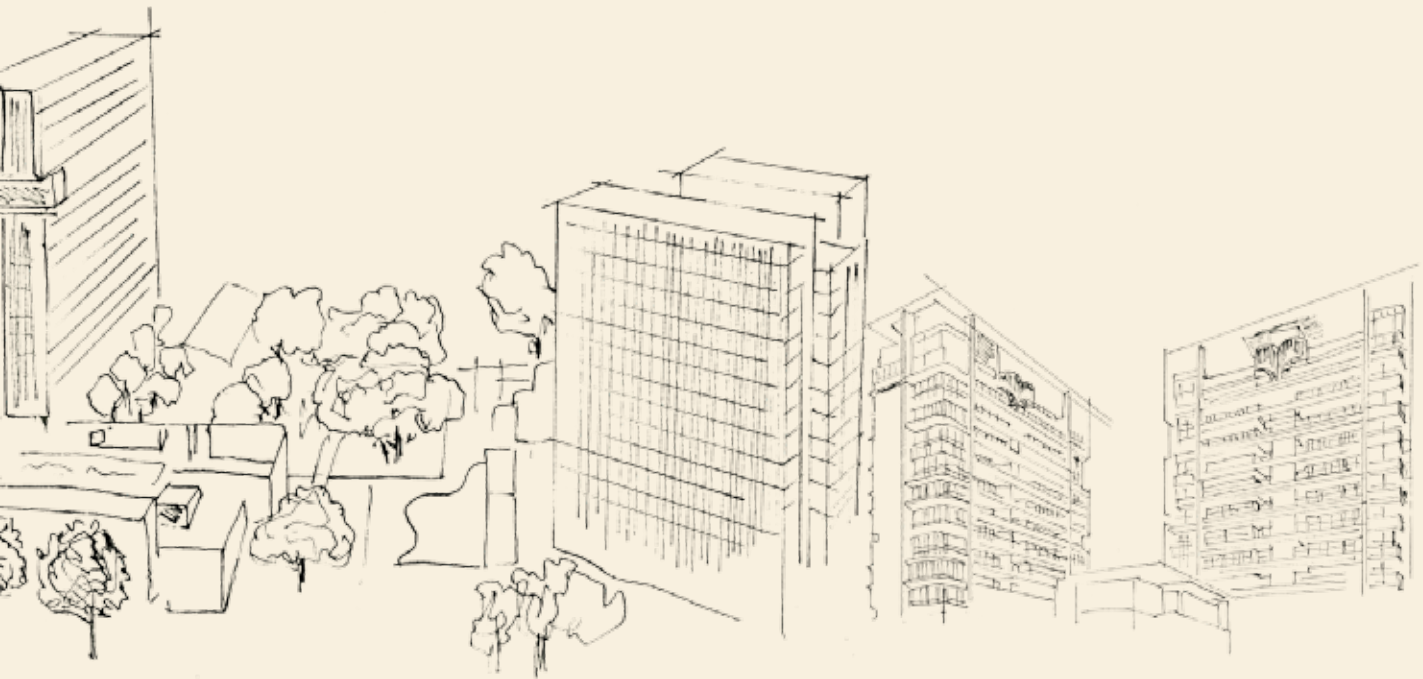


Our Aspiration

Hiap Hoe Limited
Annual Report 2012



SIGNATURE HOMES
by **HiapHoe**

...Realised



Ramada Singapore at
Zhongshan Park

The Beverly

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For a better understanding of the Annual Report and overall profile of the Company, shareholders are encouraged to download the SGX's Investor Guide Book via this link, http://www.sgx.com/wps/wcm/connect/sgx_en/home/individual_investor/investor_guide.

For more information on the Group, please visit www.hiaphoe.com.

2012 Calendar of Events

15 February

2011 Full Year Financial Statement and Dividend Announcement

15 February

Notice of Book Closure Date – Final Dividend of 0.25 cents per ordinary share

30 April

Annual General Meeting

10 May

First Quarter Financial Statement Announcement

11 May

Appointment of Executive Chairman

11 May

Appointment of Managing Director

8 June

Appointment of Lead Independent Director

10 July

Press Release-New Hotels by a joint venture-HH Properties Pte. Ltd., Geared for Opening with Management Team in Place

8 August

Second Quarter Financial Statement and Dividend Announcement

10 August

Notice of Book Closure Date – Interim Dividend of 0.50 cents per ordinary share

12 September

Appointment of Independent Director and Reconstitution of Audit Committee

12 November

Third Quarter Financial Statement Announcement

31 December

Days Hotel Singapore at Zhongshan Park commenced operations



2012 is a year worth celebrating in every way. Not only did we achieve heartening growth through unwavering commitment to quality, we also welcomed the opening of our exciting project – Days Hotel Singapore at Zhongshan Park. With this inspiring new beginning, we are ever more ready to realise our aspiration. An aspiration to develop signature spaces in both the residential and hospitality spheres.

Vision

A richer life for each of us

Mission

Be a competitive market player in residential properties, bringing reward and satisfaction to shareholders, customers, associates and employees

Values

We prize foresight, integrity and commitment among other time-honoured values



Hiap Hoe Building and Zhongshan Mall

The Hiap Hoe Group has more than three decades of experience in construction industry, and has been responsible for a large and varied number of projects in Singapore.

Today, Hiap Hoe Limited is primarily focused on developing luxury and mid-tier residential properties that are distinct in design and preferred for their excellent investment prospects and location. Prominent among these developments are Cuscaden Royale and Oxford Suites, as well as Signature at Lewis, The Beverly, Waterscape at Cavenagh, Skyline 360° at St Thomas Walk and Treasure on Balmoral. Marking its first foray into the hospitality business, Hiap Hoe is currently working with SuperBowl Holdings Group on the integrated hotel-cum-commercial complex along

Balestier Road, comprising Days Hotel Singapore at Zhongshan Park, and Ramada Singapore at Zhongshan Park, as well as an office building and retail mall.

In addition to its core business of property investment and development, Hiap Hoe is also involved in the construction business. This construction business is mainly engaged in the building of the Group's developments, but also simultaneously continues to pursue opportunities via third-party contracts.



Ramada and Days Hotel

Group Structure



Hiap Hoe Limited

Construction

WestBuild
Construction
Pte. Ltd.
100%

Hotel / Commercial Properties

HH Properties
Pte. Ltd.
50%

Cantonment
Development
Pte. Ltd.
40%

Residential Properties

Bukit Panjang
Plaza Pte Ltd
100%

Skyline 360° At
St Thomas Walk

Cavenagh
Properties
Pte. Ltd.
100%

Waterscape
At Cavenagh

Guan Hoe
Development
Pte Ltd
100%

Signature
At Lewis

Investment / Others

Hiap Hoe
Investment
Pte. Ltd.
100%

Residential Property Portfolio



Skyline 360° At St Thomas Walk

68 ST THOMAS WALK
SINGAPORE 238142

4,088

Approximate Land Area (sq. metres)

11,446

Gross Floor Area (sq. metres)

100%

Effective Group Interest (%)

28 September 2012 (100%)

Completion Date
(Current Stage of Completion)



Waterscape At Cavenagh

65, 65A TO 65E CAVENAGH ROAD
SINGAPORE 229619/20/ 30/31/32/33

9,401

Approximate Land Area (sq. metres)

19,743

Gross Floor Area (sq. metres)

100%

Effective Group Interest (%)

31 December 2014 (39%)

Expected Completion Date
(Current Stage of Completion)

Note:

¹ This property will be launched after FY2012.

Keng Hoe Development Pte Ltd
100%

Leng Hoe Development Pte. Ltd.
100%

Leong Hoe Development Pte. Ltd.
100%

Oxford Development Pte. Ltd.
100%

Wah Hoe Development Pte. Ltd.
100%

Hiap Hoe SuperBowl JV Pte. Ltd.
60%
Treasure on Balmoral

Goodluck View Development
60%
The Beverly



Signature At Lewis

1 LEWIS ROAD
SINGAPORE 258617

2,014
Approximate Land Area (sq. metres)

3,222
Gross Floor Area (sq. metres)

100%
Effective Group Interest (%)

3 October 2011 (100%)
Completion Date
(Current Stage of Completion)



The Beverly

45/47 TOH TUCK ROAD
SINGAPORE 596720/22

11,516
Approximate Land Area (sq. metres)

16,122
Gross Floor Area (sq. metres)

60%
Effective Group Interest (%)

11 October 2012 (100%)
Completion Date
(Current Stage of Completion)



Treasure on Balmoral

5/5A BALMORAL ROAD
SINGAPORE 259786/822

4,308
Approximate Land Area (sq. metres)

7,454
Gross Floor Area (sq. metres)

60%
Effective Group Interest (%)

1 November 2012 (100%)¹
Completion Date
(Current Stage of Completion)

Letter to Shareholders

Dear Shareholders,

On track, 2012 proved to be another year where we outperformed ourselves. Amidst a lacklustre global economy, high inflation and intense competition, our net profit for the financial year ended 31 December 2012 ("FY2012") recorded a robust 22% increase to \$57.9 million, from the \$47.4 million in the financial year ended 31 December 2011 ("FY2011").

The Group's gross profit also recorded a growth of 23.8% to \$57.7 million for FY2012, boosted by cost savings achieved in the construction of its joint venture projects – The Beverly and the integrated hotel-cum-commercial development at Zhongshan Park.

Correspondingly, revenue grew 6.8% to \$145.7 million, attributable to progressive revenue recognition of our residential developments – Waterscape at Cavenagh and Skyline 360° – as well as the construction of our two joint venture projects. Notably, Days Hotel Singapore at Zhongshan Park ("Days Hotel"), along with Treasure on Balmoral, The Beverly and Skyline 360°, have obtained their Temporary Occupation Permits ("TOP") during the year.

Particularly, I am especially pleased to announce that Days Hotel has commenced operations on 31 December 2012. Since the time

when the development was first conceptualised in August 2008 till the time Wyndham Hotel Group was selected to manage the hotels, we have taken every effort to ensure that this milestone project will be a success. Indeed, with the 14-storey Days Hotel opening well ahead of the initial forecasted schedule in 2014, the Group is poised to realise our aspiration with the help of the world's largest hospitality company – Wyndham Hotel Group. Under their strong management capabilities, Days Hotel and subsequently the 17-storey Ramada Singapore at Zhongshan Park are set to enable the Group to gain traction in the burgeoning local hospitality industry.

In FY2012, the performance of our residential properties division remains stable, with noteworthy take-up rates for our developments. The Beverly was 91% sold while Skyline 360° and Waterscape at Cavenagh were 64% and 75% sold respectively. Our construction division reported strong performance as well, contributing \$31.9 million to Group revenue. This translates to a solid 17.1% growth for the division.



“With the 14-storey Days Hotel opening well ahead of the initial forecasted schedule in 2014, the Group is poised to realise our aspiration with the help of the world’s largest hospitality company – Wyndham Hotel Group.”

Looking Ahead

As we enter 2013, uncertainties in the residential property market caused by the introduction of anti-speculation measures are expected. The Group is presently adopting a prudent approach towards its property sales, joint-venture initiatives as well as land acquisition programmes to ensure that it remains resilient in a potentially challenging environment.

In keeping with the momentum of Days Hotel’s launch, the Group is gearing up for the launch of our second hotel, Ramada Singapore at Zhongshan Park, in the first half of 2013. Along with this much-anticipated launch, the office space and retail malls at Zhongshan Park will also be operational.

For construction, the Group is expecting to complete the joint venture hotel-cum-commercial development along Balestier Road/Ah Hood Road and commence on the construction of the commercial project on Kallang Pudding Road.

Dividend

On the back of strong financial performance for FY2012, the Group has proposed a final cash dividend of 0.50 cents per ordinary share. This, together with the interim cash dividend of 0.50 cents per ordinary share declared for the half year ended 30 June 2012, brings the total dividend for the year to 1.00 cents per ordinary share. Dividend declared for FY2011 was 0.50 cents per ordinary share.

A Note of Thanks

In the days forward, with the help of Mr Teo Ho Kang who has assumed the role of Managing Director, I am confident that we will stay on course to realise our aspiration.

I would also like to take this opportunity to thank Dr Wang Kai Yuen for his contributions throughout the years. Dr Wang will be retiring as Independent, Non-Executive Director. In his stead, I would like to welcome Ms Kwok Chui Lian who will be bringing years of invaluable expertise to drive the Group to greater heights.

Certainly, our achievements could not have been made without the trust and support of our bankers and business partners. Thus, it is with my deepest appreciation that I thank them for sharing our aspiration and helping us realise every part of it. I would also like to offer my gratitude to our Board members, management and staff for their passion and commitment. I am positive that with such strong and collective support, the Group will continue to grow from strength to strength.

Teo Ho Beng
Executive Chairman /
Chief Executive Officer

Financial Review

Profitability

FY2012 was undoubtedly another good year for the Group, where net profit attributable to shareholders came in at \$57.9 million on a revenue of \$145.7 million, versus a net profit attributable to shareholders of \$47.4 million on a revenue of \$136.4 million in FY2011.

Underscored by progressive revenue recognition of Waterscape at Cavenagh and Skyline 360°, the residential property division contributed exceptionally to Group revenue with a combined sales of \$113.7 million. In particular, Skyline 360° obtained its TOP during the year.

Also having obtained its TOP in FY2012, The Beverly delivered a 24.7% increase in post-tax share of results of a joint venture to \$12.7 million. This was mainly attributable to the progressive revenue being recognised from the sale of a residential unit and cost savings in construction. The Beverly, together with the integrated hotel-cum-commercial development on Balestier Road/Ah Hood Road, contributed \$31.3 million of construction revenue to the Group in FY2012, up from \$27.1 million in FY2011.

In FY2012, gross profit surged 23.8% to reach \$57.7 million. The gross profit margin improved to 39.6% from 34.1% in FY2011, prompted by the greater proportion of revenue recognised from sale of the Group's residential properties for the period under review.

On the back of lower interest income generated from fewer commercial papers, financial income stood at \$0.3 million, in comparison with \$1.0 million in FY2011.

Distribution and selling expenses were higher at \$1.5 million. This figure takes into account the expenses incurred in the design and fitting out

for show suites in Skyline 360° and Treasure on Balmoral, as well as commission paid in relation to the sale of residential projects.

During FY2012, the Group saw an increase in staff strength. Correspondingly, administrative expenses rose by 6.4% to \$4.3 million, after the increase in staff cost was offset by the provisions written back for professional fees. Interest incurred on bank borrowings after the residential developments obtained their respective TOP formed the bulk of the Group's financial expenses in FY2012.

Group taxation reached \$9.3 million, a 30.1% jump from \$7.2 million in the previous financial year. The increase was mainly due to tax provided on the profit generated from units sold upon obtaining TOP.

Financial Position

Bolstered by the proceeds received from Skyline 360° upon obtaining TOP and Waterscape at Cavenagh, bank balances and fixed deposits totalled \$20.6 million as at 31 December 2012. This is a substantial increase from \$10.4 million the year before. The proceeds were used to repay bank loans and developments costs. With the repayments, loans and borrowings for both current and non-current liabilities fell as a result. Excess monies were placed as fixed deposits to generate interest income.

Other investments registered a 13.5% increase from \$4.1 million to \$4.6 million as part of the Group's cash was used to purchase commercial papers with better yields.

As of end December 2012, trade and other receivables climbed from \$13.5 million to \$29.5 million, driven by the remaining 15% of progress billings receivable from units sold at Skyline 360°.



Skyline 360°

In tandem with the progress made in the construction of the hotel-cum-commercial project in Balestier Road/Ah Hood Road, amount payable from joint venture (trade) stood at \$31.6 million over \$18.8 million in FY2011. On the other hand, amount due from joint ventures (non-trade) decreased from \$58.5 million to \$46.7 million. This was a result of repayments made by joint ventures, the project in Balestier Road/Ah Hood Road and The Beverly.

Following the TOP obtained for Skyline 360° and Treasure on Balmoral, the development cost of unsold units previously categorised under 'Development cost' has been reclassified as 'Properties held for sale'. Consequently, the Group's development properties fell from \$456.3 million to \$163.9 million, while the value of properties held for sale jumped from \$10.9 million to \$260.4 million.

Other current liabilities fell to \$28.6 million from \$44.4 million, owing to lower accrual on construction cost and operating expenses incurred after TOP was obtained for three of the Group's projects.

Due to funds injected by SuperBowl Holdings Limited for the joint venture residential project, Treasure on Balmoral, amount due to related companies (non-trade) grew from \$21.7 million to \$32.7 million. Increased retention of monies from construction activities caused non-current trade and other payables to increase as well from \$1.3 million to \$3.4 million.

Cash Flow

Net cash generated from operating activities amounted to \$62.8 million. Development properties posted a net decrease of \$35.9 million, mainly attributable to the recognition of cost for units sold and the reclassification of development cost of unsold units to properties held for sale, upon TOP obtained.

The \$15.8 million net decrease in other liabilities was in accordance with the lower construction cost accrued from the ongoing construction projects after TOP was obtained for Days Hotel, The Beverly, Skyline 360° and Treasure on Balmoral.

In FY2012, net cash generated from investing activities was \$12.3 million, with \$3.0 million arising from the redemption of commercial papers upon maturity, and another \$11.9 million received as repayment of shareholder's loan in relation to The Beverly. Proceeds of \$0.7 million were also received from the disposal of investment property. These receipts were partially offset by the purchase of commercial papers adding up to \$3.3 million and \$0.3 million for the purchase of plant and equipment.

Net cash used in financing activities was \$64.8 million, mainly due to payment of dividend and repayment of bank borrowings, which was partially offset by fresh bank borrowings and funds injected by SuperBowl Holdings Limited for Treasure on Balmoral.

Earnings Per Share

Earnings per share saw a 22.3% improvement to 12.30 cents, as opposed to 10.06 cents in FY2011.

Net Asset Value

At the end of the financial year, the Group boasted a stronger market position with total shareholder equity of \$305.3 million, a 21.4% growth from \$251.4 million over the last financial year. Net asset value per share climbed from 53.39 cents in FY2011 to 64.94 cents in FY2012.

Operations Review

Residential Properties



Treasure on Balmoral



Waterscape at Cavenagh

Treasure on Balmoral

The Treasure on Balmoral sits on a 46,371 sq ft site, and is set to be the Group’s latest luxurious freehold residential development. Situated along Balmoral Road, the Treasure on Balmoral is just a stone’s throw from Orchard Road, Singapore’s main shopping hub. The development is also flanked by prestigious membership clubs, reputable educational institutions, and lies in close proximity to the Singapore Botanic Gardens.

Two 12-storey blocks house 44 apartment units and four penthouses with attached private swimming pools. Sizes of the apartment units range from 1,701 sq ft to 3,692 sq ft.

Hiap Hoe teamed up with SuperBowl, in a 60-40 joint venture to develop Treasure on Balmoral. The Group commenced construction for Treasure

on Balmoral in 2009 and has obtained its temporary occupation permit on 1 November 2012. The Group remains prudent in the review of its sales programmes, and is seeking an opportune time to launch Treasure on Balmoral.

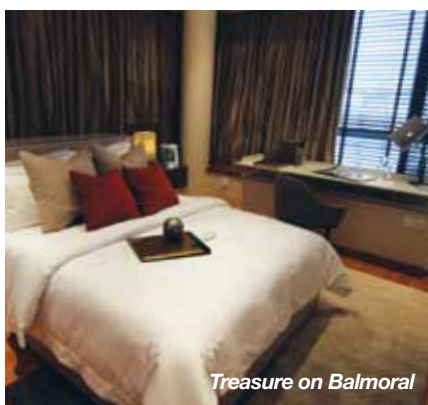
Waterscape at Cavenagh

Conceived as the first home resort in the heart of the city, the 101,193 sq ft development, which occupies the former Clemenceau Court and Le Chateau sites, is nestled amidst an enchanting waterscape setting in an exclusive enclave, that is a short walk to Orchard Road and Dhoby Ghaut MRT station. Also in close proximity to Waterscape at Cavenagh, are a host of upmarket retail and dining outlets, as well as renowned schools.

Waterscape at Cavenagh was designed to inspire leisurely and modern living within a tropical and private abode. Comprising four 7-storey blocks and two 6-storey blocks, the development will house 200 1 to 4-bedroom apartment units and penthouses ranging from 581 sq ft to 2,992 sq ft.

Inhabitants of this city sanctuary will be greeted with views of The Water Court, The Spa Sanctuary or The Nature Trail – three distinct spaces named to reflect the facilities available within each area.

Fully launched in the first quarter of 2010 to much success, the Group has to date sold 75% of the units at Waterscape at Cavenagh. Hiap Hoe has completed about 39% of construction work of this development, and expects to receive its temporary occupation permit for Waterscape at Cavenagh by December 2014.



Treasure on Balmoral

Residential Properties

The Beverly

Arranged in a distinct triangular configuration, The Beverly, a freehold residential development, within a low-density private housing estate sits on a 124,000 sq ft site, and offers good accessibility to the city via the Pan-Island Expressway, the Bukit Timah Expressway, and the upcoming Beauty World MRT.

Located at Toh Tuck Road, just off Upper Bukit Timah Road, The Beverly is conveniently located just minutes away from the shopping and dining hub along Upper Bukit Timah and Holland Village. The development is also close to prestigious schools, as well as to lush greenery of the nearby Bukit Timah Nature Reserve and Bukit Batok Nature Park.

The Beverly's spacious 2, 3, and 4-bedroom apartments range from 1,120 sq ft to 4,187 sq ft, while its double-storey penthouses range from 2,099 sq ft to 3,757 sq ft, and are each outfitted with a private roof garden and pool.

While most units have a view of the pool and the courtyard, The Beverly has been designed to provide maximum privacy for its residents. Each of The Beverly's 118 apartment units is served by private lifts that open right into the lobby of its designer interior.

A 60-40 joint venture with SuperBowl, The Beverly was launched in 2009 and has since sold 91% of the units. Temporary occupation permit was obtained on 11 October 2012.



Skyline 360° @ St Thomas Walk

A few streets away from Orchard Road at St Thomas Walk, the 36-storey skyscraper, Skyline 360° offers stunning views of the popular malls of Singapore's premier shopping district to the glittering nightlife hubs of Clarke Quay and Boat Quay.

Sitting on a 44,003 sq ft site, this 61-unit freehold residential development features 3 and 4-bedroom apartments, as well as penthouses with private pools. With only two apartment units per level serviced by a private lift, homeowners are afforded the utmost privacy and serenity. At the ground floor, within the tree-lined compound, residents can enjoy the lap pool, the hydrotherapy pool or use the gymnasium, aqua gym, or steam rooms.





The luxurious Skyline 360° interior is adorned with international line-up of exquisite brand names reflecting elegance, lifestyle and class.

Skyline 360° was soft-launched in the first half of 2010, and to date, 64% of the units have been sold. It has obtained its temporary occupation permit on 28 September 2012.

Signature at Lewis

The luxury residential project – the Signature at Lewis, is situated in prime district 10 and sits on a 21,679 sq ft site at Lewis Road.

Set to inspire leisurely and affluent living within a prestigious, private and spacious abode and standing at 12-storeys tall, the development comprises 30 luxury studio, 2 and 4-bedroom apartments ranging from 635 sq ft to 1,841 sq ft, and two penthouses that are more than 3,000 sq ft each.

Signature at Lewis is only a few minutes drive away from Orchard Road, Singapore Botanic Gardens, Adam Food Centre, Newton and Botanic Gardens MRT stations and the upcoming Stevens MRT station. The development is also located near membership clubs such as Raffles Town Club and The Pines, and established schools.

Signature at Lewis was launched in 2009 and has since sold 87% of its units. It has obtained its temporary occupation permit on 3 October 2011.



Hotel/Commercial Properties

Responding to the continued strong demand for hotel accommodation in Singapore, Hiap Hoe, and SuperBowl made their first foray into the hospitality business under a 50-50 joint venture, HH Properties Pte. Ltd.. The project, comprising two hotel-cum-commercial developments, is sited on a 190,000 sq ft parcel of land along Balestier Road/Ah Hood Road, just opposite the Sun Yat-Sen Nanyang Memorial Hall.

Flanking Zhongshan Park, the twin developments will be unique in their appeal, creating an attractive hotel-park that exudes a strong flavour of heritage and culture that is distinct to the area. Adding to their attraction is the convenient location that places guests near to town, yet away from all the hustle and bustle.

Wyndham Hotel Management, Inc., was appointed in January 2010 to manage the two hotels on behalf of the joint venture. As a member of

the world's largest hotel company, Wyndham's extensive experience and solid know-how in the industry will add wings to the venture, giving both hotels the best possible head start in the growing but competitive business.

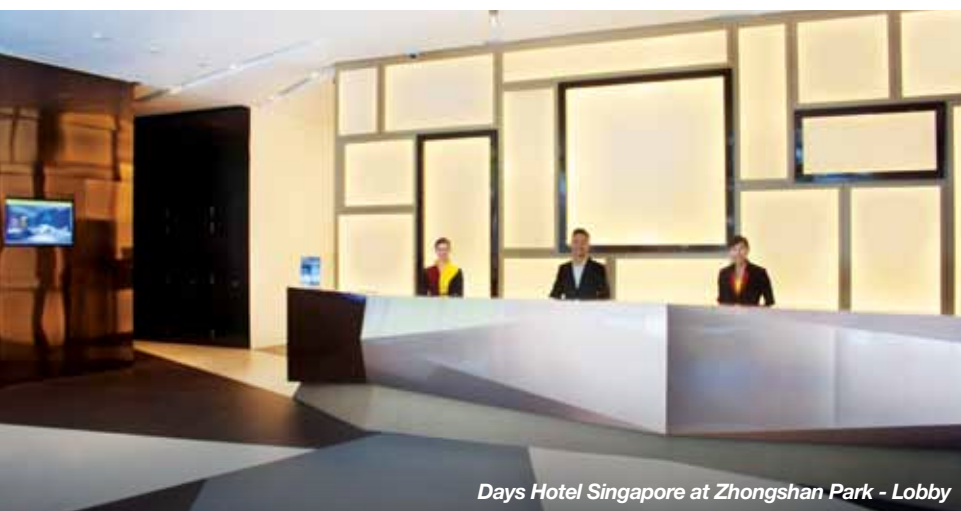
The hotels will be operated under the Ramada and Days Hotel brands respectively, both firsts in Singapore and both designed to serve up a premier experience in hospitality. The Ramada Singapore at Zhongshan Park will offer 384 rooms, and host comprehensive facilities including a full service restaurant, fitness centre, swimming pool, business centre and more than 5,800 sq ft of meeting space. A convenient link will also be provided to an adjacent office block that is being developed concurrently.

The Days Hotel Singapore at Zhongshan Park having obtained its temporary occupation permit, has commenced operation on 31 December 2012. It features 405 rooms and offers some similar facilities.

Ramada Singapore at Zhongshan Park is expected to obtain its temporary occupation permit in the second quarter of 2013. Ramada Singapore at Zhongshan Park is expected to commence operations in first half of 2013, along with the complex's office building and retail mall.



Ramada Singapore at Zhongshan Park - Hotel lobby



Days Hotel Singapore at Zhongshan Park - Lobby



Days Hotel Singapore at Zhongshan Park - Guest Room

Construction

WestBuild Construction Pte. Ltd. ("WBC") is a wholly owned subsidiary of the Hiap Hoe Limited and acts primarily as the construction arm of the Group, handling all its development projects.

Capitalising on the Company's market knowledge and experience in residential property construction, WBC completed residential projects, Signature at Lewis, Cuscaden Royale, Oxford Suites, City Edge and Proximo. Currently, its portfolio of projects include Waterscape at Cavenagh, as well as the one hotel-cum-commercial developments on Balestier Road/Ah Hood Road. During the year, it had completed the construction of The Beverly, Skyline 360° at St Thomas

Walk, Treasure at Balmoral and Days Hotel Singapore at Zhongshan Park, which have obtained their temporary occupation permits.

For the year ended 31 December 2012, the construction segment's revenue increased to \$31.9 million from \$27.2 million in previous corresponding year. This contributed almost 22% of the Group's revenue which comprised mainly of revenue from the construction of joint ventures projects, The Beverly and the integrated hotel/commercial development on Balestier Road/Ah Hood Road. Profit from this segment increased to \$3.2 million in FY2012, up from \$3.0 million a year ago.



Board of Directors

Teo Ho Beng Executive Chairman / Chief Executive Officer

Mr Teo was appointed as Director and Managing Director on 16 January 2003 and has been a Director of Hiap Hoe Group since 1983. He assumed the position of Chief Executive Officer on 16 January 2006. Subsequent to the retirement of Mr Teo Guan Seng, Mr Teo assumed the position of the Executive Chairman and relinquished the position of Managing Director on 11 May 2012. He has more than 38 years of experience in the construction and property industries, and over 23 years of experience in the leisure industry. Mr Teo is responsible for the formulation of corporate strategies and policies for Hiap Hoe, and ensures their implementation by senior management at the operations level. He also chairs the senior management meetings to monitor Hiap Hoe's performance, and oversees management, budgeting and forecasting procedures to ensure there is prudent financial management. Mr Teo is currently the Executive Chairman and Chief Executive Officer of SuperBowl.

Teo Ho Kang, Roland Managing Director

Mr Teo was appointed as Director on 16 January 2003. He assumed the position of Managing Director on 11 May 2012. He has been a Director of Hiap Hoe Group since 1999, and was appointed as an Executive Director and the Deputy Managing Director of SuperBowl on 28 September 1995. He assumed the position of Managing Director of SuperBowl on 1 March 2012. With more than 23 years of experience in the property and leisure industries, Mr Teo is responsible for overseeing the marketing and promotion of Hiap Hoe's properties and their performance. He also

takes care of the Group's product development and business expansion and staff development. Mr Teo holds a Bachelor in Business Administration from the American Intercontinental University. His last re-election to the Board was on 30 April 2012.

Lim Kim Soon Lee, Cindy Executive Director

Ms Lim was appointed as Director on 16 January 2003. She is a Certified Public Accountant and has been the Financial Controller of SuperBowl since 1995. With more than 20 years of experience in finance, Ms Lim is responsible for overseeing the financial affairs and business development of Hiap Hoe and SuperBowl. Ms Lim was an auditor at Deloitte & Touche, Singapore before joining other corporate companies. She graduated from the National University of Singapore with a Bachelor of Accountancy degree. Her last re-election to the Board was on 19 April 2011.

Chan Wah Tiong Lead Independent, Non-Executive Director

Mr Chan was appointed as Director on 14 August 1998, and has been an independent Director of the Company since 1998. He was appointed as Lead Independent Director on 8 June 2012. Currently, he is the Director – Community Care Development Division at Agency for Integrated Care. He was formerly the Chief Executive Officer of All Saints Home, a non-profit organisation that provides residential nursing care for the elderly infirm of all races and religions in the community.

Mr Chan brings extensive financial, accounting and compliance experience, having served as external Auditor, Accountant, Financial Analyst, Financial Director and CFO of several companies

(both local and multinational) in semiconductor, manufacturing, trading, construction and non profit organisation. Mr Chan is also an Independent Director of Koda Ltd, a company listed on the Singapore Exchange. He is also the Finance Committee Chairman and Treasurer of Care Corner Singapore – a non-profit voluntary welfare organisation that provides a wide scope of community services.

A Certified Public Accountant with the Institute of Certified Public Accountants of Singapore, Mr Chan holds a Bachelor of Accountancy and a Graduate Diploma in Social Work from the National University of Singapore. His last re-election to the Board was on 20 April 2010.

Dr Wang Kai Yuen Independent, Non-Executive Director

Dr Wang was appointed as Director on 25 January 2002. He chairs the Remuneration Committee and the Nominating Committee and is a member of Audit Committee.

Dr Wang served as a Member of Parliament for the Bukit Timah Constituency from December 1984 till April 2006. He was the Chairman of Feedback Unit from 2002 till his retirement from politics. He retired from his full time position in Fuji Xerox in 2009.

Dr Wang also holds directorships at ComfortDelgro Group Ltd, Cosco Corp Singapore, CAO (Singapore) Corp, Ezion Holdings Ltd, Xpress Holdings Ltd, Matex International Ltd, and others.

He graduated from the National University of Singapore with a Bachelor of Engineering (First Class Honours in Electrical and Electronics) in 1972. Dr Wang holds a Master of Science in Industrial Engineering, Masters of

Science in Electrical Engineering, and a Doctorate in Engineering from Stanford University (USA). His last re-election was on 19 April 2011.

Chan Boon Hui
Independent,
Non-Executive Director

Mr Chan was appointed as Director on 4 April 2003. He is presently the Managing Director of Chancery Capital Pte Ltd. He has more than 15 years of investment banking experience with OCBC Bank, BNP Paribas and the Rothschilds Group in Singapore and New York. Mr Chan graduated from Cambridge University (UK) with a Master of Arts (Hons) (Law) in 1994, and is a Chartered Financial Analyst. His last re-election to the Board was on 30 April 2012.



Kwok Chui Lian
Independent,
Non-Executive Director

Ms Kwok was appointed as Director on 12 September 2012. She is currently the President and CEO of AFC Merchant Bank. She was appointed to this position in January 2008 after spending almost 20 years in OCBC. Ms Kwok started her banking career with Citibank Singapore as a credit analyst upon graduation in 1981. She holds a Bachelor of Arts (Hons) degree in Economics from the City of Birmingham Polytechnic, UK. She is also a Fellow of The Institute of Chartered Secretaries and Administrators and has attended executive management programmes at both Wharton-SMU University (General Management Programme in 2004) and The Wharton School at the University of Pennsylvania (The Leadership Journey-Creating and Developing your leadership in 2006).



- | | | |
|---|---|----------------------------|
| 1 | 2 | 1. Teo Ho Beng |
| 3 | 4 | 2. Teo Ho Kang, Roland |
| 5 | 6 | 3. Lim Kim Soon Lee, Cindy |
| 7 | | 4. Chan Wah Tiong |
| | | 5. Dr Wang Kai Yuen |
| | | 6. Chan Boon Hui |
| | | 7. Kwok Chui Lian |

Key Management

Aw Hui Mien, Jenny

Group Financial Controller

She is a Certified Public Accountant and a member of The Association of Chartered Certified Accountants (ACCA). After completing the ACCA examinations in 1993, Ms Aw worked as a graduate assistant with KPMG. She joined Hiap Hoe in 1997, and her current responsibilities include overseeing the Group's accounts, corporate and financial related matters.

Seoh Choon Hong

Senior Accountant

She joined Hiap Hoe Group in January 2003. A graduate of the ACCA and a Certified Public Accountant, she has more than 16 years of experience in auditing and accounting. Prior to joining Hiap Hoe Limited, Ms Seoh was a Management Accountant with a public listed company. Currently, she is involved in the financial, taxation and corporate secretariat matters for the Hiap Hoe Group.

Teo Poh Sim

Head, Human Resource

She joined the Group on 1 February 2003. Holding a Bachelor of Arts degree from the Pacific Union College (USA), Ms Teo has more than 20 years of experience in human resource and administration. Responsible for formulating the human resource and administration policies of the Group, she oversees the Group payroll, staff welfare and development, as well as administration.

Charlotte Tan

General Manager

(Projects, Contracts and Leasing)

She joined the Group in November 2010. Ms Tan holds a Bachelor of Applied Science in Construction Management (Hons) degree. Backed by more than 16 years of project

management and design experience, including 7 years experience in the retail industry both in Singapore and overseas, Ms Tan oversees the design and planning, project management and construction, procurement, lease management, sales and marketing for Hiap Hoe Group.

May Tay

Head, Sales & Leasing

She joined the Group in September 2011. Graduated from University of South Australia with a Bachelor of Business (Property), Ms Tay's professional experience in the area of property leasing includes both Singapore and overseas markets. She was previously with Dairy Farm Group, Mapletree and Jones Lang LaSalle. Her current responsibilities include the leasing of commercial and residential properties within the Group.

Chew Char Hoon

Head, Construction

He joined the Group in March 2012. He has 25 years of experience in the construction industry. Mr Chew holds a Bachelor of Science in Civil Engineering from South Dakota State University. He oversees the construction arm of the Group. His responsibilities include implementing the best construction methods and ensuring the timely completion and quality delivery of projects.

Raymond Low

Head, Design & Planning

He joined the Group in April 2012. Prior to joining the Group, he started his career in 1995 as an Interior Design Consultant at William Lim Associates. He later worked for By Design and practised 12 years with DP Architects Group as Associate Director, specialising in hospitality, commercial, retail and residential projects. He contributes in the aspects of spearheading designs and creating new benchmark developments for the Group.

Risk Management

The practice of risk management is undertaken by the Company's Executive Directors and senior executives of each business division under the purview of the Board of Directors.

The Group's performance depends largely on its ability to manage a few key areas that have the greatest repercussions on its growth and profitability.

Economic and Regulatory Risk

Changes in the economic conditions will inevitably affect the business environment that the Group operates in. Measures imposed by the government can change consumers' buying behaviour and impact the revenue of the Group.

The Group has to keep abreast of the changes in the economic climate and government policy to make better informed decision.

Interest Rate Exposure

Changes in interest rate are a major influence on the bottom line because the Group mainly finances its investments through bank borrowings.

The Group reviews the interest rate strategies to minimise interest rate by taking into cash flow forecasts, term of debt obligation and market outlook.

Responsiveness to Market Sentiments

The single most important income generator for the Group is property sales. The ability to tune its marketing strategy to buyers' sentiments is crucial to achieving high sales volume and healthy profit margins.

The next challenge for the Group will be to seek an opportune time to launch some projects under its portfolio.

Reliability of Suppliers and Subcontractors

As part of good practice, the Group calls for tenders when selecting sub-contractors and suppliers for large-scale projects. This enables it to secure quality products and services at competitive prices. However, where the project size is small, the Group may from time to time, re-engage past partners who have proven track records. That is because the reliability of its partners has a knock-on effect on the efficiency and quality of the Group's developments, and ultimately, on its ability to deliver its commitments to homebuyers and other stakeholders.

Timeliness in Completion of Projects

The Group has a high degree of control over the timeliness of its projects as their construction is assigned to its own fully-owned construction company, WestBuild Construction Pte. Ltd.. Timeliness in completion and delivery ensures compliance with contractual agreements, and prevents financial loss and interruptions in cash flow.

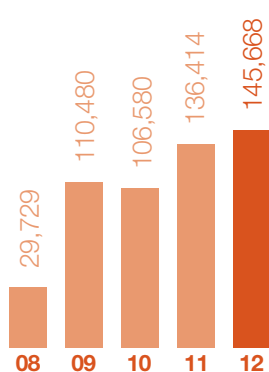
Human Resource Management

Keeping costs low and efficiency at peak, the Group relies on a remarkably small team of dedicated staff for their contribution and continued service. The Group has to ensure that it is able to attract and retain high-calibre and dedicated staff, for the success of its business. Skilful human resource management paves the way for the Group to continue on the path of growth.

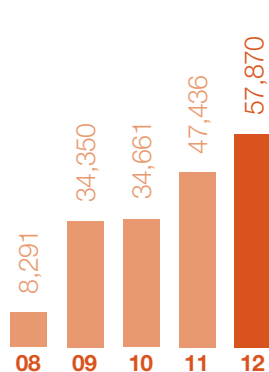
Business Continuity Risk

The Group has to actively seek out opportunity to acquire land for development. In order to sustain the business, the Group has to acquire land at competitive price. Besides developing for residential properties, the Group has ventured to develop hotel / commercial properties to reduce the business continuity risk.

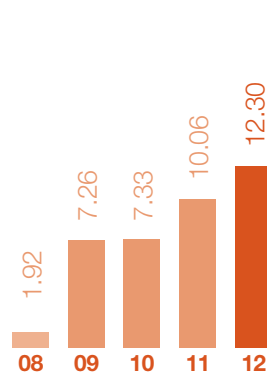
Financial Highlights



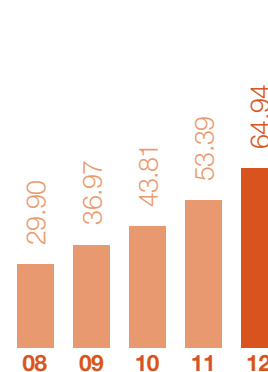
Group Revenue
\$'000



Net Profit Attributable to Owners of the Company
\$'000



Earnings Per Share
Cents



Net Assets Value Per Share
Cents

	2012	2011	2010	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000
Group Income Statements					
Revenue	145,668	136,414	106,580	110,480	29,729
Profit before Taxation	66,855	54,527	39,577	41,622	8,252
Net Profit Attributable to Owners of the Company	57,870	47,436	34,661	34,350	8,291
Group Balance Sheets					
Non-Current Assets	29,058	16,668	10,001	11,717	10,933
Current Assets	561,238	575,509	517,533	590,206	523,399
Current Liabilities	200,218	246,534	180,424	89,597	20,921
Non-Current Liabilities	84,757	94,200	140,118	337,343	371,793
Equity Attributable to Owners of the Company	305,595	251,387	206,870	174,766	141,360
Per Share Data (Cents)					
Earnings after Tax ¹ (Basic)	12.30	10.06	7.33	7.26	1.92
Net Assets Value ¹	64.94	53.39	43.81	36.97	29.90
Dividend	1.00	0.50	0.50	0.25	0.25
Financial Ratios					
Return on Average Shareholders' Funds (%)	20.78	20.70	18.16	21.73	6.46
Debt Equity Ratio (Times)	0.67	1.08	1.34	2.28	2.69
Net Debt Equity Ratio (Times)	0.60	1.04	1.16	2.26	2.62
Current Ratio (Times)	2.80	2.33	2.87	6.59	25.02
Dividend yield (%)	1.59	1.19	1.14	0.49	2.38
Dividend payout (%)	8.13	4.97	6.82	3.45	13.02

Note: (1) For comparative purposes, the ratios for FY2008 and FY2009 are adjusted to take effect of the bonus issue in FY2010.

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Proxy Form

Corporate Governance

The Board is committed to uphold effective corporate procedures and policies in compliance with the Code of Corporate Governance 2005 ("Code"). The Board believes that good corporate governance establishes and maintains an ethical environment, which strives to enhance the interests of all shareholders. This report describes the Company's corporate governance processes and activities that were in place throughout the financial year, with specific references made to the principles and guidelines as set out in the Code.

The Board had also noted the recommended guidelines given under the revised Code of Corporate Governance ("Revised Code") issued on 2 May 2012 which would be effective for financial years commencing from 1 November 2012. The Company would implement these recommendations as and when appropriate for the coming financial year.

BOARD MATTERS

Principle 1 : The Board's conduct of affairs

The Board meets regularly to review and approve the Company's strategic directions, appointment of directors, business results, major funding and investment proposals. The Board also reviews the financial performance of the Group and supervises the management of the business and affairs of the Group. The Board of Directors would ensure that decisions are made in the interests of the Company.

The Board of Directors is free to request for further clarification and information from Management on all matters within their purview. The Board will conduct at least 4 meetings in a year and ad-hoc meetings will be convened, when required. The Company's Articles of Association provides for the Board to convene meetings via telephone conferencing and electronic means.

The attendance of the directors and the various meetings held during the financial year ended 31 December 2012 are as follows :

Name of Directors	Board		Audit Committee		Remuneration Committee		Nominating Committee		Executive Committee	
	Number of Meetings	Attendance	Number of Meetings	Attendance	Number of Meetings	Attendance	Number of Meetings	Attendance	Number of Meetings	Attendance
Mr Teo Ho Beng	4	4	N.A.	4*	N.A.	1*	N.A.	1*	6	6
Mr Teo Ho Kang, Roland	4	4	N.A.	2*	N.A.	-	N.A.	-	6	6
Ms Lim Kim Soon Lee, Cindy	4	4	N.A.	4*	N.A.	1*	N.A.	1*	6	6
Mr Chan Wah Tiong	4	4	4	4	1	1	1	1	N.A.	-
Dr Wang Kai Yuen	4	4	4	4	1	1	1	1	N.A.	-
Mr Chan Boon Hui	4	4	4	4	1	1	1	1	N.A.	-
Ms Kwok Chui Lian	4	1	4	1	1	N.A.	1	N.A.	N.A.	-

Note:
Ms Kwok Chui Lian was appointed as an independent Director and Member of the Audit Committee of the Company on 12 September 2012.

Mr Teo Guan Seng had retired at the last Annual General Meeting held on 30 April 2012.

* By invitation

In order to provide an independent oversight and to discharge its responsibilities more efficiently, the Board has delegated certain functions to various Committees. These Committees are Audit Committee, Remuneration Committee, Nominating Committee and Executive Committee. The Chairman of the respective Committees will report and update the Board on the outcome of the Committee meetings and their recommendations on the specific agendas mandated to the Committee by the Board.

Corporate Governance (Cont'd)

Newly appointed directors are provided with background information about the Group and are invited to visit the Group's operations and facilities to have an understanding of the Group's business operations. Directors receive updates from time to time, particularly on relevant new laws and regulation, changing commercial risks and business conditions from the Company's relevant advisors and management. Directors are also given appropriate training from time to time. During the year, some Directors participated in external training programmes to enhance their knowledge.

BOARD COMPOSITION AND GUIDANCE

Principle 2 : Strong and independent element on the Board

The Board comprises three Executive Directors and four Non-Executive and Independent Directors. There is a strong and independent element on the Board.

Mr Teo Ho Beng holds both the position of the Chairman and the Chief Executive Officer ("CEO"). The Revised Code required that the independent directors make up at least half of the Board where the Chairman and the CEO is the same person. This requirement has been met with the presence of the four Independent and Non-Executive Directors.

The independence of Non-Executive Directors is reviewed annually by the Nominating Committee ("NC"). The NC has adopted the Revised Code's definition of what constitutes an independent director in its review. An "independent" director is one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company. Every year, each Independent Director is required to complete the Director's Independence Form to confirm his independence annually based on the guidelines as set out in the Code.

Executive Directors

Mr Teo Ho Beng	(Executive Chairman / Chief Executive Officer)
Mr Teo Ho Kang, Roland	(Managing Director)
Ms Lim Kim Soon Lee, Cindy	(Executive Director)

Non- Executive Directors

Mr Chan Wah Tiong	(Lead Independent Director)
Dr Wang Kai Yuen	(Independent Director)
Mr Chan Boon Hui	(Independent Director)
Ms Kwok Chui Lian	(Independent Director)

The Board's structure, size and composition are reviewed annually by the NC. The NC is of the view that the Board's size is appropriate and with the right mix of skills and experience given the nature and scope of the Group's operations. The Directors as a group provides a diversity of skills and gender (with 2 female Directors on Board), extensive experience in business management, strategic planning and knowledge in accounting and finance is crucial to steer the Group in the direction of growth.

The Non-Executive Directors challenge and help to develop proposals on strategy; and review the performance of Management in achieving agreed goals and objectives.

Details of the Directors' academic and professional qualifications can be found on pages 16 and 17.

Corporate Governance (Cont'd)

CHAIRMAN / CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

Principle 3 : Clear division of Board and Management responsibilities

Mr Teo Ho Beng, is the Executive Chairman (“EC”) and CEO of the Company. Mr Teo Ho Kang, Roland, the brother of EC, is the Managing Director (“MD”) of the Company.

As the EC, Mr Teo Ho Beng performs the following pertaining to the Board proceedings :

- (a) schedule meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company’s operations;
- (b) prepare meeting agenda in consultation with the MD;
- (c) exercise control over quality, quantity and timeliness of the flow of information between the Management and the Board; and
- (d) assist in ensuring compliance with the Company’s guidelines on corporate governance.

The EC / CEO is responsible for the day-to-day management of the Group as well as the exercise of control over the quality, quantity and timeliness of information flow between the Board and Management and in developing the business of the Group.

Major decisions made by the EC / CEO and MD are reviewed by the Audit Committee and approved by the Board.

Since the EC and CEO is the same person, Mr Chan Wah Tiong, an Independent Director is appointed to be the Lead Independent Director. The Lead Independent Director is available to shareholders where they have concerns and for which contact through the normal channels of the EC / CEO and MD has failed to resolve or is inappropriate.

Led by the Lead Independent Director, the Independent Directors will meet once a year without the presence of the other Executive Directors. After such meeting, the Independent Directors would provide feedback to the EC / CEO.

As such, the Board opined that there are adequate safeguards in place to ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

BOARD MEMBERSHIP

Principle 4 : Formal and transparent process for appointment of Directors

The NC comprises the following members of whom three are Independent Directors:

- 1) Dr Wang Kai Yuen (Chairman of NC / Independent Director)
- 2) Mr Chan Boon Hui (Independent Director)
- 3) Mr Chan Wah Tiong (Lead Independent Director)

The NC makes recommendations to the Board on all Board appointments and re-nominations. The NC has conducted an annual review of Directors’ independence based on the Code’s criteria for independence. The NC, having evaluated the independence of each Director is of the view that Messrs Chan Boon Hui, Chan Wah Tiong, Kwok Chui Lian and Wang Kai Yuen are independent.

The Company’s Articles of Association provides for at least one third of the Directors, other than the MD, to retire from office by rotation at each Annual General Meeting (“AGM”). The retiring Directors shall be eligible for re-election at the AGM. The Company’s Articles of Association also provides that MDs are not subject to retirement by rotation.

Corporate Governance (Cont'd)

The Board has accepted NC's nomination of the retiring Directors, namely, Mr Chan Wah Tiong and Ms Kwok Chui Lian who are retiring pursuant to Articles 106 and 91 of the Company's Articles of Association respectively for re-election at the Company's forthcoming AGM. Dr Wang Kai Yuen has expressed his intention not to be re-elected at the Company's forthcoming AGM.

New Directors are appointed by way of board resolutions. The NC would review the qualifications, skills and experience of the nominated directors.

All directors are required to declare their board representations. The NC has reviewed and is satisfied that Dr Wang Kai Yuen who sits on multiple boards, has been able to devote adequate time and attention to the affairs of the Company to fulfill his obligations as a Director of the Company.

List of Directorships or Chairmanships held presently or in the last 3 years in other listed Companies :

Name of Director	Company	Date of Appointment	Date of Resignation/ Retirement
Teo Ho Beng	SuperBowl Holdings Limited	03 May 1994	-
Teo Ho Kang, Roland	SuperBowl Holdings Limited	28 Sep 1995	-
Dr Wang Kai Yuen	A-Sonic Aerospace Limited	1 Mar 2008	-
	Asian Micro Holdings Limited	20 Aug 1999	24 Oct 2012
	China Aviation Oil (Singapore) Corporation Ltd	28 Apr 2008	-
	China Lifestyle Food & Beverages Group Ltd (Delisted on 6 May 2010)	28 Mar 2005	-
	ComfortDelGro Corporation Limited	18 Feb 2003	-
	COSCO Corporation (Singapore) Limited	2 May 2001	-
	HLH Group Limited	1 May 2006	-
	EOC Limited	11 Jul 2007	-
	Matex International Limited	11 Jul 2003	-
	Ezion Holdings Limited	20 Jul 2000	-
	SuperBowl Holdings Limited	1 Aug 1994	-
	Xpress Holdings Ltd	08 Jun 1999	-
Chan Wah Tiong	Koda Ltd	1 Oct 2001	-
Chan Boon Hui	JCY International Berhad	13 Nov 2009	-

BOARD PERFORMANCE

Principle 5 : Formal assessment of the effectiveness of the Board and contribution of each Director

During the year, all Directors are requested to complete a Board Performance Evaluation Questionnaire to assess the overall effectiveness of the Board. The results of the exercise are reviewed by the NC before submitting to the Board for discussing and determining areas for improvement and enhancement of the Board effectiveness.

Individual Director's performance is evaluated annually and informally on a continual basis by the NC. The criteria taken into consideration by the NC include the value of contribution to the development of strategy, the degree of preparedness, the knowledge and experience each Director possess which are crucial to the Group's business.

For the year under review, the NC has evaluated the Board's performance as a whole, which includes the participation and contribution of individual Directors to the management of the Company at Board and Committee Meetings.

Corporate Governance (Cont'd)

ACCESS TO INFORMATION

Principle 6 : Board members to have complete, adequate and timely information

Board members are provided with detailed management information, as and when requested by the Board. In addition, all relevant information on material events and transactions are circulated to Directors as and when they arise. Draft announcements will be circulated to the Board for review and approval before dissemination to the shareholders via SGXNET.

The Company Secretary would assist to prepare the Board Papers of the meetings for circulation. The Directors receive the Board papers at least 2 days before the meeting so that the Directors have ample time to review the documents. All Board members have separate and independent access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary and/or her representatives are present at all Board Meetings, ensuring that Board procedures are complied with, and provides advice and guidance on corporate governance, and on legal and regulatory compliance. The appointment and removal of the Company Secretary is subjected to the approval of the Board.

Should Directors, whether as a group or individually, need independent advice to fulfill their duties, they may obtain independent professional advice, if necessary, at the Company's expense.

REMUNERATION MATTERS

Principle 7 : Procedures for developing remuneration policies

Principle 8 : Level and mix of remuneration

Principle 9 : Disclosure on remuneration

The Remuneration Committee ("RC") comprises entirely of Non-Executive and Independent Directors and they are:

- 1) Dr Wang Kai Yuen (Chairman of RC / Independent Director)
- 2) Mr Chan Wah Tiong (Lead Independent Director)
- 3) Mr Chan Boon Hui (Independent Director)

The RC has adopted a framework of remuneration for the Board, and determined specific remuneration packages for each Executive Director. The recommendations of RC are submitted to the Board for endorsement.

The RC's objective is to establish and maintain a level of remuneration that would be appropriate to attract, retain and motivate the Directors to run the Company successfully. Each member of the RC refrains from voting on any resolutions in respect of the assessment of his remuneration.

The Executive Directors have service agreements which are renewed annually. The Service Agreements may be terminated by either the Company or the Executive Directors by giving 6 months' written notice of termination to the other party.

Non-Executive Directors are paid Directors' fees, taking into consideration individual contribution, attendance at various meetings and responsibilities held at the Committee level. The breakdown of the fees is as follow :

Independent / Non-Executive Member	\$32,000
Chairman of Audit Committee	\$15,000
Chairman of Remuneration Committee	\$ 5,000
Chairman of Nominating Committee	\$ 5,000

Such fees are subject to the approval of shareholders at the AGM every year.

Corporate Governance (Cont'd)

In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individuals.

Details of the remuneration of the Directors (in percentage terms) are as follows:

Directors' Remuneration	Fees ¹	Salary ²	Bonus ³	Other Benefits ⁴	Total
Below \$100,000					
Mr Chan Boon Hui	100%	0%	0%	0%	100%
Dr Wang Kai Yuen	100%	0%	0%	0%	100%
Mr Chan Wah Tiong	100%	0%	0%	0%	100%
Ms Kwok Chui Lian	100%	0%	0%	0%	100%
Between \$200,000 to \$299,999					
Ms Lim Kim Soon Lee, Cindy	0%	57%	28%	15%	100%
Between \$300,000 to \$399,999					
Mr Teo Ho Kang, Roland	0%	66%	33%	1%	100%
Between \$800,000 to \$899,999					
Mr Teo Ho Beng	0%	64%	32%	4%	100%

Notes:

¹ Directors' fee proposed for the financial year ended 31 December 2012.

² Salary includes gross salary and employer CPF contribution.

³ Bonus includes salary and employer CPF contribution.

⁴ Other benefits include company car, its maintenance costs and club subscription.

The range of gross remuneration received by the top 5 executives (excluding Executive Directors) of the Group is as follows:

Top 5 Executives' Remuneration	Salary ¹	Bonus ²	Other Benefits ³	Total
Below \$250,000				
Ms Aw Hui Mien, Jenny	66%	28%	6%	100%
Mr Low Siu Choong, Raymond	83%	15%	2%	100%
Ms Seah Choon Hong	69%	29%	2%	100%
Ms Tan Kay Yong, Charlotte	65%	32%	3%	100%
Ms Teo Poh Sim	54%	27%	19%	100%

Notes:

¹ Salary includes gross salary and employer CPF contribution.

² Bonus includes salary and employer CPF contribution.

³ Other benefits include company cars provided, private usage of operating cost of vehicles and unutilised annual leave.

The range of gross remuneration of employees who are immediate family members of a Director or the Chairman:

Remuneration Bands	No. of employees
Below \$150,000	-
\$150,000 & above	1

There is one employee of the Group who is an immediate family member of Directors / substantial shareholders whose remuneration exceeds \$150,000 for the financial year ended 31 December 2012.

Corporate Governance (Cont'd)

Hiap Hoe Performance Share Plan

On 20 April 2010, the Company obtained the Shareholders' approval to implement the Hiap Hoe Performance Share Plan (the "Plan"). The Plan is to replace the Employee Stock Option Scheme which was approved by the Shareholders on 28 April 2004.

The Plan is a share incentive scheme which allows the Company, *inter alia*, to target specific performance objectives and to provide an incentive for participants to achieve these targets. The Directors believe that the new plan will incentivise participants to excel in their performance and encourage greater dedication and loyalty to the Company and also help to achieve the following positive objectives :

- (a) incentivise employees to excel in their performance and encourage greater dedication and loyalty to the Company;
- (b) attract and retain employees whose contributions are important to the long-term growth and profitability of the Group;
- (c) recognise and reward past contributions and services and motivate employees to continue to strive for the Group's long-term prosperity; and
- (d) develop a participatory style of management which instills loyalty and a stronger sense of identification with the long-term goals of the Group.

Through the Plan, the award of fully-paid shares, free of charge to the Plan participants is intended to be more attractive form of bonus from the Company to the Plan participants. In addition, the Company believes that the Plan will be more effective than cash bonuses in motivating employees as it gives them a stake in the ownership of the Company.

Employees who are eligible to participate in the Plan must be:

- (a) Group Employees
 - (i) confirmed full-time employees of the Company and/or its Subsidiaries who have attained the age of 21 years on or before the date of Award; and
 - (ii) Directors of the Company and Subsidiaries who perform an executive function.
- (b) Associated Company Employees
 - (i) confirmed full-time employees of an Associated Company who have attained the age of 21 years on or before the date of Award; and
 - (ii) Directors of an Associated Company who perform an executive function.

Employees and Executive Directors who are Controlling Shareholders or Associates of Controlling Shareholders who meet the criteria as set out above are eligible to participate in the Plan.

The Plan is being administered by the RC. As at the date of this report, the RC comprises Dr Wang Kai Yuen, Mr Chan Wah Tiong and Mr Chan Boon Hui. In compliance with the requirements of the Listing Manual, a participant who has been granted an Award and is a member of the RC shall not be involved in its deliberations in respect of Awards to be granted to or held by him or his Associates.

The RC may grant Awards to the Participants at any time during the period when the Plan is in force. The Plan shall continue in force at the discretion of the RC, subject to a maximum period of ten years from 20 April 2010.

Corporate Governance (Cont'd)

The number of shares which are the subject of each Award to be granted to a participant in accordance with the Plan shall be determined at the absolute discretion of the RC, which shall take into account criteria such as, inter alia, his rank, scope of responsibilities, performance, years of service and potential for future development, contribution to the success of the Group and the extent of effort and resourcefulness with which the performance target(s) may be achieved within the performance period. The performance targets will be set by the RC depending on each individual participant's job scope and responsibilities.

The total number of new shares which may be issued pursuant to Awards granted under the Plan, when aggregated with the aggregate number of shares, over which shares are granted under any other share schemes of the Company, shall not exceed fifteen per cent (15%) of the issued shares of the Company (excluding treasury shares) on the day preceding the Award Date.

In accordance with Rule 845 of the Listing Manual, the following limits must not be exceeded:

- (a) The aggregate number of shares available under the Plan must not exceed 15% of the total number of issued shares excluding treasury shares from time to time;
- (b) The aggregate number of shares available to Controlling Shareholders and their Associates must not exceed 25% of the new shares available under the Plan;
- (c) The number of shares available to each Controlling Shareholder or his Associate must not exceed 10% of the new shares available under the Plan; and
- (d) The aggregate number of shares available to Directors and employees of Hiap Hoe's parent company and its subsidiaries must not exceed 20% of the new shares available under the Plan.

Since the commencement of the Plan till the end of the financial year ended 31 December 2012, a total of 177,400 performance shares were granted out of treasury shares to the Group's employees on 6 January 2011 at \$0.445 per share.

ACCOUNTABILITY AND AUDIT

Principle 10 : Accountability of the Board and Management

The Board is accountable to shareholders for the management of the Group. The Board will update shareholders on the operations and financial position of the Company through quarterly and full year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations through SGXNET. The Management is accountable to the Board by providing the Board with necessary financial information for the discharge of its duties.

The Executive Committee meets periodically to review the performance of the Group. The Board is provided with periodic financial reports and other relevant disclosure documents, where appropriate, by Management.

AUDIT COMMITTEE

Principle 11 : Establishment of Audit Committee with written terms of reference

The Audit Committee ("AC") comprises entirely of Non-Executive and Independent Directors and the AC members are as follows:

- 1) Mr Chan Wah Tiong (Chairman of the AC / Lead Independent Director)
- 2) Dr Wang Kai Yuen (Independent Director)
- 3) Mr Chan Boon Hui (Independent Director)
- 4) Ms Kwok Chui Lian (Independent Director) (Appointed on 12 September 2012)

The Board is of the opinion that the members of AC have sufficient expertise and experience to discharge their duties.

Corporate Governance (Cont'd)

The role of AC is to assist the Board of Directors in the execution of its corporate governance responsibilities within its terms of reference and requirements.

The functions of AC include:

- a) reviewing with the external auditors, the audit plan, their evaluation of the adequacy of the Company's system of internal accounting controls, their audit report, the Management letter and Management's responses;
- b) reviewing the quarterly and full year financial statements before submission to the Board for approval;
- c) reviewing the scope and results of the internal audit procedures including the effectiveness of the internal audit functions;
- d) reviewing the assistance given by Management to the external auditors;
- e) reviewing the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors annually and the nomination of their re-appointment as auditors of the Company;
- f) reviewing all non-audit services provided by the external auditors so as to ensure that any provision of such services would not affect the independence of external auditors;
- g) investigating any matters within its terms of reference; and
- h) reviewing interested person transactions falling within the scope of the SGX-ST Listing Manual.

The Company has in place a whistle-blowing framework, endorsed by the AC where staff of the Company has direct access to the Chairman of AC to raise concerns about possible corporate improprieties in matters of financial reporting or other matters. The objective of such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

There were no whistle-blowing letters received during the year and until the date of this report.

The AC has full access to all personnel, records and other information to enable it to properly discharge its function and has full discretion to invite any Director and/or executive officer to attend its meetings. Each member of the AC shall abstain from voting any resolutions in respect of matters he is interested in. The AC has received full co-operation from Management and external auditors.

The AC met quarterly during the year and all members were present during these meetings. The AC meets with the external auditors without the presence of the Company's Management at least once a year.

The aggregate amount of fees paid to the external auditors amounted to approximately S\$149,190 for audit services and S\$26,758 for non-audit services.

In the selection of suitable audit firms, the AC takes into account several considerations such as the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the audit. The selected auditing firm based in Singapore is engaged as auditors for the Company as well as our Singapore-incorporated subsidiaries. The Group's significant subsidiaries and associated company are audited by the same auditing firm for the Company. Accordingly, the Company is in compliance with Rules 712 and 715 of the SGX-ST Listing Manual.

The AC has undertaken a review of all non-audit services provided by the external auditors for financial year ended 31 December 2012, and is satisfied with the independence and objectivity of the external auditors. The AC has recommended to the Board of Directors that Messrs Ernst & Young LLP be nominated for re-appointment as auditors at the forthcoming AGM.

The external auditors regularly update the AC on the changes to accounting standards and issues which will have a direct impact on financial statements.

The Company has established a Code of Conduct and Business Ethics which applies to all employees of the Group. The Code covers areas such as conduct in workplace, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest. Directors, key executives and employees are expected to observe and uphold high standards of integrity which are in compliance with the Company's policies and regulations.

Corporate Governance (Cont'd)

INTERNAL CONTROLS

Principle 12 : Sound system of internal controls

The Group maintains a system of internal controls for all companies within the Group. The controls are to provide reasonable, but not absolute, assurance to safeguard shareholders' investments and the Group's assets.

The Group has adopted the Enterprise Risk Management where it has established Risk Management Policy and Guidelines for adoption.

The AC and the Board of Directors review the effectiveness of the key internal controls, including financial, operational and compliance controls, and risk management on an on-going basis.

Pursuant to Rule 1207(10) of the SGX-ST Listing Manual, the Board with the concurrence of the AC is satisfied that there are adequate internal controls in the Group to address the Group's financial, operational and compliance risks.

The Board will look into establishing a separate risk committee in overseeing the Company's risk management framework and execution of policies.

INTERNAL AUDIT

Principle 13 : Internal audit function

The internal audit function is out-sourced to a public accounting firm, One e-Risk Services Pte Ltd. The internal auditors report primarily to the Chairman of the AC. The internal auditors meet the standard set by internationally recognised professional bodies such as the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal auditors plan its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC reviews the activities of the internal auditors on a regular basis, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified. The AC reviews the adequacy and effectiveness of the internal audit function annually.

COMMUNICATION WITH SHAREHOLDERS

Principle 14 : Communication with shareholders

The Company maintains a website (<http://www.hiaphoe.com>) to bring public awareness of the Group's latest development and businesses. The public can provide feedback to the Company via the electronic mail address or the registered address. Calls and emails requesting for information are attended to promptly.

The Company delivers the Annual Reports to the shareholders at least 14 days before the holding of the AGM. Notice of the AGM is also published on the national business newspaper, The Business Times. The shareholders can appoint up to two proxies to attend and vote at all general meetings on their behalf in the event that they are unable to attend the meeting.

For those shareholders who hold shares through nominees, they are allowed to attend the AGMs as observers without being constrained by the two-proxy rule.

Corporate Governance (Cont'd)

The Group strives for timeliness and transparency in its disclosure to the shareholders and the public. In addition to the regular dissemination of information through SGXNET, the Company also responds to enquiries from investors, analysts, fund managers and the press. The Company does not practice selective disclosure as all price-sensitive information is released through SGXNET. News is disseminated promptly to media and analysts after each quarterly results announcement.

The details of dividend payment would be disclosed via the release of the announcements through SGXNET.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 15 : Shareholder participation at AGMs

At AGMs, shareholders are given the opportunities to express their views and to raise their queries to the Board on matters relating to the operations of the Group. The Chairman of the AC, NC and RC together with the external auditors are also present at the meetings to attend to questions raised by shareholders.

The minutes of general meetings which include substantial comments or queries from shareholders and responses from the Board and Management are available to shareholders upon their written requests.

Securities Transactions

In line with Rule 1207(19) under Chapter 12 of the SGX-ST Listing Manual on Dealings in Securities, the Company has adopted an internal compliance code to its Directors and Officers in relation to the dealings with the Company's securities.

The Company issues circulars to its Directors, principal officers and relevant officers who have access to unpublished material price-sensitive information to remind them that they are required to report on their dealings in shares of the Company. They are also reminded of the prohibition in dealings in shares of the Company two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year and one month before the release of the Company's full year financial results, and ending on the date of the announcement of the relevant results, and when they are in possession of unpublished material price sensitive information. The Directors, principal officers and employees of the Group are discouraged from dealing in the Company's securities on short-term considerations.

The guidelines on share buyback under the Share Buyback Mandate, to be renewed at the Company's forthcoming AGM also provides that the Company will not effect any purchases of shares on the Singapore Stock Exchange during the period of one month immediately preceding the announcement of the Company's full year results and two weeks immediately before the announcement of the Company's first quarter, second quarter and third quarter results.

Directors are required to report to the Company Secretary whenever they deal in the Company's shares and the Company Secretary will make the necessary announcements in accordance with the requirements of the SGX-ST.

Corporate Governance (Cont'd)

Interested Person Transactions

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
<p>Hiap Hoe & Co. Pte Ltd (a subsidiary of the ultimate holding company, Hiap Hoe Holdings Pte Ltd)</p>	<p>Provision of Project and Construction Management Service to the Company's wholly-owned subsidiaries :</p> <ul style="list-style-type: none"> - Cavenagh Properties Pte. Ltd. (Value of transactions amounting to \$40,000) - Bukit Panjang Plaza Pte Ltd (Value of transactions amounting to \$54,000) - Guan Hoe Development Pte. Ltd. (Value of transactions amounting to \$5,000) <p>Provision of Project and Construction Management Service to the Company's 60% owned subsidiary :</p> <ul style="list-style-type: none"> - Hiap Hoe SuperBowl JV Pte. Ltd. (Value of transactions amounting to \$27,000) <p>Provision of Project and Construction Management Service to the Company's 50% share in joint venture :</p> <ul style="list-style-type: none"> - HH Properties Pte. Ltd. (50% share of value of transactions amounting to \$141,000) <p>Provision of Project and Construction Management Service to the Company's wholly-owned subsidiary's 60% share in joint venture :</p> <ul style="list-style-type: none"> - Goodluck View Development (60% share of value of transactions amounting to \$49,000) 	<p>-</p>

Corporate Governance (Cont'd)

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
SuperBowl Holdings Limited (a subsidiary of the ultimate holding company, Hiap Hoe Holdings Pte Ltd)	Contribution by the Company of its 60% proportion of the loan extended to : - Hiap Hoe SuperBowl JV Pte. Ltd. (Value of loan as at 31 December 2012 amounting to \$48,388,000) Interest income amounting to \$168,000 Contribution by the Company of its 50% proportion of the loan to : - HH Properties Pte. Ltd. (Value of loan as at 31 December 2012 amounting to \$41,923,000) Interest income amounting to \$186,000	Construction of 2 blocks of 12-Storey residential flats for Hiap Hoe SuperBowl JV Pte. Ltd. (Value of transaction amounted to \$10,186,000) Construction of 1 block of 14-Storey hotel, 1 block of 17-Storey hotel and 1 block of 13-Storey office building for HH Properties Pte. Ltd. (Value of transaction amounting to \$54,905,000)
SuperBowl Management Pte Ltd (a subsidiary of SuperBowl Holdings Limited)	Contribution by the Group of its 60% proportion of the loan : - Goodluck View Development (Value of loan as at 31 December 2012 amounting to \$2,648,000) Interest income amounting to \$44,000	Construction of 2 blocks of 5-storey residential flats for Goodluck View Development (Value of transaction amounting to \$11,388,000)

The AC has reviewed, and is satisfied that the transactions are conducted at arm's length and on terms that are fair and reasonable. The AC and the Board of Directors are satisfied that the terms of the above transactions are not prejudicial to the interests of the Company or its minority shareholders.

Save as disclosed above, no Director, CEO or controlling shareholders, or associate has any interest in any material transaction undertaken by Hiap Hoe Limited & Group.

Pursuant to Rule 920 of the SGX-ST Listing Manual, there was no transaction with interested persons for the financial year under review that warrants a shareholders mandate.

Material Contracts

There were no material contracts with the Company or its subsidiaries involving the interest of any CEO, Director or controlling shareholder subsisting at the end of the financial year ended 31 December 2012.

Directors' Report

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Hiap Hoe Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet, income statement, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2012.

DIRECTORS

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

Teo Ho Beng
 Teo Ho Kang, Roland
 Lim Kim Soon Lee, Cindy
 Chan Wah Tiong
 Dr. Wang Kai Yuen
 Chan Boon Hui
 Kwok Chui Lian (Appointed on 12 September 2012)

In accordance with Articles 91 and 106 of the Company's Articles of Association, Ms Kwok Chui Lian and Mr Chan Wah Tiong would retire and, being eligible, offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in the shares of the Company and related corporations (other than wholly-owned subsidiaries), as stated below:

Name of Director	Direct interest			Deemed interest		
	At the beginning of financial year	At the end of financial year	At 21 January 2013	At the beginning of financial year	At the end of financial year	At 21 January 2013

The Company

Hiap Hoe Limited

(Ordinary shares)

Teo Ho Beng	2,030,750	2,030,750	2,030,750	328,693,876	328,693,876	328,693,876
Teo Ho Kang, Roland	1,875,000	1,875,000	1,875,000	328,693,876	328,693,876	328,693,876

Directors' Report (Cont'd)

DIRECTORS' INTERESTS IN SHARES, WARRANTS AND DEBENTURES (CONT'D)

Name of Director	Direct interest			Deemed interest		
	At the beginning of financial year	At the end of financial year	At 21 January 2013	At the beginning of financial year	At the end of financial year	At 21 January 2013
The Company (cont'd)						
Hiap Hoe Limited						
(Ordinary shares)						
Lim Kim Soon Lee, Cindy	483,100	483,100	483,100	–	–	–
Chan Wah Tiong	93,750	93,750	93,750	–	–	–
Chan Boon Hui	93,750	93,750	93,750	–	–	–
Dr. Wang Kai Yuen	75,000	75,000	75,000	–	–	–
The immediate holding company						
Hiap Hoe Holdings Pte Ltd						
(Ordinary shares)						
Teo Ho Beng	3,222,245	3,222,245	3,222,245	–	–	–
Teo Ho Kang, Roland	2,766,270	2,766,270	2,766,270	–	–	–
Related company						
SuperBowl Holdings Limited						
(Ordinary shares)						
Teo Ho Beng	2,841,000	2,841,000	2,841,000	227,029,000	227,029,000	227,029,000
Teo Ho Kang, Roland	#1,000,000	#1,000,000	1,000,000	227,009,000	227,009,000	227,009,000
Lim Kim Soon Lee, Cindy	#260,000	#240,000	240,000	–	–	–
Dr. Wang Kai Yuen	170,000	170,000	170,000	–	–	–

As at 31 December 2012, Mr Teo Ho Kang, Roland and Ms Lim Kim Soon Lee, Cindy had 300,000 (2011: 300,000) and 115,000 (2011: 135,000) shares respectively held in the name of nominees.

Directors' Report (Cont'd)

DIRECTORS' INTERESTS IN SHARES, WARRANTS AND DEBENTURES (CONT'D)

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Mr Teo Ho Beng and Mr Teo Ho Kang, Roland are deemed to have interests in shares of all the wholly-owned subsidiaries of Hiap Hoe Limited, Hiap Hoe Holdings Pte Ltd and SuperBowl Holdings Limited.

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

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except that certain directors received director's fees from its related company.

PERFORMANCE SHARE PLAN

At an Extraordinary General Meeting held on 20 April 2010, the shareholders approved the performance share plan, Hiap Hoe Performance Share Plan ("the Share Plan"). Under the Share Plan, fully-paid ordinary shares in the capital of the Company, their equivalent cash value or combinations thereof will be granted, free from payment, to selected employees of the Company and/or its subsidiaries including Directors of the Company, and other selected participants according to the extent to which they complete time-based service conditions or achieve their performance targets over set performance period. The Share Plan is to replace the share option scheme that was approved by shareholders on 28 April 2004. The Directors believe that the new plan will incentivise participants to excel in their performance and encourage greater dedication and loyalty to the Company.

The Remuneration Committee administering the Share Plan comprises the following Directors:-

Dr Wang Kai Yuen (Chairman)
Chan Wah Tiong
Chan Boon Hui

Under the Share Plan, the Company may award to the employees, controlling shareholders and their associates who meet the criteria as set out below:

- (a) Group employees
 - (i) confirmed full-time employees of the Company and/or its subsidiaries who have attained the age of 21 years on or before the date of Award; and
 - (ii) directors of the Company and its subsidiaries who perform an executive function.
- (b) Associate employees
 - (i) confirmed full-time employees of an associate who have attained the age of 21 years on or before the date of Award; and
 - (ii) directors of an associate who perform an executive function.

Directors' Report (Cont'd)

PERFORMANCE SHARE PLAN (CONT'D)

The aggregate number of shares which may be delivered and/or issued pursuant to Awards granted under the Share Plan on any date, shall not exceed fifteen per cent of the total issued shares in the capital of the Company (excluding treasury shares) on the day preceding the Award Date.

The Share Plan shall continue in force at the discretion of the Remuneration Committee, subject to a maximum period of ten years commencing from the date on which the Share Plan was adopted by the Company.

Details of the performance shares awarded under the Share Plan are as follows:

Date of grant	Aggregate awards granted since commencement of Share Plan to end of financial year	Aggregate awards vested since commencement of Share Plan to end of financial year	Aggregate awards cancelled since commencement of Share Plan to end of financial year	Aggregate awards outstanding as at the end of financial year
6 January 2011	177,400	177,400	–	–

Details of the shares awarded under the Share Plan to directors and employees who received 5% or more of the total performance share pursuant to the plan are as follows:

Name of participant	Awards granted during financial year	Aggregate awards granted since commencement of Share Plan to end of financial year	Aggregate awards released during the financial year	Aggregate awards cancelled during the financial year	Aggregate awards outstanding at the end of financial year
Director					
Lim Kim Soon Lee, Cindy	–	45,600	–	–	–
Employee					
Aw Hui Mien	–	41,800	–	–	–
Ramanathan Ravichandran*	–	29,900	–	–	–
Seoh Choon Hong	–	29,200	–	–	–
Tan Gek Ching, Bridget*	–	30,900	–	–	–
	–	177,400	–	–	–

* These employees had resigned.

Save as disclosed in the table above, no share award has been granted to any of the Company's controlling shareholders or their associates during the financial year ended 31 December 2012.

OTHER INFORMATION REQUIRED BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

Except as disclosed in Notes 20 and 30(a) of the financial statements, no material contracts of the Company and its subsidiaries, which involve the interests of the chief executive officer, each Director or controlling shareholder, subsisted at the end of the financial year, or have been entered into since the end of the previous financial year.

Directors' Report (Cont'd)

AUDIT COMMITTEE

The audit committee ("AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviews the audit plans of the internal and external auditors of the Company and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;
- Reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board of Directors;
- Reviews the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and
- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Directors' Report (Cont'd)

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Teo Ho Beng
Director

Teo Ho Kang, Roland
Director

Singapore
15 March 2013

Statement by Directors

We, Teo Ho Beng and Teo Ho Kang, Roland, being two of the Directors of Hiap Hoe Limited, do hereby state that, in the opinion of the Directors,

- (i) the accompanying balance sheets, income statements, statements of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results of the business and changes in equity of the Group and the Company, and cash flows of the Group for the year ended on that date; and
- (ii) 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.

On behalf of the Board of Directors,

Teo Ho Beng

Director

Teo Ho Kang, Roland

Director

Singapore
15 March 2013

Independent Auditor's Report

For the financial year ended 31 December 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIAP HOE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Hiap Hoe Limited (the "Company") and its subsidiaries (collectively, the "Group"), set out on pages 44 to 116, which comprise the balance sheets of the Group and Company as at 31 December 2012, income statements, statements of comprehensive income and the statements of changes in equity of the Group and the Company and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated 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 judgment, 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 the 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 the management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report (Cont'd)

For the financial year ended 31 December 2012

Opinion

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

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

15 March 2013

Income Statements

For the financial year ended 31 December 2012

	Note	Group		Company	
		2012 \$	2011 \$	2012 \$	2011 \$
Revenue	4	145,668,239	136,413,936	806,973	739,307
Cost of sales		(87,997,223)	(89,845,326)	–	–
Gross profit		57,671,016	46,568,610	806,973	739,307
Other items of income					
Other income	5	2,710,985	1,774,789	60,480,817	12,967,623
Financial income	6	320,911	950,267	890,382	1,203,119
Other items of expense					
Distribution and selling expenses		(1,534,498)	(405,261)	–	–
Administrative expenses	7	(4,347,812)	(4,087,266)	(1,465,943)	(1,341,760)
Other expenses	5	(35,689)	(450,923)	–	(396,445)
Financial expenses	6	(644,533)	(17,366)	(494,396)	(256,017)
Share of results of joint ventures		12,714,892	10,194,541	–	–
Profit before tax		66,855,272	54,527,391	60,217,833	12,915,827
Income tax expense	8	(9,315,670)	(7,158,636)	(65,868)	(196,331)
Profit for the year		57,539,602	47,368,755	60,151,965	12,719,496
Attributable to :					
Owners of the Company		57,869,835	47,436,106	60,151,965	12,719,496
Non-controlling interests		(330,233)	(67,351)	–	–
Total		57,539,602	47,368,755	60,151,965	12,719,496
Earnings per share attributable to owners of the Company (cents per share)					
Basic	9	12.30	10.06		
Diluted	9	12.30	10.06		

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

Statements of Comprehensive Income

For the year ended 31 December 2012

	Note	Group		Company	
		2012	2011	2012	2011
		\$	\$	\$	\$
Profit for the year		57,539,602	47,368,755	60,151,965	12,719,496
Other comprehensive income		—	—	—	—
Other comprehensive income for the year, net of tax		—	—	—	—
Total comprehensive income for the year		<u>57,539,602</u>	<u>47,368,755</u>	<u>60,151,965</u>	<u>12,719,496</u>
Attributable to :					
Owners of the Company		57,869,835	47,436,106	60,151,965	12,719,496
Non-controlling interests		(330,233)	(67,351)	—	—
Total comprehensive income for the year		<u>57,539,602</u>	<u>47,368,755</u>	<u>60,151,965</u>	<u>12,719,496</u>

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

Balance Sheets

as at 31 December 2012

	Note	Group		Company	
		2012	2011	2012	2011
		\$	\$	\$	\$
Non-current assets					
Property, plant and equipment	10	6,497,215	6,379,208	201,272	–
Investment properties	11	–	–	–	–
Investment in subsidiaries	12	–	–	60,699,663	56,598,046
Investment in associate	13	–	–	–	–
Investment in joint ventures	14	22,553,838	10,277,014	–	–
Other receivable	15	7,000	12,000	–	–
		<u>29,058,053</u>	<u>16,668,222</u>	<u>60,900,935</u>	<u>56,598,046</u>
Current assets					
Cash and short-term deposits	16	20,600,313	10,369,605	1,106,908	5,509,257
Other investments	17	4,619,363	4,069,960	–	2,950,800
Trade and other receivables	15	29,535,279	13,471,835	–	7,704
Other assets		186,490	81,090	3,660	450
Prepaid operating expenses		25,474	35,130	5,022	7,851
Due from subsidiaries (trade)	18(i)	–	–	1,828,987	2,523,784
Due from subsidiaries (non-trade)	19	–	–	130,454,358	100,974,353
Due from related companies (trade)	18(i)	18,027	464	–	–
Due from a related company (non-trade)	18(i)	2,252	–	–	–
Due from joint ventures (trade)	18(i)	31,632,338	18,817,066	89,905	49,436
Due from joint ventures (non-trade)	18(ii)	46,740,912	58,461,116	43,619,164	52,865,975
Due from an associate (non-trade)	18(i)	3,025	2,597	3,025	2,597
Development properties	20	163,912,398	456,301,596	–	–
Properties held for sale	20	260,440,948	10,852,257	–	–
Tax recoverable		1,122	1,431	–	–
		<u>557,717,941</u>	<u>572,464,147</u>	<u>177,111,029</u>	<u>164,892,207</u>
Investment properties – held for sale	11	3,520,000	3,045,000	–	–

Balance Sheets (Cont'd)

as at 31 December 2012

	Note	Group		Company	
		2012 \$	2011 \$	2012 \$	2011 \$
Current liabilities					
Trade and other payables	21	12,220,161	11,996,937	45,262	97,064
Other liabilities	22	28,592,426	44,355,100	509,661	239,311
Due to subsidiaries (non-trade)	19	–	–	68,767,134	109,040,015
Due to joint venture (trade)	18(i)	5,319,900	–	–	–
Due to joint venture (non-trade)	18(iii)	9,553,448	–	–	–
Due to related companies (trade)	18(i)	891,250	526,263	–	–
Due to a related company (non-trade)	23	32,717,057	21,712,764	–	–
Interest-bearing loans and borrowings	24	101,968,512	167,770,407	33,333	–
Tax payable		8,955,294	172,630	156,191	103,870
		<u>200,218,048</u>	<u>246,534,101</u>	<u>69,511,581</u>	<u>109,480,260</u>
Net current assets		357,499,893	325,930,046	107,599,448	55,411,947
Non-current liabilities					
Trade payables	21	3,429,495	1,266,027	–	–
Other liabilities	22	–	47,920	–	–
Interest-bearing loans and borrowings	24	69,919,000	81,922,000	–	–
Deferred taxation	25	11,408,389	10,964,286	–	–
		<u>84,756,884</u>	<u>94,200,233</u>	<u>–</u>	<u>–</u>
Net assets		<u>305,321,062</u>	<u>251,443,035</u>	<u>168,500,383</u>	<u>112,009,993</u>
Equity attributable to owners of the Company					
Share capital	26	84,445,256	84,445,256	84,445,256	84,445,256
Treasury shares	27	(1,101,125)	(967,882)	(1,101,125)	(967,882)
Reserves	28	222,251,017	167,909,514	85,156,252	28,532,619
		<u>305,595,148</u>	<u>251,386,888</u>	<u>168,500,383</u>	<u>112,009,993</u>
Non-controlling interests		<u>(274,086)</u>	<u>56,147</u>	<u>–</u>	<u>–</u>
Total equity		<u>305,321,062</u>	<u>251,443,035</u>	<u>168,500,383</u>	<u>112,009,993</u>

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

Statements of Changes in Equity

for the year ended 31 December 2012

2012 Group	Share capital ⁽¹⁾ (Note 26) \$	Treasury shares (Note 27) \$	Accumulated profits \$	Dividend reserve \$
At 1 January 2012	84,445,256	(967,882)	174,352,212	1,177,131
Profit for the year	–	–	57,869,835	–
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	57,869,835	–
<u>Contributions by and distributions to owners</u>				
Purchase of treasury shares	–	(133,243)	–	–
Dividends on ordinary shares (Note 34)	–	–	767*	(1,177,131)
Transfer from unappropriated profit to dividend reserve	–	–	(4,704,756)	2,352,788
Total contributions by and distributions to owners	–	(133,243)	(4,703,989)	1,175,657
At 31 December 2012	84,445,256	(1,101,125)	227,518,058	2,352,788

2011 Group	Share capital ⁽¹⁾ (Note 26) \$	Treasury shares (Note 27) \$	Accumulated profits \$	Dividend reserve \$
At 1 January 2011	84,445,256	(353,279)	129,268,356	1,181,046
Profit for the year	–	–	47,436,106	–
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	47,436,106	–
<u>Contributions by and distributions to owners</u>				
Purchase of treasury shares	–	(641,657)	–	–
Grant of equity-settled performance shares to employees	–	–	–	–
Treasury shares reissued pursuant to Performance Share Plan	–	27,054	–	–
Dividends on ordinary shares (Note 34)	–	–	3,605*	(1,181,046)
Transfer from unappropriated profit to dividend reserve	–	–	(2,355,855)	1,177,131
Total contributions by and distributions to owners	–	(614,603)	(2,352,250)	(3,915)
At 31 December 2011	84,445,256	(967,882)	174,352,212	1,177,131

* This pertains to write back of prior year unclaimed dividends.

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

Attributable to equity holders of the Company				Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
Capital reserve	Employee share reserve	Gain on reissuance of treasury shares	Total reserves			
\$	\$	\$	\$	\$	\$	\$
(7,671,719)	–	51,890	167,909,514	251,386,888	56,147	251,443,035
–	–	–	57,869,835	57,869,835	(330,233)	57,539,602
–	–	–	–	–	–	–
–	–	–	57,869,835	57,869,835	(330,233)	57,539,602
–	–	–	–	(133,243)	–	(133,243)
–	–	–	(1,176,364)	(1,176,364)	–	(1,176,364)
–	–	–	(2,351,968)	(2,351,968)	–	(2,351,968)
–	–	–	(3,528,332)	(3,661,575)	–	(3,661,575)
(7,671,719)	–	51,890	222,251,017	305,595,148	(274,086)	305,321,062

Attributable to equity holders of the Company				Total equity attributable to equity holders of the Company	Non-controlling interests	Total equity
Capital reserve	Employee share reserve	Gain on reissuance of treasury shares	Total reserves			
\$	\$	\$	\$	\$	\$	\$
(7,671,719)	–	–	122,777,683	206,869,660	123,498	206,993,158
–	–	–	47,436,106	47,436,106	(67,351)	47,368,755
–	–	–	–	–	–	–
–	–	–	47,436,106	47,436,106	(67,351)	47,368,755
–	–	–	–	(641,657)	–	(641,657)
–	78,944	–	78,944	78,944	–	78,944
–	(78,944)	51,890	(27,054)	–	–	–
–	–	–	(1,177,441)	(1,177,441)	–	(1,177,441)
–	–	–	(1,178,724)	(1,178,724)	–	(1,178,724)
–	–	51,890	(2,304,275)	(2,918,878)	–	(2,918,878)
(7,671,719)	–	51,890	167,909,514	251,386,888	56,147	251,443,035

Statements of Changes in Equity (Cont'd)

for the year ended 31 December 2012

2012 Company	Share capital ⁽¹⁾ (Note 26) \$	Treasury shares (Note 27) \$
At 1 January 2012	84,445,256	(967,882)
Profit for the year	–	–
Other comprehensive income	–	–
Total comprehensive income for the year	–	–
<u>Contributions by and distributions to owners</u>		
Purchase of treasury shares	–	(133,243)
Transfer from unappropriated profits to dividend reserve	–	–
Dividends on ordinary shares (Note 34)	–	–
Total contributions by and distribution to owners	–	(133,243)
At 31 December 2012	84,445,256	(1,101,125)

2011 Company	Share capital ⁽¹⁾ (Note 26) \$	Treasury shares (Note 27) \$
At 1 January 2011	84,445,256	(353,279)
Profit for the year	–	–
Other comprehensive income	–	–
Total comprehensive income for the year	–	–
<u>Contributions by and distributions to owners</u>		
Purchase of treasury shares	–	(641,657)
Grant of equity-settled performance shares to employees	–	–
Treasury shares reissued pursuant to Performance Share Plan	–	27,054
Transfer from unappropriated profits to dividend reserve	–	–
Dividends on ordinary shares (Note 34)	–	–
Total contributions by and distribution to owners	–	(614,603)
At 31 December 2011	84,445,256	(967,882)

⁽¹⁾ The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

* This pertains to write back of prior year unclaimed dividends

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

	Accumulated profits \$	Dividend reserve \$	Employee share reserve \$	Gain on reissuance of treasury shares \$	Total reserves \$	Total equity \$
	27,303,598	1,177,131	–	51,890	28,532,619	112,009,993
	60,151,965	–	–	–	60,151,965	60,151,965
	–	–	–	–	–	–
	60,151,965	–	–	–	60,151,965	60,151,965
	–	–	–	–	–	(133,243)
	(4,704,756)	2,352,788	–	–	(2,351,968)	(2,351,968)
	767*	(1,177,131)	–	–	(1,176,364)	(1,176,364)
	(4,703,989)	1,175,657	–	–	(3,528,332)	(3,661,575)
	82,751,574	2,352,788	–	51,890	85,156,252	168,500,383

	Accumulated profits \$	Dividend reserve \$	Employee share reserve \$	Gain on reissuance of treasury shares \$	Total reserves \$	Total equity \$
	16,936,352	1,181,046	–	–	18,117,398	102,209,375
	12,719,496	–	–	–	12,719,496	12,719,496
	–	–	–	–	–	–
	12,719,496	–	–	–	12,719,496	12,719,496
	–	–	–	–	–	(641,657)
	–	–	78,944	–	78,944	78,944
	–	–	(78,944)	51,890	(27,054)	–
	(2,355,855)	1,177,131	–	–	(1,178,724)	(1,178,724)
	3,605*	(1,181,046)	–	–	(1,177,441)	(1,177,441)
	(2,352,250)	(3,915)	–	51,890	(2,304,275)	(2,918,878)
	27,303,598	1,177,131	–	51,890	28,532,619	112,009,993

Consolidated Cash Flow Statement

for the year ended 31 December 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Profit before tax		66,855,272	54,527,391
Adjustments for:			
Depreciation of property, plant and equipment	7	267,480	205,767
Dividend income from quoted investments	5	(74,565)	(20,903)
Employees' shares based payments		–	78,944
Fair value (gain)/loss on held-for-trading investments - quoted	5	(164,881)	54,478
Fair value (gain)/loss on held-for-trading investments - unquoted	5	(104,075)	396,445
Gain on disposal of investment property - held for sale	5	(235,000)	–
Gain on disposal of property, plant and equipment	5	(28,018)	(52,000)
Gain on fair value adjustment of investment property - held for sale	5	(920,000)	–
Interest expenses	6	644,533	17,366
Interest income	6	(320,911)	(950,267)
Share of results of joint ventures		(12,714,892)	(10,194,541)
Write-back of provision for contingency		–	(1,029,909)
Write-back of allowance for doubtful receivables - trade		–	(23,447)
		<hr/>	<hr/>
Operating cash flows before changes in working capital		53,204,943	43,009,324
<u>Changes in working capital</u>			
(Increase)/decrease in:			
Development properties		35,909,556	(85,576,418)
Properties held for sales		10,045,125	–
Trade and other receivables		(16,058,444)	758,872
Other assets		(105,091)	544,198
Prepaid operating expenses		9,656	5,534
Due from a joint venture, trade		(7,057,304)	(14,765,513)
Due from joint ventures, non-trade		26,102	(2,642)
Due from an associate, non-trade		(428)	(535)
Due from related company, trade		(17,563)	(464)
Due from related company, non-trade		(2,252)	(292)
Increase/(decrease) in:			
Trade and other payables		2,386,692	5,718,563
Other liabilities		(15,810,594)	26,923,397
Due to a joint venture, non-trade		2,910	–
Due to related companies, trade		364,987	(433,474)
Due to related company, non-trade		–	(292)
		<hr/>	<hr/>
Cash flows generated from / (used in) operations		62,898,295	(23,819,742)
Income tax paid		(88,903)	(12,303,372)
		<hr/>	<hr/>
Net cash flows generated from / (used in) operating activities		62,809,392	(36,123,114)

Consolidated Cash Flow Statement (Cont'd)

for the year ended 31 December 2012

	Note	2012 \$	2011 \$
Cash flows from investing activities			
Dividend income received	5	46,618	12,395
Interest income received		140,887	745,226
Repayment of loan from joint ventures		11,874,126	–
Loan to joint ventures		–	(994,477)
Proceeds from disposal of property, plant and equipment		30,000	52,000
Proceeds from disposal of quoted investments		–	240,000
Proceeds from disposal of unquoted investments		3,000,000	53,750,000
Proceeds from disposal of investment property - held for sale		680,000	–
Purchase of quoted investments		–	(1,110,509)
Purchase of unquoted investments		(3,252,500)	(29,451,594)
Purchase of property, plant and equipment (Note A)		(229,971)	(382,730)
Net cash flows generated from investing activities		12,289,160	22,860,311
Cash flows from financing activities			
Repayment of bank term loans		(253,822,793)	(22,585,000)
Proceeds from loans and borrowings		176,081,241	12,000,000
Dividends paid on ordinary shares by the Company	34	(3,528,332)	(2,356,165)
Repayment of lease obligations		(199,843)	(29,191)
Loans from related companies		10,894,000	4,600,000
Loans from joint venture		9,540,000	–
Interest paid		(3,698,874)	(3,804,818)
Purchase of treasury shares		(133,243)	(641,657)
Net cash flows used in financing activities		(64,867,844)	(12,816,831)
Net increase / (decrease) in cash and cash equivalents		10,230,708	(26,079,634)
Cash and cash equivalents at beginning of year		10,369,605	36,449,239
Cash and cash equivalents at end of year (Note 16)		20,600,313	10,369,605

A. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of \$429,971 (2011: \$502,730), of which \$200,000 (2011: \$120,000) was acquired by means of hire purchase arrangements and the balance of \$229,971 (2011: \$382,730) was made in cash.

Notes to the Financial Statements

31 December 2012

1. CORPORATE INFORMATION

Hiap Hoe Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST) Mainboard.

The registered office and principal place of business of the Company is located at 564A Balestier Road, Singapore 329880.

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Its immediate and ultimate holding company is Hiap Hoe Holdings Pte Ltd, a company incorporated in Singapore. Related companies refer to members of the immediate and ultimate holding corporation's group of companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

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

The financial statements are presented in Singapore Dollars (SGD or \$) unless otherwise stated.

2.2 Changes in accounting policies

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

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

FRS 111 Joint Arrangements and Revised FRS 28 Investment in Associates and Joint Ventures (cont'd)

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

The Group currently applies equity accounting for its joint ventures. Upon the adoption of FRS 111, it will have no impact to the financial position and financial performance of the Group.

FRS 112 Disclosure of Interest in Other Entities

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

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

2.4 Basis of consolidation

Basis of consolidation from 1 January 2010

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

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

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

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

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

Basis of consolidation from 1 January 2010 (cont'd)

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

- de-recognises the assets (including goodwill) and liabilities of the subsidiary company at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

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

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 has not been restated.

2.5 Transactions with non-controlling interests

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

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

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Foreign currency

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

Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of reporting period are recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.20. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

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

- | | |
|--|-----------------|
| ▪ Freehold properties | – 50 years |
| ▪ Motor vehicles | – 5 to 10 years |
| ▪ Furniture, fittings and office equipment | – 1 to 20 years |
| ▪ Plant and machinery | – 5 years |

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

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

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

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Impairment of non-financial assets

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

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

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

2.9 Subsidiaries

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

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

2.10 Associates

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

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

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Associates (cont'd)

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

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

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

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

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

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

2.11 Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The Group recognises its interest in joint venture using the equity method. Under the equity method, the investment in joint venture is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture.

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

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

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

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

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Joint ventures (cont'd)

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

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

2.12 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(b) Loans and receivables

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

The Group has not classified any financial assets as held-to-maturity investments or available-for-sale financial assets.

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Financial assets (cont'd)

Derecognition

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

Regular way purchase or sale of a financial asset

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

2.13 Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

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

The Group does not have any financial assets carried at cost and available-for-sale financial assets.

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during the early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract cost (as defined below) incurred to date and the estimated costs to complete.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contract are treated separately when:

- Separate proposals have been submitted for each asset
- Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset
- The costs and revenues of each asset can be identified

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Construction contracts (cont'd)

A group of contracts are treated as a single construction contract when:

- The group of contracts are negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin
- The contracts are performed concurrently or in a continuous sequence

The stage of completion is determined by reference to professional surveys of work performed.

2.16 Development properties/properties held for sale

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

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

The costs of development properties/properties held for sale include:

- Freehold rights for land;
- Amounts paid to contractors for construction; and
- Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

Net realisable value of development properties/properties held for sale is the estimated selling price in the ordinary course of the business, based on market prices at the end of the reporting period and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties/properties held for sale recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

2.17 Provisions

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

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

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

The Group has not designated any financial liabilities as fair value through profit and loss.

Derecognition

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

2.19 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

No financial guarantee is recognised on the balance sheet of the Group.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of development properties if they are directly attributable to the acquisition and construction of development properties. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Capitalisation of borrowing costs is suspended during the extended periods in which active development is interrupted. Capitalisation of borrowing costs ceases on issue of the Temporary Occupation Permit. The capitalisation rate is determined by reference to the actual rate payable on borrowings for development property, weighted as applicable.

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Employee benefits

(a) Defined contribution plans

The Singapore companies make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to the defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

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

(c) Performance share plan

The Group operates share-based compensation plan. The fair value of the employee services received in exchange for the grant of performance shares is recognised as an expense in the profit and loss account with a corresponding increase in the share plan reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair values of the performance shares granted at the respective dates of the grant which taken into account market conditions and non-vesting conditions.

At each reporting date, the Group revises its estimates of the number of share plan awards that are expected to vest on the vesting dates, and recognises the impact of the revision of the estimates in the profit and loss account, with a corresponding adjustment to the employee share reserve over the remaining vesting plan.

2.22 Leases

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

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

(a) As lessee

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

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

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

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Leases (cont'd)

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the leased term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(e). Contingent rents are recognised as revenue in the period in which they are earned.

2.23 Investment property held for sale

Investment property is transferred to non-current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property and its sale must be highly probable.

For the sale to be highly probable, the following criteria must be met:-

- The Board must be committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated.
- The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2.24 Revenue

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

(a) Project revenue arising from construction contracts

Revenue from contracts is recognised on the percentage of completion method based on the progress of the contract work, as determined based on surveys/certifications of work done. Accounting policy for recognising construction contracts is stated in Note 2.15.

(b) Sales of completed development properties

A development property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally unconditional exchange of contracts.

(c) Sales of development properties under construction

Where development property is under construction and agreement has been reached to sell such property when construction is completed, the Directors consider when the contract comprises:

- A contract to construct a property; or
- A contract for the sale of completed property

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Revenue (cont'd)

(c) Sales of development properties under construction (cont'd)

- (I) Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses.
- (II) Where a contract is judged to be for sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer (i.e revenue is recognised using the completed contract method).
 - (i) If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses.
 - (ii) In Singapore context, INT FRS 115 includes an accompanying note on application of INT FRS 115 in Singapore which requires the percentage of completion method of revenue recognition to be applied for the sale of private residential properties in Singapore prior to completion of properties that are regulated under Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and uses the standard form of sale and purchase agreements (SPAs) prescribed in the Housing Developers Rules. The accompanying note to INT FRS 115 does not address the accounting treatment for other SPAs, including SPAs with a Deferred Payment Scheme feature in Singapore.

In the above situations (i) and (ii), the percentage of work completed is measured based on the costs incurred up until the end of the reporting periods as a proportion of total costs expected to be incurred. The costs incurred will be based on surveys/certifications of work done as construction progress.

(d) Dividend income

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

(e) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

(f) Interest income

Interest income is recognised using the effective interest method.

2.25 Taxes

(a) Current income tax

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

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

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Taxes (cont'd)

(b) Deferred tax

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Taxes (cont'd)

(c) Sales tax

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

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

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

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Share capital and share issue expenses

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

2.28 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.29 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Notes to the Financial Statements (Cont'd)

31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.29 Contingencies (cont'd)

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

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

2.30 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) has control, or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of the employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.31 Other investments

Quoted investments and unquoted investments are classified as financial assets at fair value through profit or loss.

The accounting policies for the aforementioned categories of financial assets are stated in Note 2.12.

Notes to the Financial Statements (Cont'd)

31 December 2012

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Revenue recognition

The Group estimated the percentage of completion of its development properties by reference to professional surveys of work performed. When the final cost incurred by the Group is different from the amounts that were initially budgeted, such differences will impact the revenue recognised in the period in which such determination is made. The Group's revenue recognised of development properties for the year ended 31 December 2012 was \$113,735,148 (2011: \$109,142,414).

(ii) Income taxes

The Company has adopted Group relief since Year of Assessment 2003. Significant judgement is involved in determining the Group provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Company's tax payables and deferred tax liabilities at 31 December 2012 was \$156,191 (2011: \$103,870) and \$nil (2011: \$nil) respectively. Whereas, the carrying amount of the Group's tax payables and deferred tax liabilities at 31 December 2012 was \$8,955,294 (2011: \$172,630) and \$11,408,389 (2011: \$10,964,286) respectively.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on the historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the reporting period is disclosed in Note 15 to the financial statements.

Notes to the Financial Statements (Cont'd)

31 December 2012

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(ii) Estimation of net realisable value of properties held for sale and development properties

Properties held for sale and development properties are stated at the lower of cost and net realisable value. Net realisable value of properties held for sale and development properties is the estimated selling price in the ordinary course of the business, based on market prices at the end of reporting period and discounted for the time value of money if material, less the estimated costs of completion and the estimated cost necessary to make the sale.

The carrying amounts of the Group's development properties and properties held for sale as at 31 December 2012 were \$163,912,398 (2011: \$456,301,596) and \$260,440,948 and (2011: \$10,852,257) respectively.

4. REVENUE

	Group		Company	
	2012	2011	2012	2011
Revenue is analysed as follows:	\$	\$	\$	\$
Revenue from sales of development properties	113,735,148	109,142,414	–	–
Project revenue arising from construction contracts	31,885,393	27,227,884	–	–
Management fee charged to				
– joint ventures	47,698	43,638	119,246	109,096
– subsidiaries	–	–	687,727	630,211
	<u>145,668,239</u>	<u>136,413,936</u>	<u>806,973</u>	<u>739,307</u>

Notes to the Financial Statements (Cont'd)

31 December 2012

5. OTHER INCOME/(OTHER EXPENSE)

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
<u>Other income:</u>				
Dividend income from quoted investments	74,565	20,903	–	–
Dividend income from subsidiaries	–	–	56,300,000	5,000,000
Gain on fair value adjustment of investment property - held for sale (Note 11)	920,000	–	–	–
Miscellaneous income	106,374	162,358	–	130
Management fees	156,518	59,400	–	–
Write back of impairment on receivables (trade)	–	23,447	–	–
Write back of impairment on investment in subsidiary	–	–	4,101,617	7,915,493
Write back of provision for contingency	–	1,029,909	–	–
Rental income				
- investment properties (Note 11)	885,865	426,772	–	–
Fair value gain on financial instruments				
- investments held for trading - quoted	198,588	–	–	–
- investments held for trading - unquoted	104,075	–	49,200	–
Gain on disposal of property, plant and equipment	30,000	52,000	30,000	52,000
Gain on disposal of investment property - held for sale	235,000	–	–	–
	<u>2,710,985</u>	<u>1,774,789</u>	<u>60,480,817</u>	<u>12,967,623</u>
<u>Other expenses:</u>				
Loss on disposal of property, plant and equipment	(1,982)	–	–	–
Fair value loss on investments held for trading - unquoted	–	(396,445)	–	(396,445)
Fair value loss on investments held for trading - quoted	(33,707)	(54,478)	–	–
	<u>(35,689)</u>	<u>(450,923)</u>	<u>–</u>	<u>(396,445)</u>

Notes to the Financial Statements (Cont'd)

31 December 2012

6. FINANCIAL INCOME/(EXPENSES)

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Interest expense				
- bank term loans	(604,597)	(15,448)	-	-
- obligations under finance leases	(4,026)	(1,761)	(1,253)	(1,363)
- loans from subsidiaries	-	-	(493,143)	(254,654)
- loans from related companies	(25,345)	-	-	-
- loans from joint venture	(10,539)	-	-	-
- bank overdrafts	(26)	(157)	-	-
	<u>(644,533)</u>	<u>(17,366)</u>	<u>(494,396)</u>	<u>(256,017)</u>
Financial expenses				
Interest income from loans and receivables				
- fixed deposits	12,055	21,793	813	3,957
- unquoted investments	93,021	727,449	10,913	727,449
- loans to subsidiaries	-	-	670,318	271,079
- loan to joint ventures	203,831	183,074	207,729	186,806
- others	12,004	17,951	609	13,828
	<u>320,911</u>	<u>950,267</u>	<u>890,382</u>	<u>1,203,119</u>
Financial income				

7. ADMINISTRATIVE EXPENSES

Administrative expenses include:

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Audit fees paid to the auditors of the Company	149,190	131,000	74,900	59,000
Non-audit fees paid to the				
- auditors of the Company	26,758	45,497	4,708	6,848
- other auditors	2,782	19,688	-	-
Depreciation of property, plant and equipment	267,480	205,767	35,519	-
Directors' fees	136,000	158,000	136,000	158,000
Employee' benefits expense (Note 29)	3,012,006	2,737,672	1,006,961	921,585
Operating lease expense (Note 31(c))	130,000	27,000	-	-

Notes to the Financial Statements (Cont'd)

31 December 2012

8. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	Group		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Current income tax				
Current income taxation	8,928,490	65,386	69,193	116,422
(Over)/under provision in respect of prior years	(56,923)	(372,113)	(3,325)	79,909
	<u>8,871,567</u>	<u>(306,727)</u>	<u>65,868</u>	<u>196,331</u>
Deferred income tax				
Origination and reversal of temporary differences	444,103	7,465,363	–	–
Income tax expense recognised in profit or loss	<u>9,315,670</u>	<u>7,158,636</u>	<u>65,868</u>	<u>196,331</u>

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 is as follows:

	Group		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Profit before tax	<u>66,855,272</u>	<u>54,527,391</u>	<u>60,217,833</u>	<u>12,915,827</u>
Tax at the domestic rate of 17%	11,365,396	9,269,656	10,237,032	2,195,691
Adjustments:				
Income not subject to taxation	(16,401)	(198,948)	(10,281,739)	(2,206,024)
Non-deductible expenses	188,266	275,087	143,351	152,532
Deferred tax assets not recognised	509,009	157,025	–	–
(Over)/under provision in respect of prior years	(56,923)	(372,113)	(3,325)	79,909
Utilisation of deferred tax assets not recognised in prior years	(546,004)	(625,992)	–	–
Effect of partial tax exemption	(108,970)	(49,206)	(29,963)	(25,925)
Share of results of joint ventures	(2,161,532)	(1,252,064)	–	–
Others	142,829	(44,809)	512	148
Income tax expense recognised in profit or loss	<u>9,315,670</u>	<u>7,158,636</u>	<u>65,868</u>	<u>196,331</u>

Notes to the Financial Statements (Cont'd)

31 December 2012

8. INCOME TAX EXPENSE (CONT'D)

Relationship between tax expense and accounting profit (cont'd)

Group relief

A loss-transfer system of group relief (group relief system) for companies was introduced in Singapore with effect from year of assessment 2003. Under the group relief system, a company belonging to a group may transfer its current year unabsorbed capital allowances, current year unabsorbed trade losses and current year unabsorbed donations (loss items) to another company belonging to the same group, to be deducted against the assessable income of the latter company.

Tax effects of income not subject to taxation for tax purposes

The nature of income that are not subject to taxation are as follows:

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Dividend income	–	–	(9,571,000)	(850,000)
Write back of provision for contingency	–	(175,085)	–	–
Write back of impairment loss on investment in subsidiary	–	–	(697,274)	(1,345,634)
Others	(16,401)	(23,863)	(13,465)	(10,390)
	<u>(16,401)</u>	<u>(198,948)</u>	<u>(10,281,739)</u>	<u>(2,206,024)</u>

Unutilised tax losses and capital allowances

The subsidiaries of the Company have unutilised tax losses of \$62,572,217 (2011: \$65,652,300) available for offset against future taxable income subject to the agreement of the Inland Revenue Authority of Singapore and compliance with certain provisions of the Singapore Income Tax Act. The deferred tax asset arising from these unutilised tax losses has not been recognised in the financial statements in accordance with the accounting policy in Note 2.25(b) to the financial statements.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 34) for the years ended 31 December 2012 and 2011.

Deferred income tax arising from different computation basis

There were unrecognised deferred tax assets of \$509,009 (2011: \$157,025) during 31 December 2012 which arise from the tax computations being based on the completed contract method and the accounting records being based on the percentage of completion method.

Notes to the Financial Statements (Cont'd)

31 December 2012

9. EARNINGS PER SHARE

(a) Continuing operations

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

Diluted earnings per share amounts are calculated by dividing the profit from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computations of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2012	2011
	\$	\$
Profit for the year attributable to owners of the Company used in the computation of basic and diluted earnings per ordinary share	57,869,835	47,436,106
Weighted average number of ordinary shares for basic and dilutive earnings per share computation	470,599,590	471,459,761

(b) Earnings per share computation

The basic and diluted earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These profit and share data are presented in the tables in Note 9(a) above.

Notes to the Financial Statements (Cont'd)

31 December 2012

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$	Freehold properties \$	Motor vehicles \$	Furniture, fittings and office equipment \$	Plant and machinery \$	Total \$
Cost						
At 1 January 2011	2,492,875	4,960,024	649,276	221,273	27,000	8,350,448
Additions	–	–	389,364	50,656	62,710	502,730
Disposals	–	–	(222,500)	(1,700)	–	(224,200)
At 31 December 2011 and 1 January 2012	2,492,875	4,960,024	816,140	270,229	89,710	8,628,978
Additions	–	–	395,629	15,842	18,500	429,971
Disposals	–	–	(97,888)	(6,253)	–	(104,141)
At 31 December 2012	2,492,875	4,960,024	1,113,881	279,818	108,210	8,954,808
Accumulated depreciation						
At 1 January 2011	–	1,630,592	451,943	133,201	1,167	2,216,903
Depreciation charge for the year	–	135,920	44,320	61,790	15,037	257,067
Disposals	–	–	(222,500)	(1,700)	–	(224,200)
At 31 December 2011 and 1 January 2012	–	1,766,512	273,763	193,291	16,204	2,249,770
Depreciation charge for the year	–	135,920	113,962	39,541	20,559	309,982
Disposals	–	–	(97,888)	(4,271)	–	(102,159)
At 31 December 2012	–	1,902,432	289,837	228,561	36,763	2,457,593
Net carrying amount						
At 31 December 2012	2,492,875	3,057,592	824,044	51,257	71,447	6,497,215
At 31 December 2011	2,492,875	3,193,512	542,377	76,938	73,506	6,379,208

Notes to the Financial Statements (Cont'd)

31 December 2012

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group charged the depreciation expense of \$267,480 (2011: \$205,767) to the Income Statement while the remaining amount of \$42,502 (2011: \$51,300) was reflected in the Balance Sheet as development properties.

Company	Motor vehicles \$	Furniture, fittings and office equipment \$	Total \$
Cost			
At 1 January 2011	320,388	18,959	339,347
Additions	–	–	–
Disposals	(222,500)	–	(222,500)
At 31 December 2011 and 1 January 2012	97,888	18,959	116,847
Additions	236,790	–	236,790
Disposals	(97,888)	(2,153)	(100,041)
At 31 December 2012	236,790	16,806	253,596
Accumulated depreciation			
At 1 January 2011	320,388	18,959	339,347
Depreciation charge during the year	–	–	–
Disposals	(222,500)	–	(222,500)
At 31 December 2011 and 1 January 2012	97,888	18,959	116,847
Depreciation charge during the year	35,518	–	35,518
Disposals	(97,888)	(2,153)	(100,041)
At 31 December 2012	35,518	16,806	52,324
Net carrying amount			
At 31 December 2012	201,272	–	201,272
At 31 December 2011	–	–	–

Assets held under finance leases

Included in the property, plant and equipment of the Group are the following:

	Group	
	2012 \$	2011 \$
Net book value of assets acquired under finance leases		
- motor vehicles	634,794	313,451

Notes to the Financial Statements (Cont'd)

31 December 2012

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets pledged as security

In addition to assets held under finance leases, the Group's freehold land and properties with a net carrying amount of \$5,550,467 (2011: \$5,686,387) have been mortgaged to secure bank overdraft and loan facilities granted to a subsidiary (Note 24).

11. INVESTMENT PROPERTIES / INVESTMENT PROPERTIES - HELD FOR SALE

		Group	
	Note	2012	2011
		\$	\$
Investment properties			
At 1 January		–	3,045,000
Transferred to properties held for sale		–	(3,045,000)
		<u>–</u>	<u>–</u>
Balance at 31 December		–	–
Investment properties – held for sale			
At 1 January		3,045,000	–
Transferred from investment properties		–	3,045,000
Disposal of investment property		(445,000)	–
Gain on fair value adjustment recognised in profit or loss	5	920,000	–
		<u>3,520,000</u>	<u>3,045,000</u>
Balance at 31 December		3,520,000	3,045,000
Income statement:			
Rental income from investment properties:			
- Minimum lease payments	5	<u>885,865</u>	<u>426,772</u>
Direct operating expenses (including repairs and maintenance) arising from:			
- Rental generating properties		<u>(93,822)</u>	<u>(113,432)</u>

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

During the financial year, the Group recognised fair value gain of \$920,000 (2011 : \$nil) on investment property held for sale in the income statement. This is based on the selling price of \$3,520,000 as indicated in the Option of Sales and Purchase Agreement entered on 27 December 2012, to sell the property at 34 Happy Ave East.

Notes to the Financial Statements (Cont'd)

31 December 2012

11. INVESTMENT PROPERTIES / INVESTMENT PROPERTIES - HELD FOR SALE (CONT'D)

Properties pledged as security

All the investment properties are mortgaged to banks to secure credit facilities for the Group (Note 24).

Transfer to properties held for sale

As at 31 December 2011, the Group transferred the investment properties of \$3,045,000 to investment properties held for sale as the Management has been actively marketed for the sale of the investment properties.

Disposal of property held for sale

During the year, the Group sold the investment property at 51 Jalan Pemimpin #05-01 to a related company at a consideration of \$680,000 (Note 30(a)).

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2012	2011
	\$	\$
Unquoted equity shares, at cost	119,599,663	119,599,663
Impairment losses	(58,900,000)	(63,001,617)
	<u>60,699,663</u>	<u>56,598,046</u>

During the year ended 31 December 2012, the Company wrote back the impairment loss of \$4,101,617 (2011: \$7,915,493) to its recoverable amount as the subsidiary is generating profit from its business activities, which is primarily to serve the Group's development companies. The recoverable amount of the investment has been determined based on the subsidiary's net assets position as at 31 December 2012.

Notes to the Financial Statements (Cont'd)

31 December 2012

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the subsidiaries are as follows:

Name	Principal activities (Country of incorporation and place of business)	Proportion of ownership interest		Cost of investment	
		2012 %	2011 %	2012 \$	2011 \$
Held by the Company					
Bukit Panjang Plaza Pte. Ltd. ⁽¹⁾	Property developer and owner (Singapore)	100	100	33,334,548	33,334,548
Guan Hoe Development Pte. Ltd. ⁽¹⁾	Property developer and owner (Singapore)	100	100	1	1
Keng Hoe Development Pte. Ltd. ⁽¹⁾	Property developer and owner (Singapore)	100	100	1	1
Hiap Hoe Investment Pte. Ltd. ⁽¹⁾	Investment holding (Singapore)	100	100	1	1
Wah Hoe Development Pte. Ltd. ⁽¹⁾	Property developer and owner (Singapore)	100	100	1,000,000	1,000,000
Leong Hoe Development Pte. Ltd. ⁽¹⁾	Property developer and owner (Singapore)	100	100	1,000,000	1,000,000
Cavenagh Properties Pte. Ltd. ⁽¹⁾	Property developer and owner (Singapore)	100	100	1,000,000	1,000,000
WestBuild Construction Pte. Ltd. ⁽¹⁾	Civil engineering, general road construction and sub-contractor works (Singapore)	100	100	80,917,110	80,917,110
Oxford Development Pte. Ltd. ⁽¹⁾	Property developer and owner (Singapore)	100	100	998,001	998,001
Leng Hoe Development Pte. Ltd. ⁽¹⁾	Property developer and owner (Singapore)	100	100	750,001	750,001
Hiap Hoe SuperBowl JV Pte. Ltd. ⁽¹⁾	Property developer and owner (Singapore)	60	60	600,000	600,000
				<u>119,599,663</u>	<u>119,599,663</u>

⁽¹⁾ Audited by Ernst & Young LLP, Singapore.

Notes to the Financial Statements (Cont'd)

31 December 2012

13. INVESTMENT IN ASSOCIATE

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Shares, at cost	4	4	4	4
Share of post-acquisition reserves	(4)	(4)	(4)	(4)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Name	Principal activities (Country of incorporation and place of business)	Proportion of ownership interest		Cost of investment	
		2012	2011	2012	2011
		%	%	\$	\$

Held by the Company

Cantonment Development Pte. Ltd. ⁽¹⁾	Property investment and development (Singapore)	40%	40%	4	4
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(1) No audit has been performed for this company as it is exempted from audit because it has been dormant from the time of incorporation.

The Group has not recognised losses relating to Cantonment Development Pte. Ltd. where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the balance sheet date was \$8,130 (2011: \$7,686), of which \$444 (2011: \$436) was the share of the current year's losses.

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2012	2011
	\$	\$
Assets and liabilities:		
Total assets	91	130
Total liabilities	<u>(20,416)</u>	<u>(19,346)</u>
Results:		
Revenue	—	—
Loss for the year	<u>(1,109)</u>	<u>(1,109)</u>

Notes to the Financial Statements (Cont'd)

31 December 2012

14. INVESTMENT IN JOINT VENTURES

	Group	
	2012 \$	2011 \$
Shares, at cost	600,005	600,005
Share of post-acquisition reserves	21,953,833	9,677,009
	22,553,838	10,277,014

On 22 May 2008, the Company incorporated a wholly-owned subsidiary, HH Properties Pte. Ltd. ("HHP"), by subscribing for 10 ordinary shares at \$10. On 13 June 2008, the Company disposed its 50% stake in HHP to SuperBowl Holdings Limited for a consideration of \$5 to form a joint venture. The Company's remaining 50% equity interest in HHP has been accounted for as an investment in a joint venture. HHP is in the business of property investment and development, and related activities.

The Group has not recognised losses relating to HH Properties Pte. Ltd. where its share of losses exceeds the Group's interest in the joint venture. The Group's cumulative share of unrecognised losses at the balance sheet date was \$2,930,961 (2011: \$917,766), of which \$2,013,195 (2011: \$465,711) was the remaining share of the current year's losses.

The Group also has a 60% (2011: 60%) equity interest in a jointly-controlled entity, Goodluck View Development ("GLV"), that is held through a subsidiary. This joint venture is unincorporated and is in the business of property developer and owner. The Group's joint venture partner in GLV is SuperBowl Management Pte Ltd, a related party.

The Group's contingent liabilities in respect of its investment in joint venture are disclosed in Note 31(a).

The aggregate amounts of each current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interests in the jointly-controlled entities are as follow:

	Group	
	2012 \$	2011 \$
Assets and liabilities:		
Current assets	42,290,179	50,977,078
Non-current assets	96,583,791	66,544,731
Total assets	138,873,970	117,521,809
Current liabilities	(43,225,655)	(56,392,472)
Non-current liabilities	(76,025,433)	(51,770,084)
Total liabilities	(119,251,088)	(108,162,556)
Income and expenses:		
Income	42,867,462	47,829,162
Expenses	(32,603,836)	(38,819,724)
Profit for the year	10,263,626	9,009,438

Notes to the Financial Statements (Cont'd)

31 December 2012

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Current				
Trade receivables	29,402,216	13,507,833	–	–
Other receivables	201,800	35,739	–	7,704
Staff loan	12,000	9,000	–	–
Less: allowance for doubtful receivables - trade	(80,737)	(80,737)	–	–
	29,535,279	13,471,835	–	7,704
Non-current				
Other receivable - Staff loan	7,000	12,000	–	–
Total trade and other receivables	29,542,279	13,483,835	–	7,704
Add:				
Due from subsidiaries (trade) (Note 18(i))	–	–	1,828,987	2,523,784
Due from subsidiaries (non-trade) (Note 19)	–	–	130,454,358	100,974,353
Due from a related company (trade) (Note 18(ii))	18,027	464	–	–
Due from a related company (trade) (Note 18(i))	2,252	–	–	–
Due from joint ventures (non-trade) (Note 18(ii))	46,740,912	58,461,116	43,619,164	52,865,975
Due from joint ventures (trade) (Note 18(i))	31,632,338	18,817,066	89,905	49,436
Due from an associate (non-trade) (Note 18(i))	3,025	2,597	3,025	2,597
Other assets	186,490	81,090	3,660	450
Cash and short-term deposits	20,600,313	10,369,605	1,106,908	5,509,257
Total loans and receivables	<u>128,725,636</u>	<u>101,215,773</u>	<u>177,106,007</u>	<u>161,933,556</u>

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables are denominated in Singapore Dollars.

Staff loans

Staff loans are unsecured and non-interest bearing. Non-current amounts have an average maturity of 1.6 years (2011: 2.3 years). The loans are recognised initially at fair value. The carrying amount of non-current staff loans approximates the fair value of the loan as at 31 December 2012.

Notes to the Financial Statements (Cont'd)

31 December 2012

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to \$29,321,479 (2011: \$13,427,096) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2012	2011
	\$	\$
Trade receivables past due but not impaired:		
Less than 30 days	29,321,479	13,427,096

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2012	2011
	\$	\$
Trade receivables—nominal amounts	80,737	80,737
Less: Allowance for impairment	(80,737)	(80,737)
	—	—

There has been no movement in this allowance account in the financial year ended 31 December 2012 and 2011.

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Notes to the Financial Statements (Cont'd)

31 December 2012

16. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Cash and bank balances	10,600,313	4,869,605	1,106,908	509,257
Fixed deposits	10,000,000	5,500,000	–	5,000,000
	<u>20,600,313</u>	<u>10,369,605</u>	<u>1,106,908</u>	<u>5,509,257</u>

Cash and cash equivalents of the Group denominated in foreign currencies at 31 December are as follows:

	2012	2011
	\$	\$
US dollar	113,915	121,074
Bangladesh taka	<u>54,508</u>	<u>29,619</u>

Cash and short-term deposits of the Company denominated in Singapore Dollars at 31 December are as follows:

	2012	2011
	\$	\$
Cash and bank balances	<u>1,106,908</u>	<u>5,509,257</u>

Cash and bank balances earn interest at floating rates based on daily bank deposit rates ranging from 0.018% to 0.15% (2011: 0.018% to 0.61%) per annum.

17. OTHER INVESTMENTS

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
<i>Held for trading investments</i>				
- Quoted investments	1,311,988	1,119,160	–	–
- Unquoted investments	<u>3,307,375</u>	<u>2,950,800</u>	<u>–</u>	<u>2,950,800</u>
Total financial assets through profit or loss classified as held for trading	<u>4,619,363</u>	<u>4,069,960</u>	<u>–</u>	<u>2,950,800</u>

During the financial year, the Group recognised fair value gain of \$164,881 (2011: loss of \$54,478) on held-for-trading investments-quoted and fair value gain of \$104,075 (2011: loss of \$396,445) on held-for-trading investments-unquoted in the income statement.

Notes to the Financial Statements (Cont'd)

31 December 2012

18. DUE FROM/(TO) SUBSIDIARIES/RELATED COMPANIES/JOINT VENTURES/ASSOCIATE

(i) Due from subsidiaries (trade), due from a related company (trade) (non-trade), due from/(to) joint ventures (trade), due from an associate (non-trade), due to related companies (trade)

These balances are unsecured, interest-free and repayable on demand and in cash.

(ii) Due from joint ventures (non-trade)

The amounts due from joint ventures are as follows:

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Loans	44,571,935	56,446,061	41,923,463	51,301,900
Interest receivable	1,781,598	1,601,575	1,641,890	1,484,162
Others	387,379	413,480	53,811	79,913
	<u>46,740,912</u>	<u>58,461,116</u>	<u>43,619,164</u>	<u>52,865,975</u>

The amounts due from joint ventures are unsecured, repayable on demand and in cash. The loans bear weighted average effective interest at 0.65% (2011: 0.43%) per annum.

(iii) Due to joint venture (non-trade)

The amounts due to joint venture are as follows:

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Loans	(9,540,000)	–	–	–
Interest receivable	(10,538)	–	–	–
Others	(2,910)	–	–	–
	<u>(9,553,448)</u>	<u>–</u>	<u>–</u>	<u>–</u>

The amounts due to joint ventures are unsecured, repayable on demand and in cash. The loans bear weighted average effective interest at 1.13% (2011: nil%) per annum.

Notes to the Financial Statements (Cont'd)

31 December 2012

19. DUE FROM / (TO) SUBSIDIARIES (NON-TRADE)

The amounts due from subsidiaries are as follows:

	Company	
	2012 \$	2011 \$
Loans	129,337,171	99,044,956
Interest receivable	751,422	1,320,384
Others	365,765	609,013
	<u>130,454,358</u>	<u>100,974,353</u>

The amounts due from subsidiaries are unsecured, repayable on demand and in cash. The loans bear weighted average effective interest at 0.65% (2011: 0.43%) per annum.

The amounts due to subsidiaries are as follows:

	Company	
	2012 \$	2011 \$
Loans	(63,996,602)	(74,226,722)
Interest receivable	(1,493,274)	(1,364,548)
Others	(3,277,258)	(33,448,745)
	<u>(68,767,134)</u>	<u>(109,040,015)</u>

The amounts due to subsidiaries are unsecured, repayable on demand and in cash, and bear weighted average effective interest at 0.94% (2011: 0.53%) per annum.

20. DEVELOPMENT PROPERTIES / PROPERTIES HELD FOR SALE

	Group	
	2012 \$	2011 \$
Freehold land and related costs	169,707,729	403,109,370
Development costs	37,704,495	77,041,397
Property tax and interest	14,675,267	30,376,920
Attributable profit	55,401,384	74,213,417
	<u>277,488,875</u>	<u>584,741,104</u>
Less : Progress billings	<u>(113,576,477)</u>	<u>(128,439,508)</u>
	<u>163,912,398</u>	<u>456,301,596</u>

Notes to the Financial Statements (Cont'd)

31 December 2012

20. DEVELOPMENT PROPERTIES / PROPERTIES HELD FOR SALE (CONT'D)

	Group	
	2012	2011
	\$	\$
Revenue from sale of development properties (recognised on completed contract basis)	154,438,476	41,538,000
Development properties recognised as an expenses in cost of sales	58,193,353	63,888,687

There is no advance received from customers as at 31 December 2012 and 2011.

- (i) Interest costs capitalised during the year at an average rate of 1.41% (2011: 1.50%) per annum based on actual borrowing costs were paid to :

	Group	
	2012	2011
	\$	\$
- financial institutions	3,026,724	3,733,812
- related companies	84,948	106,706
	3,111,672	3,840,518

- (ii) The development properties and properties held for sale are pledged for bank borrowings (Note 24).
- (iii) Included in development costs are project and construction management services of \$237,018 (2011: \$386,861) charged by a related company, at contractual terms agreed between the parties.
- (iv) During the year ended 31 December 2012, two (2011: one) of the Development Projects obtained its Temporary Occupancy Permit. Hence, the Group transferred an amount of \$259,633,816 (2011: \$10,852,257) pertaining to the unsold units to properties held for sale.

	Group	
	2012	2011
	\$	\$
At 1 January	10,852,257	–
Transferred from development properties	259,633,816	10,852,257
Disposal during the year	(10,045,125)	–
At 31 December	260,440,948	10,852,257

Notes to the Financial Statements (Cont'd)

31 December 2012

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Current				
Trade payables	12,073,670	11,906,189	–	–
Sundry payables	146,491	90,748	45,262	97,064
	<u>12,220,161</u>	<u>11,996,937</u>	<u>45,262</u>	<u>97,064</u>
Due to subsidiaries (non-trade) (Note 19)	–	–	68,767,134	109,040,015
Due to joint venture (trade)	5,319,900	–	–	–
Due to joint venture (non-trade)	9,553,448	–	–	–
Due to related companies (trade) (Note 18(i))	891,250	526,263	–	–
Due to a related company (non-trade) (Note 23)	32,717,057	21,712,764	–	–
	<u>60,701,816</u>	<u>34,235,964</u>	<u>68,812,396</u>	<u>109,137,079</u>
Non-current				
Trade payables	3,429,495	1,266,027	–	–
Total trade and other payables	<u>64,131,311</u>	<u>35,501,991</u>	<u>68,812,396</u>	<u>109,137,079</u>
Add:				
Accrued operating expenses (Note 22)	28,050,383	44,218,409	509,661	239,311
Deposits received (Note 22)	542,043	184,611	–	–
Interest-bearing loans and borrowings (Note 24)	<u>171,887,512</u>	<u>249,692,407</u>	<u>33,333</u>	<u>–</u>
Total financial liabilities carried at amortised cost	<u>264,611,249</u>	<u>329,597,418</u>	<u>69,355,390</u>	<u>109,376,390</u>

Trade and other payables are non-interest bearing and have an average term of 1 to 3 months.

Trade payables are denominated in Singapore Dollars as at 31 December 2012 and 2011.

Notes to the Financial Statements (Cont'd)

31 December 2012

22. OTHER LIABILITIES

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Current				
Accrued operating expenses (Note 21)	28,050,383	44,218,409	509,661	239,311
Deposits received (Note 21)	542,043	136,691	–	–
	<u>28,592,426</u>	<u>44,355,100</u>	<u>509,661</u>	<u>239,311</u>
Non-current				
Deposits received	–	47,920	–	–
	<u>–</u>	<u>47,920</u>	<u>–</u>	<u>–</u>
Total other liabilities	<u>28,592,426</u>	<u>44,403,020</u>	<u>509,661</u>	<u>239,311</u>

Provision for contingency

The provision for contingency is a possible outflow of economic resources which may arise from a past contractual obligation. During the year ended 31 December 2011, the provision for contingency of \$1,029,909 was written back as the outflow of economic resources was remote.

23. DUE TO RELATED COMPANIES (NON-TRADE)

The amounts due to related companies comprised:

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Loans	32,258,490	21,364,490	–	–
Interest payable	453,041	342,748	–	–
Others	5,526	5,526	–	–
	<u>32,717,057</u>	<u>21,712,764</u>	<u>–</u>	<u>–</u>

The amounts due to related companies are unsecured, repayable on demand and in cash. The loans bear weighted average effective interest at 0.59% (2011: 0.52%) per annum.

Notes to the Financial Statements (Cont'd)

31 December 2012

24. INTEREST-BEARING LOANS AND BORROWINGS

	Effective interest rate (% per annum)	Maturity	Group		Company	
			2012 \$	2011 \$	2012 \$	2011 \$
Current liabilities						
Bank term loans (Note 24.1)	1.60 ⁽¹⁾	2013	101,753,793	5,000,000	–	–
Construction loans (Note 24.2)	–	–	–	369,345	–	–
Land loans (Note 24.3)	–	–	–	162,123,000	–	–
Interest payable	–	2013	114,563	178,062	–	–
Lease obligations (Note 32)	1.90 ⁽¹⁾	2013	100,156	100,000	33,333	–
			<u>101,968,512</u>	<u>167,770,407</u>	<u>33,333</u>	<u>–</u>
Non-current liabilities						
Bank term loans (Note 24.1)	1.48 ⁽¹⁾	2014	69,919,000	81,922,000	–	–
Land loans (Note 24.3)	–	–	–	–	–	–
			<u>69,919,000</u>	<u>81,922,000</u>	<u>–</u>	<u>–</u>
Total			<u>171,887,512</u>	<u>249,692,407</u>	<u>33,333</u>	<u>–</u>

⁽¹⁾ Based on weighted average effective interest rates.

24.1 The bank term loans bear weighted average effective interest ranging from 1.48% to 1.60% (2011: 1.45% to 1.46%) per annum during the year. Interest rates of these loans are repriced at an interval of 1 to 3 months.

- (a) A loan of \$69,919,000 (2011: \$81,922,000) carried interest at weighted average effective interest rate of 1.48% (2011: 1.45%) per annum. The loan is repayable by 31 May 2014 or 6 months after the issuance of Temporary Occupation Permit, whichever is earlier; and
- (b) A loan of \$4,500,000 (2011: \$5,000,000) carried interest at an effective interest rate of 1.55% (2011: 1.46%) per annum.
- (c) The term loans of \$97,253,793 (2011: \$nil) bear interest at weighted average effective interest rate of 1.60% (2011: nil%) per annum.

Notes to the Financial Statements (Cont'd)

31 December 2012

24. INTEREST-BEARING LOANS AND BORROWINGS (CONT'D)

- 24.2 A loan of \$nil (2011: \$369,345) carried interest at weighted average effective interest rate of nil% (2011: 1.64%) per annum. The loan was fully repaid during the year. Interest rates of these loans are repriced at an interval of 1 to 3 months.
- 24.3 The land loans bear weighted average effective interest rates at nil% (2011: ranged from 1.58% to 1.79%) per annum during the year. Interest rates of these loans are repriced at an interval of 1 to 3 months.
- (a) loan of \$nil (2011: \$48,416,000), which bears weighted average effective interest rate of nil% (2011: 1.58%) per annum. The loan was fully repaid during the year.
- (b) loan of \$nil (2011: \$113,707,000), which bears weighted average effective interest rate of nil% (2011: 1.79%) per annum. The loan was fully repaid during the year.
- 24.4 During the financial year, bank overdrafts were included in the determination of cash and cash equivalents. They were denominated in SGD were repayable on demand and had a weighted average effective interest rate of 4.86% (2011: 4.86%) per annum. Interest rates of bank overdrafts were repriced at an interval of 1 month.
- 24.5 The bank term loans, construction loans and land loans are secured by the following:
- (a) legal mortgages on the Group's investment properties held for sale and freehold properties;
- (b) first legal mortgage over development properties and properties held for sale;
- (c) first legal assignment of all rights and benefits under the sales and purchase agreements and/or tenancy agreements;
- (d) assignment of proceeds of the Project Account and the rental account maintained with the bank;
- (e) the building contracts of the certain development properties;
- (f) assignment of all insurance policies for certain development properties;
- (g) deed of subordination to subordinate all loans and advances from the holding company to the facilities; and
- (h) corporate guarantees given by the Company and the joint venturers.

The bank facility agreements include covenants that require the maintenance of certain financial ratios. Non-compliance with certain material covenants may result in these loans being repayable immediately.

Notes to the Financial Statements (Cont'd)

31 December 2012

25. DEFERRED TAXATION

Deferred taxation as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2012	2011	2012	2011
	\$	\$	\$	\$
Deferred tax liabilities:				
Differences in depreciation for tax purposes	–	–	–	6
Differences in recognition of profits on development properties	11,408,389	10,964,286	(444,103)	(7,465,369)
	<u>11,408,389</u>	<u>10,964,286</u>	<u>(444,103)</u>	<u>(7,465,363)</u>

26. SHARE CAPITAL

	Group and Company			
	2012	2011	2012	2011
	Number of ordinary shares	Number of ordinary shares	\$	\$
Issued and fully paid ordinary shares:				
At 1 January / 31 December	<u>474,557,391</u>	<u>474,557,391</u>	<u>84,445,256</u>	<u>84,445,256</u>

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

27. TREASURY SHARES

	Group and Company			
	2012	2011	2012	2011
	Number of shares	Number of shares	\$	\$
At 1 January	(3,704,850)	(2,316,250)	(967,882)	(353,279)
Acquired during the year	(295,000)	(1,566,000)	(133,243)	(641,657)
Reissued pursuant to Performance Shares Plan				
- Transferred from employee shares reserve	–	177,400	–	78,944
- Gain on reissuance of treasury shares	–	–	–	(51,890)
At 31 December	<u>(3,999,850)</u>	<u>(3,704,850)</u>	<u>(1,101,125)</u>	<u>(967,882)</u>

Treasury shares relate to ordinary shares of the Company that are held by the Company.

The Company acquired 295,000 (2011: 1,566,000) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was \$133,243 (2011: \$641,657) and this was presented as a component within shareholders' equity.

Notes to the Financial Statements (Cont'd)

31 December 2012

28. RESERVES

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Accumulated profits	227,518,058	174,352,212	82,751,574	27,303,598
Dividend reserve (Note a)	2,352,788	1,177,131	2,352,788	1,177,131
Capital reserve (Note b)	(7,671,719)	(7,671,719)	–	–
Gain on reissuance of treasury shares (Note c)	51,890	51,890	51,890	51,890
	<u>222,251,017</u>	<u>167,909,514</u>	<u>85,156,252</u>	<u>28,532,619</u>

(a) *Dividend reserve*

For the financial year ended 31 December 2012, the Directors of the Company have paid out an interim dividend of 0.50 cents (2011: 0.25 cents) per ordinary share. The Directors of the Company have recommended that a final dividend be paid at 0.50 cents (2011: 0.25) cents per ordinary share. An amount of \$2,352,788 (2011: \$1,177,131) has been appropriated from current year's profits to dividend reserve.

(b) *Capital reserve*

The capital reserve arises from the application of reverse acquisition accounting.

(c) *Gain on reissuance of treasury shares*

This represents the gain arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

29. EMPLOYEES' BENEFITS

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Wages, salaries and bonuses	2,744,802	2,401,867	970,992	838,470
Central Provident Fund contributions	195,258	193,763	35,525	35,915
Employees' shares based payments	–	78,944	–	52,644
Other staff costs	50,238	53,200	444	(5,444)
Casual labour	21,708	9,898	–	–
	<u>3,012,006</u>	<u>2,737,672</u>	<u>1,006,961</u>	<u>921,585</u>

Employees' benefits include Directors' remuneration as disclosed in Note 7.

Notes to the Financial Statements (Cont'd)

31 December 2012

29. EMPLOYEES' BENEFITS (CONT'D)

Performance share plan

The Company has a new share incentive scheme to replace the share option scheme that was approved by shareholders on 28 April 2004. The new plan termed as Hiap Hoe Performance Share Plan ("PSP") will allow the Company to target specific performance objectives and to provide an incentive for participants to achieve these targets. At the Extraordinary General Meeting held on 20 April 2010, the shareholders approved the plan for the granting of fully paid shares, free of charge to the plan participants.

Full time employees of the Group, controlling shareholders and their associates who have attained the age of 21 years on or before the date of award, and the directors may be awarded under PSP. The performance share is determined by Management and approved by the Remuneration Committee having regard to the performance of individuals.

For the financial year ended 31 December 2011, 177,400 shares were granted and awarded under PSP. The fair value of the share granted was based on market price upon which the share was granted. The fair value of share granted for the financial year ended 31 December 2011 was S\$0.445.

There has been no cancellation or modification to the PSP in 2012 and 2011.

30. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group, the Company and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Income				
Sale of investment property - held for sale to a related company	680,000	-	-	-
Supply of labour to related companies	39,505	4,535	-	-
Supply of labour to Directors	401	980	-	-
Supply of labour to associate of Directors	53	-	-	-
Supply of labour to a company in which a Director has controlling interest	264	-	-	-
Rental of office to joint venture	13,548	-	-	-
Construction income charged to joint ventures	31,259,749	27,123,698	-	-
Expenses				
Rental expense paid to a related company	30,000	27,000	-	-
Site expenses paid to related company	2,141,619	2,377,735	-	-
Supply of labour paid to related companies	2,207,621	3,285,682	-	-

Notes to the Financial Statements (Cont'd)

31 December 2012

30. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Compensation of key management personnel

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Short-term employee benefits	2,407,066	2,059,520	1,106,992	1,049,114
Central Provident Fund contributions	127,953	110,819	35,525	35,915
	<u>2,535,019</u>	<u>2,170,339</u>	<u>1,142,517</u>	<u>1,085,029</u>
Comprise amounts paid to :				
Directors of the Company	1,566,774	1,335,338	1,142,517	1,001,167
Other key management personnel	968,245	835,001	–	83,862
	<u>2,535,019</u>	<u>2,170,339</u>	<u>1,142,517</u>	<u>1,085,029</u>

Directors' remuneration and fees totalled \$1,430,774 (2011: \$1,177,338) and \$136,000 (2011: \$158,000) respectively.

The remuneration of certain key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

31. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Capital expenditure in respect of development properties contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2012	2011
	\$	\$
- Subcontractors' costs	39,336,454	37,038,795
- Project and construction management fees	63,307	300,325
- Share of joint venture's capital commitments in relation to property, plant and equipment	40,405,764	68,861,961
- Share of joint venture's capital commitments in relation to development properties	<u>–</u>	<u>12,311,921</u>

Notes to the Financial Statements (Cont'd)

31 December 2012

31. COMMITMENTS AND CONTINGENCIES (CONT'D)

(b) Operating lease commitments – as lessor

The Group has entered into leases on certain of its properties which all will lapse by 13 March 2013. These non-cancellable leases have no remaining non-cancellable lease.

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

	Group	
	2012 \$	2011 \$
Not later than one year	137,108	682,173
Later than one year but not later than five years	–	167,048
	<u>137,108</u>	<u>849,221</u>

(c) Operating lease commitments – as lessee

The Group has entered into leases for rental of buildings from an external third party and a related party as disclosed in Note 30. These non-cancellable leases have remaining non-cancellable lease term between 0.5 year and 1.8 years, with no renewal option or escalation clauses included in the lease contract. There are no restrictions placed upon the Group and Company by entering into this contract. Operating lease payments recognised in the consolidated income statement during the year amounted to \$139,000 (2011: \$27,000).

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

	Group	
	2012 \$	2011 \$
Not later than one year	615,000	30,000
Later than one year but not later than five years	500,000	15,000
	<u>1,115,000</u>	<u>45,000</u>

Notes to the Financial Statements (Cont'd)

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32. LEASE OBLIGATIONS

The Group has entered into finance leases on its motor vehicles. Lease term is 1 year. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debts or further leasing.

Future minimum lease payments under finance lease liabilities together with the present value of the net minimum lease payments are as follows:

Group	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	2012	2012	2011	2011
	\$	\$	\$	\$
Within 1 year	101,880	100,156	101,990	100,000
Total minimum lease payments	101,880	100,156	101,990	100,000
Less: amounts representing finance charges	(1,724)	–	(1,990)	–
Present value of minimum lease payments	100,156	100,156	100,000	100,000

Company	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	2012	2012	2011	2011
	\$	\$	\$	\$
Within 1 year	33,960	33,333	–	–
Total minimum lease payments	33,960	33,333	–	–
Less: amounts representing finance charges	(627)	–	–	–
Present value of minimum lease payments	33,333	33,333	–	–

33. CORPORATE GUARANTEES, UNSECURED

The Company has given corporate guarantees to financial institutions in connection with credit facilities of approximately \$398,450,000 (2011: \$545,914,200) and \$101,650,000 (2011: \$101,650,000) granted to its subsidiaries and joint ventures respectively. The liabilities of the Company are limited to the outstanding principal amounts due to financial institutions of its subsidiaries and joint ventures, which are \$171,672,793 (2011: \$249,414,345) and \$71,252,575 (2011: \$23,944,730) respectively.

Notes to the Financial Statements (Cont'd)

31 December 2012

34. DIVIDENDS

Group and Company		
	2012	2011
	\$	\$

Declared and paid during the financial year:

Dividends on ordinary shares:

- Interim exempt (one-tier) dividend for 2012: 0.50 ¹ cents (2011: 0.25 ³ cents) per share	2,351,968	1,178,012
- Final exempt (one-tier) dividend for 2011: 0.25 ² cents (2011: 0.25 ⁴ cents –final dividend for 2010) per share	1,176,364	1,178,153
	<u>3,528,332</u>	<u>2,356,165</u>

Notes:

¹ Dividends of 0.50 cents per share were paid based on 470,393,557 shares.

² Dividends of 0.25 cents per share were paid based on 470,545,849 shares.

³ Dividends of 0.25 cents per share were paid based on 471,204,900 shares.

⁴ Dividends of 0.25 cents per share were paid based on 471,261,316 shares.

Proposed but not recognised as a liability as at 31 December:

Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:

Group and Company		
	2012	2011
	\$	\$

Dividends on ordinary shares, subject to shareholders' approval at the AGM:

- Final exempt (one-tier) dividend for 2012 : 0.50 cents (2011: 0.25 cents) per share	<u>2,352,788</u>	<u>1,177,131</u>
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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk and market price risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Executive Director and Financial Controller. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial years, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks, excepts as disclosed in Interest rate risk section below.

Notes to the Financial Statements (Cont'd)

31 December 2012

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in the market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their bank loans and borrowings, and interest-bearing loans from related companies and subsidiaries. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 6 months (2011: less than 6 months) from the end of the reporting period.

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's long term debt obligation with floating interest rates. The management reviews the interest rate strategies to minimise interest rate risk by taking into account the cash flow forecasts, term of debt obligation and market outlook. In prior years, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. All interest rate swap agreements were expired in FY2010.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 100 (2011: 100) basis points higher with all other variables held constant, it would not have a significant impact on 2012 Group's profit as the interest would be mainly incurred for development projects still in construction and, therefore, the interest would be capitalised in Balance Sheet under development properties. The same applies for the financial year ended 31 December 2011.

Information relating to the Group's interest rate exposure is disclosed in the notes on the Group's borrowings, including leasing obligations.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to arrange specific credit facilities for each individual projects with different banks. With the good reputation and the long term relationship maintained with the banks, the Group is able to obtain high financing quantum of 80% to 85% on the development cost at favourable interest rates.

In addition, the Group has maintained standby credit facilities such as term loans and bank overdraft to meet any immediate obligations. For projects that have been fully sold, the management has also managed to obtain money market loan for working capital requirement, out of proceeds receivables from the sales of units.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Analysis of financial instruments by remaining contractual maturities

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

Notes to the Financial Statements (Cont'd)

31 December 2012

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Group	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
2012			
Financial assets:			
Cash and bank balances and fixed deposits	20,600	–	20,600
Other investments	4,619	–	4,619
Trade and other receivables	29,535	7	29,542
Other assets	187	–	187
Due from related companies (trade)	18	–	18
Due from a related company (non-trade)	2	–	2
Due from joint ventures (trade)	31,632	–	31,632
Due from joint ventures (non-trade)	46,741	–	46,741
Due from an associate (non-trade)	3	–	3
Total undiscounted financial assets	133,337	7	133,344
Financial liabilities:			
Trade and other payables	12,220	3,429	15,649
Due to related companies (trade)	891	–	891
Due to a related company (non-trade)	32,717	–	32,717
Due to joint venture (trade)	5,320	–	5,320
Due to joint venture (non-trade)	9,553	–	9,553
Other liabilities	28,592	–	28,592
Interest bearing loans and borrowings	103,084	70,350	173,434
Total undiscounted financial liabilities	192,377	73,779	266,156
Total net undiscounted financial liabilities	(59,040)	(73,772)	(132,812)
2011			
Financial assets:			
Cash and bank balances and fixed deposits	10,370	–	10,370
Other investments	4,070	–	4,070
Trade and other receivables	13,472	12	13,484
Other assets	81	–	81
Due from joint ventures (trade)	18,817	–	18,817
Due from joint ventures (non-trade)	58,461	–	58,461
Due from an associate (non-trade)	3	–	3
Total undiscounted financial assets	105,274	12	105,286
Financial liabilities:			
Trade and other payables	11,997	1,266	13,263
Due to related companies (trade)	526	–	526
Due to related companies (non-trade)	21,713	–	21,713
Other liabilities	44,355	48	44,403
Interest bearing loans and borrowings	170,882	82,517	253,399
Total undiscounted financial liabilities	249,473	83,831	333,304
Total net undiscounted financial liabilities	(144,199)	(83,819)	(228,018)

Notes to the Financial Statements (Cont'd)

31 December 2012

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Company	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
2012			
Financial assets			
Cash and short-term deposits	1,107	–	1,107
Other assets	4	–	4
Due from subsidiaries (trade)	1,829	–	1,829
Due from subsidiaries (non-trade)	130,454	–	130,454
Due from joint ventures (trade)	90	–	90
Due from joint ventures (non-trade)	43,619	–	43,619
Due from an associate (non-trade)	3	–	3
Total undiscounted financial assets	177,106	–	177,106
Financial liabilities:			
Trade and other payables	45	–	45
Due to subsidiaries (non-trade)	68,767	–	68,767
Other liabilities	510	–	510
Loans and borrowings	33	–	33
Total undiscounted financial liabilities	69,355	–	69,355
Total net undiscounted financial assets	107,751	–	107,751
2011			
Financial assets:			
Cash and short-term deposits	5,509	–	5,509
Other investments	2,951	–	2,951
Trade and other receivables	8	–	8
Other assets	1	–	1
Due from subsidiaries (trade)	2,524	–	2,524
Due from subsidiaries (non-trade)	100,974	–	100,974
Due from joint ventures (trade)	49	–	49
Due from joint ventures (non-trade)	52,866	–	52,866
Due from an associate (non-trade)	3	–	3
Total undiscounted financial assets	164,885	–	164,885
Financial liabilities:			
Trade and other payables	97	–	97
Due to subsidiaries (non-trade)	109,040	–	109,040
Other liabilities	239	–	239
Total undiscounted financial liabilities	109,376	–	109,376
Total net undiscounted financial assets	55,509	–	55,509

Notes to the Financial Statements (Cont'd)

31 December 2012

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk (cont'd)

Short-term funding is obtained from term loans and bank overdraft facilities.

The Group is significantly reliant on bank financing. Management believes that the Group is able to raise cash by selling development properties and properties held for sale.

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities and commitments. The maximum amount of financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

Group and Company	1 year or less \$'000	1 to 5 years \$'000	Total \$'000
2012			
Financial guarantees	257,978	140,472	398,450
2011			
Financial guarantees	405,442	140,472	545,914

Credit risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Excessive risk concentration

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

Notes to the Financial Statements (Cont'd)

31 December 2012

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk (cont'd)

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the balance sheets
- A nominal amount of \$101,650,000 (2011:\$101,650,000) relating to a corporate guarantee provided by the Group to the banks on joint ventures' loans
- A nominal amount of \$398,450,000 (2011:\$545,914,200) relating to a corporate guarantee provided by the Company to banks on subsidiaries' bank loans

Information regarding credit exposure for trade and other receivables is disclosed in Note 15.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2012		2011	
	\$	% of total	\$	% of total
By country:				
Singapore	60,971,844	100	32,244,626	100
By industry sectors:				
Property	23,497,521	39	7,474,778	23
Construction	37,456,296	61	24,719,948	77
Other	18,027	-	49,900	-
	<u>60,971,844</u>	<u>100</u>	<u>32,244,626</u>	<u>100</u>

At the end of the reporting period, approximately 39% (2011: 23%) of the Group's trade receivables were due from sale of development properties and approximately 61% (2011: 77%) of the Group's trade receivables were contractor fees due from its joint ventures.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits and other investments that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Notes to the Financial Statements (Cont'd)

31 December 2012

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Credit risk (cont'd)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 (Trade and other receivables).

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the SGX-ST in Singapore and are classified as held for trading financial assets. The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the STI had been 2% (2011: 2%) higher/lower with all other variables held constant, the Group's profit net of tax would have been \$26,240 (2011: \$22,383) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments, and the Group's equity would have been \$26,240 (2011: \$22,383) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as held for trading.

36. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

A. Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Group	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Financial assets:				
Held for trading investments (Note 17)				
- Equity instruments	1,312	-	-	1,312
- Unquoted instruments	-	3,307	-	3,307
At 31 December 2012	1,312	3,307	-	4,619

Notes to the Financial Statements (Cont'd)

31 December 2012

36. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

A. Fair value of financial instruments that are carried at fair value (cont'd)

Group	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Financial assets:				
Held for trading investments (Note 17)				
- Equity instruments	1,119	-	-	1,119
- Unquoted instruments	-	2,951	-	2,951
At 31 December 2011	<u>1,119</u>	<u>2,951</u>	<u>-</u>	<u>4,070</u>

Fair value hierarchy

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

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

There have been no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 2012 and 2011.

Determination of fair value

Quoted equity instruments (Note 17): Fair value is determined by reference to their published bid prices or broker quotes at the end of reporting period without factoring in transaction costs.

Unquoted instruments (Note 17): Fair value is provided by bank counterparties.

Notes to the Financial Statements (Cont'd)

31 December 2012

36. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

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

Cash and short term deposits (Note 16), bank overdrafts (Note 24), trade and other receivables (Note 15), due from/ (to) subsidiaries (Note 18(i), 19), due from/(to) related companies/associates/joint ventures (Note 18, 23), trade and other payables (Note 21), staff loan and current and non-current interest-bearing loans and borrowings (Note 24)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

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

The fair values of finance lease liabilities of the Group and Company that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Total carrying amount		Aggregate fair value	
	2012	2011	2012	2011
	\$	\$	\$	\$
Group				
Finance lease repayable after 1 year but within 5 years	101,880	101,990	100,156	100,000
Company				
Finance lease repayable after 1 year but within 5 years	33,960	–	33,333	–

Determination of fair value

The fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of leasing arrangements at the end of the reporting period.

37. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a debt equity ratio, which is total interest bearing loans and borrowings divided by equity attributable to the owners of the Company.

Notes to the Financial Statements (Cont'd)

31 December 2012

37. CAPITAL MANAGEMENT (CONT'D)

	Group	
	2012 \$	2011 \$
Interest bearing loans and borrowings (Note 24)	171,887,512	249,692,407
Equity attributable to the owners of the Company	305,595,148	251,386,888
Debt equity ratio	56.2%	99.3%

38. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- I. The development properties segment is in the business of acquiring land/property and developing them into residential properties for sales.
- II. The construction segment is in the business of contractors for civil and general road construction works, general contractors, trading of construction materials.
- III. The others segment is involved in Group-level corporate services, treasury functions and investments in marketable securities.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

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

Notes to the Financial Statements (Cont'd)

31 December 2012

38. SEGMENT INFORMATION (CONT'D)

2012	Development properties \$	Construction \$	Others \$	Elimination \$	Consolidation \$
Revenue :					
Segmental revenue					
- External sales	113,735,147	31,885,394	47,698	-	145,668,239
- Inter-segment sales (Note A)	-	62,727,822	759,275	(63,487,097)	-
	<u>113,735,147</u>	<u>94,613,216</u>	<u>806,973</u>	<u>(63,487,097)</u>	<u>145,668,239</u>
Results :					
Other income	800	1,192,355	60,166	-	1,253,321
Financial income	29,832	1,722	302,172	(12,815)	320,911
Financial expenses	(371,943)	(57,086)	(1,253)	(214,251)	(644,533)
Fair value gain on investment property - held for sale	-	-	920,000	-	920,000
Fair value gain on held for trading investment - quoted	-	-	198,588	-	198,588
Fair value gain on held for trading investment - unquoted	-	-	104,075	-	104,075
Fair value losses on held for trading investment - quoted	-	-	(33,707)	-	(33,707)
Gain on disposal of investment property - held for sale	-	-	235,000	-	235,000
Depreciation	-	(231,961)	(35,519)	-	(267,480)
Other expenses (Note B)	-	(1,982)	-	-	(1,982)
Share of results of joint ventures	12,276,824	-	-	438,068	12,714,892
Segment profit / (loss) (Note C)	<u>65,238,560</u>	<u>3,177,927</u>	<u>1,120,121</u>	<u>(2,681,336)</u>	<u>66,855,272</u>

Notes to the Financial Statements (Cont'd)

31 December 2012

38. SEGMENT INFORMATION (CONT'D)

	Development properties \$	Construction \$	Others \$	Elimination \$	Consolidation \$
2012					
Assets:					
Investment in joint venture	22,553,838	-	-	-	22,553,838
Additions to non-current assets (Note D)	-	193,180	236,791	-	429,971
Segment assets (Note E)	<u>455,846,253</u>	<u>92,061,049</u>	<u>109,779,777</u>	<u>(67,391,085)</u>	<u>590,295,994</u>
Segment liabilities (Note F)	<u>240,263,754</u>	<u>44,502,006</u>	<u>756,803</u>	<u>(547,631)</u>	<u>284,974,932</u>
2011					
Revenue:					
Segmental revenue					
- External sales	109,142,414	27,227,884	43,638	-	136,413,936
- Inter-segment sales (Note A)	-	75,567,968	695,669	(76,263,637)	-
	<u>109,142,414</u>	<u>102,795,852</u>	<u>739,307</u>	<u>(76,263,637)</u>	<u>136,413,936</u>
Results:					
Other income	6,701	675,120	63,059	-	744,880
Financial income	36,739	3,455	932,040	(21,967)	950,267
Financial expenses	(9,449)	(2,939)	(1,363)	(3,615)	(17,366)
Write back of provision for contingency	-	-	(1,029,909)	-	(1,029,909)
Fair value losses on held for trading investment - quoted	-	-	(54,478)	-	(54,478)
Fair value losses on held for trading investment - unquoted	-	-	(396,445)	-	(396,445)
Depreciation	(34)	(205,733)	-	-	(205,767)
Other expenses (Note B)	-	-	-	-	-
Share of results of joint ventures	9,475,149	-	-	719,392	10,194,541
Segment profit / (loss) (Note C)	<u>53,052,868</u>	<u>2,992,317</u>	<u>965,939</u>	<u>(2,483,733)</u>	<u>54,527,391</u>

Notes to the Financial Statements (Cont'd)

31 December 2012

38. SEGMENT INFORMATION (CONT'D)

	Development properties \$	Construction \$	Others \$	Elimination \$	Consolidation \$
2011					
Assets :					
Investment in joint venture	10,277,014	–	–	–	10,277,014
Additions to non-current assets (Note D)	–	502,730	–	–	502,730
Segment assets (Note E)	<u>461,040,493</u>	<u>78,674,960</u>	<u>118,471,683</u>	<u>(66,009,767)</u>	<u>592,177,369</u>
Segment liabilities (Note F)	<u>283,295,330</u>	<u>57,065,371</u>	<u>373,633</u>	<u>–</u>	<u>340,734,334</u>

Notes:

- A Inter-segment revenues are eliminated on consolidation.
- B Other expenses consist of loss on disposal of property, plant and equipment, loss on property, plant and equipment written off.
- C The following items are deducted from segment profit to arrive at "Profit before tax" presented in the consolidated income statement:

	2012 \$	2011 \$
Profit from inter-segment sales	<u>2,681,336</u>	<u>2,488,733</u>

- D Additions to non-current assets consist of additions to property, plant and equipment.
- E The following items are deducted from segment assets to arrive at total assets reported in the consolidated balance sheet:

	2012 \$	2011 \$
Investment in subsidiaries	(60,699,663)	(56,598,046)
Inter-segment assets	<u>(6,691,422)</u>	<u>(9,411,721)</u>
	<u>(67,391,085)</u>	<u>(66,009,767)</u>

Notes to the Financial Statements (Cont'd)

31 December 2012

38. SEGMENT INFORMATION (CONT'D)

Notes: (cont'd)

F The following items are deducted from segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2012 \$	2011 \$
Other liabilities	484,805	–
Provision for taxation	62,826	–
	<u>547,631</u>	<u>–</u>

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		Non-current assets	
	2012 \$	2011 \$	2012 \$	2011 \$
Singapore	<u>145,668,239</u>	<u>136,413,936</u>	<u>29,058,053</u>	<u>16,668,222</u>

There had been no transaction with a single external customer that amounts to 10% of the Group revenue.

39. DIRECTORS' REMUNERATION

The number of Directors of the Company whose emoluments fall within the following bands are:

	Company	
	2012	2011
\$500,000 to \$999,999	1	1
\$250,000 to \$499,999	2	1
Below \$250,000	4	5
	<u>7</u>	<u>7</u>

Notes to the Financial Statements (Cont'd)

31 December 2012

40. MAJOR PROPERTIES OWNED BY THE GROUP

Address	Held by	Title	Built up area (sq. metres)	Description
<u>Investment properties – held for sale</u>				
34 Happy Avenue East Singapore 369843	WestBuild Construction Pte Ltd	Freehold	554	2½-storey corner terrace house
<u>Property, plant and equipment</u>				
56/56A/58 Kallang Pudding Road Singapore 349329	WestBuild Construction Pte Ltd	Freehold	689	Single-user/ occupier 9-storey terrace units
<u>Development property</u>				
54 Kallang Pudding Road Singapore 349325	WestBuild Construction Pte Ltd	Freehold	3,177*	Single storey building

* This denotes the land area of the development property.

41. SUBSEQUENT EVENT

One of the subsidiaries of the Group had entered into an option to sell the property at 34 Happy Ave East (“the property”) for the selling price of \$3,520,000 on 27 December 2012. The property was classified as investment property held for sale during the financial year ended 31 December 2011 as the Management has been actively marketing for the sale of this property (Note 11). The sale has been completed on 6 March 2013.

42. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on 15 March 2013.

Statistics of Shareholdings

as at 12 March 2013

Number of Ordinary Shares in issue (excluding treasury shares):	:	470,557,541
Number & percentage of Treasury Shares held:	:	3,999,850 (0.85%)
Class of Shares:	:	Ordinary Shares
Voting Rights:	:	One vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 999	1,127	35.32	384,476	0.08
1,000 - 10,000	1,086	34.03	4,993,352	1.06
10,001 - 1,000,000	955	29.93	62,475,638	13.28
1,000,001 and above	23	0.72	402,704,075	85.58
TOTAL	3,191	100.00	470,557,541	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of Shares	%
1	Hiap Hoe Holdings Pte Ltd	328,693,876	69.85
2	CIMB Securities (Singapore) Pte Ltd	15,149,080	3.22
3	Soon Li Heng Civil Engineering Pte Ltd	9,125,000	1.94
4	DBS Nominees Pte Ltd	5,416,175	1.15
5	OCBC Securities Private Ltd	4,981,511	1.06
6	HSBC (Singapore) Nominees Pte Ltd	4,008,250	0.85
7	UOB Kay Hian Pte Ltd	3,869,870	0.82
8	DB Nominees (S) Pte Ltd	3,690,000	0.78
9	Morph Investments Ltd	3,182,000	0.68
10	Pang Heng Kwee	2,350,000	0.50
11	Soon Lee Heng Trading & Transportation Pte Ltd	2,243,750	0.48
12	Phillip Securities Pte Ltd	2,178,667	0.46
13	Teo Ho Beng	2,030,750	0.43
14	Citibank Nominees Singapore Pte Ltd	1,956,818	0.42
15	Roland Teo Ho Kang	1,875,000	0.40
16	Tan Sia Keng	1,842,000	0.39
17	United Overseas Bank Nominees (Pte) Ltd	1,766,098	0.38
18	Heng Siew Eng	1,649,000	0.35
19	Maybank Kim Eng Securities Pte Ltd	1,596,328	0.34
20	Choo Chong Ngen	1,507,000	0.32
TOTAL		399,111,173	84.82

The percentage of the issued shares is calculated based on the number of issued shares as at 12 March 2013, excluding any treasury shares held at that date.

29.13% of the Company's shares (excluding treasury shares) are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

Substantial Shareholders as at 12 March 2013

No.	Name of Shareholder	Direct Interest	Deemed Interest
1	Hiap Hoe Holdings Pte Ltd	328,693,876	-
2	Teo Ho Beng	2,030,750	328,693,876
3	Teo Ho Kang, Roland	1,875,000	328,693,876

Note:

Messrs Teo Ho Beng and Teo Ho Kang, Roland's deemed interests are derived from their shareholdings in Hiap Hoe Holdings Pte Ltd.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hiap Hoe Limited (“the Company”) will be held at Days Hotel Singapore at Zhongshan Park, 21 on Rajah Restaurant (Level 1), 1 Jalan Rajah, Singapore 329133 on Friday, 19 April 2013 at 11 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company for the year ended 31 December 2012 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a final dividend of 0.50 cents per ordinary share (tax exempt one-tier) for the year ended 31 December 2012 (previous year: 0.25 cents per ordinary share). **(Resolution 2)**
3. To re-elect the following Director of the Company retiring pursuant to Article 106 of the Articles of Association of the Company:

Mr Chan Wah Tiong

(Resolution 3)
Mr Chan Wah Tiong, upon re-election as a Director of the Company, remains as a Lead Independent Director and Chairman of the Audit Committee and member of the Nominating Committee and Remuneration Committee respectively and will be considered independent.

To record the retirement of Dr Wang Kai Yuen, a Director retiring pursuant to Article 106 of the Company’s Articles of Association, who has decided not to seek re-election. Upon the retirement of Dr Wang Kai Yuen, he will relinquish his position as Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee.
4. To re-elect Ms Kwok Chui Lian retiring pursuant to Article 91 of the Articles of Association of the Company. **(Resolution 4)**
Ms Kwok Chui Lian, upon re-election as a Director of the Company, remains as a member of the Audit Committee and will be considered independent.
5. To approve the payment of Directors’ fees of S\$136,000.00 for the financial year ended 31 December 2012 (previous year: S\$158,000.00). **(Resolution 5)**
6. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

8. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be authorised and empowered to:

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

Notice of Annual General Meeting (Cont'd)

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

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

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, 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 vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
- (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)]

(Resolution 7)

9. Authority to issue shares under the Hiap Hoe Performance Share Plan

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to grant awards in accordance with the provisions of the Hiap Hoe Performance Share Plan ("the Plan") and to allot and issue from time to time such number of fully paid up shares in the capital of the Company as may be required to be allotted and/or issued pursuant to the vesting of the awards provided that the aggregate number of shares available under the Plan and any other share based schemes which the Company may implement from time to time, and the Plan, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

(Resolution 8)

Notice of Annual General Meeting (Cont'd)

10. Renewal of Shareholders' Mandate for Interested Person Transactions

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

- (a) approval be given for WestBuild Construction Pte. Ltd., a wholly owned subsidiary of the Company, which is an entity at risk (as defined in Chapter 9 of the Listing Manual), to enter into any of the transactions falling within the categories of interested person transactions described in paragraph 3 of the Appendix to the Summary Sheet attached to this Annual Report 2012 (the "Appendix") with specified classes of interested persons described in paragraph 2 of the Appendix, provided that such transactions are carried out on normal commercial terms and in accordance with the review procedures of the Company for such interested person transactions;
- (b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and
- (c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate as they may think fit.

[See Explanatory Note (iii)]

(Resolution 9)

11. Renewal of Share Buyback Mandate

That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in paragraph 2 of the Company's Circular to shareholders dated 9 April 2008 (the "Circular"), in accordance with the said Circular on "Share Purchase Mandate", and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)]

(Resolution 10)

By Order of the Board

Lai Foon Kuen

Company Secretary
Singapore, 4 April 2013

Notice of Annual General Meeting (Cont'd)

Explanatory Notes:

- (i) The Ordinary Resolution 7, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (ii) The Ordinary Resolution 8, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant awards in accordance with the provisions of the Hiap Hoe Performance Share Plan ("the Plan") and to allot and issue from time to time such number of fully paid up shares in the capital of the Company as may be required to be issued pursuant to the vesting of the awards provided that the aggregate number of shares available under the Plan and any other share based schemes which the Company may implement from time to time, and the Plan, not exceeding, in total, 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company.
- (iii) The Ordinary Resolution 9, if passed, will authorise the Interested Person Transactions as described in the Appendix and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at 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.
- (iv) The Ordinary Resolution 10, if passed, will empower the Directors of the Company effective 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, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in the Circular dated 9 April 2008. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2012 are set out in greater detail in the Letter to Shareholders enclosed together with the Annual Report.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 564A Balestier Road, Singapore 329880 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Summary Sheet for the Proposed Renewal Shareholders' Mandate for Interested Person Transactions

THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. INTRODUCTION

We refer to the Notice of Annual General Meeting ("AGM") of Hiap Hoe Limited (the "Company") dated 4 April 2013 (the "Notice"), accompanying the Annual Report of the Company for the financial year ended 31 December 2012 (the "2012 AR"), convening the AGM of the Company which is scheduled to be held on 19 April 2013 and the Ordinary Resolution 9 in relation to the renewal of shareholders' mandate for interested person transactions under the heading "Special Business" set out in the Notice.

The purpose of this summary sheet is to provide relevant information relating to the renewal of the interested person transactions mandate to the shareholders in accordance with Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

2. RENEWAL OF THE INTERESTED PERSON TRANSACTIONS MANDATE

2.1 Existing Interested Person Transactions Mandate

At an Extraordinary General Meeting ("EGM") of the Company held on 18 January 2007, the Company had obtained shareholders' approval for the shareholders' mandate for interested person transactions to be carried out by the Company and its subsidiaries ("Group") with SuperBowl Holdings Limited and its subsidiaries ("SuperBowl Group") and/or Hiap Hoe Holdings Pte Ltd and its subsidiaries ("Hiap Hoe Holdings Group"). The authority and limitations of the shareholders' mandate for interested person transactions were set out in the Company's circular to shareholders dated 22 December 2006. The interested person transactions mandate was renewed at the AGM of the Company held on 30 April 2012 ("2012 AGM") and will expire on the date of the forthcoming AGM to be held on 19 April 2013. Accordingly, the Company is seeking shareholders' approval for the renewal of the interested person transactions mandate at the AGM, to take effect until the conclusion of the next AGM of the Company.

2.2 Details of the Interested Persons Transactions Mandate

Details of the shareholders' mandate, including the rationale for, and the benefits to the Company, the review procedures for determining transaction prices with interested persons and other general information relating to Chapter 9 of the Listing Manual are set out in the Appendix to this summary sheet.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Based on the register of directors and the register of substantial shareholders, as at the Latest Practicable Date, 12 March 2013, the shareholdings of the directors and substantial shareholders in the Company are as follows:

Summary Sheet for the Proposed Renewal Shareholders' Mandate for Interested Person Transactions (Cont'd)

3.1 Directors' Interest in Shares

The interests of the directors in shares as at the Latest Practicable Date are set out below:

Directors	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Mr Teo Ho Beng	2,030,750	0.432	328,693,876	69.852
Mr Teo Ho Kang, Roland	1,875,000	0.398	328,693,876	69.852
Ms Lim Kim Soon Lee, Cindy	483,100	0.103	-	-
Dr Wang Kai Yuen	75,000	0.016	-	-
Mr Chan Wah Tiong	93,750	0.020	-	-
Mr Chan Boon Hui	93,750	0.020	-	-

Note:

- (1) Mr Teo Ho Beng and Mr Teo Ho Kang, Roland are directors of the Company. They are deemed to have shareholding interests in the Company by virtue of their 26.64% and 22.87% shareholding interests respectively in Hiap Hoe Holdings, which has a 69.852% direct shareholding interest in the Company as at the Latest Practicable Date.
- (2) The shareholdings are computed based on total number of shares of 470,557,541 excluding treasury shares of 3,999,850.

3.2 Substantial Shareholder's Interest in Shares

The interests of the substantial shareholder of the Company, Hiap Hoe Holdings Pte Ltd ("Hiap Hoe Holdings") as at the Latest Practicable Date are set out below:

Substantial Shareholder	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Hiap Hoe Holdings Pte. Ltd.	328,693,876	69.852	-	-

Note:

The shareholding is computed based on total number of shares of 470,557,541 excluding treasury shares of 3,999,850.

4. APPROVAL REQUIRED

The proposed renewal of the interested person transactions mandate is subject to shareholders' approval.

5. ABSTENTIONS

Hiap Hoe Holdings, which has a direct interest in 69.852% of the issued shares excluding treasury shares, will abstain and has undertaken to ensure that its associates will abstain, from voting on Ordinary Resolution 9. Messrs Teo Ho Beng and Teo Ho Kang, Roland, being directors of Hiap Hoe Holdings and SuperBowl Holdings Limited ("SuperBowl"), and Dr Wang Kai Yuen being a director of SuperBowl, will also abstain from making recommendations and voting on Ordinary Resolution 9. They have also undertaken to ensure that their associates will abstain from voting on Ordinary Resolution 9.

Summary Sheet for the Proposed Renewal Shareholders' Mandate for Interested Person Transactions (Cont'd)

6. STATEMENT OF THE AUDIT COMMITTEE

6.1 Interests of the Audit Committee

The Audit Committee consists of Mr Chan Wah Tiong, Dr Wang Kai Yuen, Mr Chan Boon Hui and Ms Kwok Chui Lian, all of whom are independent directors of the Company. Dr Wang Kai Yuen will abstain from commenting and making recommendation on the renewal of interested person transactions mandate in paragraphs 6.2 and 7 of this summary sheet respectively in view of the fact that he is also a director of SuperBowl.

6.2 Opinion of the Audit Committee

Having considered *inter alia* the terms, the rationale for and the benefit of the proposed shareholders' mandate, the Audit Committee (excluding Dr Wang Kai Yuen) confirms that:

- (a) the review procedures for determining the transaction prices have not changed since the last shareholders approval at the 2012 AGM; and
- (b) the review procedures set out in paragraph 5.2 of the Appendix to this summary sheet are sufficient to ensure that the interested person transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

7. DIRECTORS' RECOMMENDATION

In relation to the proposed renewal of interested person transactions mandate, having considered *inter alia* the terms, the rationale and the benefits of the mandate, the independent directors (excluding Dr Wang Kai Yuen) are of the view that the proposed renewal of the interested person transactions mandate is in the best interest of the Company and accordingly recommend that shareholders vote in favour of Ordinary Resolution 9 to approve the proposed renewal of the interested person transactions mandate at the AGM (as set out in the Notice of AGM).

8. DIRECTORS' RESPONSIBILITY STATEMENT

The directors collectively and individually accept full responsibility for the accuracy of the information given in this summary sheet and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this summary sheet constitutes full and true disclosure of all material facts about the Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions, the Company and its subsidiaries, and the directors are not aware of any facts the omission of which would make any statement in this summary sheet misleading.

Where information in the summary sheet has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the summary sheet in its proper form and context.

9. ADVICE TO SHAREHOLDERS

Shareholders who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

10. THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED DISCLAIMER

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this summary sheet.

The Appendix

THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. CHAPTER 9 OF THE LISTING MANUAL

1.1 Chapter 9 of the Listing Manual governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at-risk with the listed company's interested persons. When Chapter 9 of the Listing Manual applies to a transaction and the value of the transaction alone or on aggregation with other transactions conducted with the interested person during the financial year reaches, or exceeds, certain materiality thresholds, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for that transaction.

1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets ("NTA")) are reached or exceeded. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or which exceeds:

- (a) 5% of the latest audited consolidated NTA of the listed company and its subsidiaries; or
- (b) 5% of the latest audited consolidated NTA of the listed company and its subsidiaries, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year. Based on the latest audited consolidated accounts of the Group for FY2012, the consolidated NTA of the Group was S\$305,595,148. In relation to the Company, for the purposes of Chapter 9 of the Listing Manual, in the current financial year, 5% of the latest audited consolidated NTA of the Group would be S\$15,279,757.

1.3 Chapter 9 of the Listing Manual permits a listed company, however, to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's interested persons.

1.4 Under the Listing Manual:

- (a) an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual;
- (b) an "**associate**" in the case of a company,
 - (i) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
 - his immediate family member (that is, the person's spouse, child, adopted child, step-child, sibling and parent);
 - the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;

The Appendix (Cont'd)

- (ii) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;
- (c) an “**entity at risk**” means:
 - (i) the listed company;
 - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and its group companies (the “listed group”), or the listed group and its interested person(s), has control over the associated company;
- (d) an “**interested person**” in the case of a company means a director, chief executive officer or controlling shareholder of the listed company, or an associate of any such director, chief executive officer or controlling shareholder; and
- (e) an “**interested person transaction**” means a transaction between an entity at risk and an interested person.

2. CLASSES OF INTERESTED PERSONS

Hiap Hoe Holdings is the controlling shareholder of both the Company and SuperBowl Holdings Limited (“SuperBowl”). Accordingly, transactions carried out by the Group with SuperBowl Group and/or Hiap Hoe Holdings Group are considered to be interested person transactions within the meaning of Chapter 9 of the Listing Manual.

The shareholders’ mandate applies to the interested person transactions which are and/or will be carried out by WestBuild Construction Pte. Ltd. (“WestBuild”) with SuperBowl Group and/or Hiap Hoe Holdings Group. Transactions with interested persons which do not fall within the ambit of the shareholders’ mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

3. NATURE OF INTERESTED PERSON TRANSACTIONS

The interested person transactions which will be covered by the shareholders’ mandate are in relation to the provision of services to SuperBowl Group and/or Hiap Hoe Holdings Group in the normal course of business of WestBuild.

These interested person transactions are recurrent transactions of revenue or trading nature in the normal course of business of WestBuild, but not in respect of the purchase or sale of assets, undertakings or businesses. For the purposes of the shareholders’ mandate, the proposed interested person transactions will include:

- (a) the procurement of equipment for SuperBowl Group and/or Hiap Hoe Holdings Group including but not limited to construction and building equipment;
- (b) the procurement of materials for SuperBowl Group and/or Hiap Hoe Holdings Group including but not limited to building materials;
- (c) the provision to SuperBowl Group and/or Hiap Hoe Holdings Group of building and construction services under construction contracts; and
- (d) the provision to SuperBowl Group and/or Hiap Hoe Holdings Group of general building, construction, engineering, maintenance and technical services.

The Appendix (Cont'd)

4. RATIONALE FOR AND BENEFIT OF THE SHAREHOLDERS' MANDATE

4.1 Rationale

It is envisaged that in the ordinary course of business of WestBuild, transactions between WestBuild and the interested persons of the Group are likely to occur from time to time. In view of the time-sensitive nature of commercial transactions, the shareholders' mandate will enable the Group, or any of the companies of the Group, in the ordinary course of their businesses, to enter into the categories of interested person transactions set out in paragraph 3 above with the specified classes of the Group's interested persons set out in paragraph 2 above, provided such interested person transactions are made on normal commercial terms.

In relation to the proposed interested person transactions referred to in paragraph 3 above, the consideration for the equipment, materials and/or services supplied or procured by WestBuild to the interested persons is determined based on (i) the actual costs of supply of equipment, materials and/or services by WestBuild to the interested persons, plus (ii) a fixed agreed margin of 5% for each contract. In the event that the costs of supply of equipment, materials and/or services by WestBuild to the interested persons shall increase or reduce as compared to the initial quoted costs for any reason (other than as a result of the default or breaches of WestBuild for which costs WestBuild will be responsible to bear), the consideration payable by the relevant interested persons to WestBuild shall be based on such increased or reduced actual costs, as the case may be (the "Pricing Formula").

The fixed agreed margin of 5% was adopted by WestBuild after taking into consideration various factors including the following:

- (a) the range of margins typically achieved by WestBuild varies from approximately 2% to 10%, depending on the factors such as the type and size of the amount of the transaction;
- (b) based on the Pricing Formula, WestBuild will be assured of a fixed margin over its actual costs of supply of equipment, materials and/or services to the interested persons; and
- (c) SuperBowl Group, one of the interested persons, is listed on the SGX-ST. Accordingly, as both the Group as well as SuperBowl Group are listed on the SGX-ST, the proposed margin should be within market range and not prejudicial to either group.

The procurement of substantial or material equipment, materials and/or services by WestBuild from its suppliers and/or sub-contractors would generally be conducted through a competitive tender exercise.

4.2 Benefit

The renewal of the shareholders' mandate (and its subsequent renewal thereafter on an annual basis) will enhance the ability of WestBuild to pursue business opportunities in its ordinary course of business, and will eliminate the need for the Company to announce, or to announce and convene separate general meetings on each occasion to seek shareholders' prior approval for the entry by WestBuild into such transactions. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of the general meetings on an ad hoc basis, without compromising the corporate objectives of the Group and/or adversely affecting the business opportunities available to the Group. This will also improve administrative efficiency considerably, and allow major manpower resources and time to be channeled towards attaining other corporate objectives.

The Appendix (Cont'd)

5. METHODS AND PROCEDURES FOR REVIEW

5.1 Review Threshold Limits

The Company shall ensure that transactions are undertaken with interested persons on an arm's length basis and on normal commercial terms as follows:

- (a) a Category 1 transaction is one with an interested person where the transaction value is below or equal to S\$100,000;
- (b) a Category 2 transaction is one with an interested person where the transaction value is in excess of S\$100,000 up to S\$1,000,000; and
- (c) a Category 3 transaction is one with an interested person where the transaction value is in excess of S\$1,000,000.

Category 1 transactions do not require the prior approval of the Audit Committee but shall be reviewed at its periodic meetings. Category 2 transactions do not require the prior approval of the Audit Committee but shall be notified to the Audit Committee for review within one month of the month-end of the preceding month in which transactions are entered into. The board of directors would need to seek the Audit Committee's approval first for Category 3 transactions.

In addition, any variation order in excess of 15% of the value of the original contract of value in excess of S\$1,000,000 must also be reviewed and approved by the Audit Committee.

5.2 Review Procedures

- (a) Audit Committee

In reviewing the interested person transactions, the Audit Committee shall ensure that the transactions with interested persons shall be based on the consideration structure described in paragraph 5.1 above, and are undertaken on an arm's length basis and on normal commercial terms, and are generally not prejudicial to the Company and its minority shareholders.

- (b) Internal Review

All billings for interested person transactions and reconciliation of differences will be prepared by the accounts department of the Group. These billings and reconciliation works will have to be checked by the Group's accountant and reviewed by the financial controller of the Group. After which, a non-interested executive Director of the Company will approve all billings raised by WestBuild to SuperBowl Group and/or Hiap Hoe Holdings Group, as the case may be.

- (c) Independent Internal Audit

An internal audit will be conducted by third party independent auditors engaged by the Group on the interested person transactions. The independent internal audit plan will address the review of the interested person transactions entered into pursuant to the shareholders' mandate and ensure that the review procedures for these transactions are complied and adhered with.

The Appendix (Cont'd)

5.3 Other Procedures

In addition to the review procedures set out above, the following will also be implemented:

- (a) the Company will maintain a register of transactions carried out with interested persons pursuant to the shareholders' mandate (recording the basis, including the quotations obtained to support such basis, on which they were entered into);
- (b) reconciliation of differences between actual invoices and progress claims and any settlement thereof will be compiled on a quarterly basis and submitted to the Audit Committee for review at its periodic meetings to ascertain that the established review procedures to monitor interested person transactions have been complied with;
- (c) if during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the Group are conducted, the Company will revert to shareholders for a fresh mandate based on new guidelines and review procedures to ensure that the interested person transactions will be on an arm's length basis and on normal commercial terms; and
- (d) if a member of the Audit Committee has an interest in an interested person transaction under his review, he (and his Associates, if applicable) will abstain from any decision making in respect of that transaction and the review and approval (if any) of such transaction shall be undertaken by the remaining members of the Audit Committee.

5.4 Disclosure

Disclosure will be made in the Company's annual report of the aggregate value of the transactions conducted with interested persons pursuant to the shareholders' mandate during the course of the financial year, and in the annual reports for the subsequent financial years that the shareholders' mandate continues in force, in accordance with the requirements of Chapter 9 of the Listing Manual.

6. VALIDITY PERIOD OF SHAREHOLDERS' MANDATE

The renewed shareholders' mandate will take effect from the passing of the resolution relating thereto, and will (unless revoked or varied by the Company in general meeting) continue in force until the next AGM of the Company. Approval from shareholders will be sought for the renewal of the shareholders' mandate at the next AGM and at each subsequent AGM of the Company, subject to satisfactory review by the Audit Committee of its continued application to the transactions with the interested persons.

T H I S P A G E H A S B E E N I N T E N T I O N A L L Y L E F T B L A N K

HIAP HOE LIMITED

Company Registration No. 199400676Z
(Incorporated In The Republic of Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy Hiap Hoe Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

Proxy Form

(Please see notes overleaf before completing this Form)

I/We, _____ (Name)
of _____ (Address)

being a member/members of Hiap Hoe Limited (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Friday, 19 April 2013 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2012		
2	Payment of proposed final dividend		
3	Re-election of Mr Chan Wah Tiong as a Director		
4	Re-election of Ms Kwok Chui Lian as a Director		
5	Approval of Directors' fees amounting to S\$136,000.00		
6	Re-appointment of Ernst & Young LLP as Auditors		
7	Authority to issue new shares		
8	Authority to issue shares under the Hiap Hoe Performance Share Plan		
9	Renewal of Shareholders' Mandate for Interested Person Transactions		
10	Renewal of Share Buyback Mandate		

Dated this _____ day of _____ 2013

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

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

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be in the alternate unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 564A Balestier Road, Singapore 329880 not less than 48 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a notarially certified copy thereof must be lodged with the instrument.
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, Chapter 50 of Singapore.

General:

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

Corporate Information

Board of Directors

Teo Ho Beng (Executive Chairman / Chief Executive Officer)
Teo Ho Kang, Roland (Managing Director)
Lim Kim Soon Lee, Cindy (Executive Director)
Chan Wah Tiong (Lead Independent, Non-Executive Director)
Dr Wang Kai Yuen (Independent, Non-Executive Director)
Chan Boon Hui (Independent, Non-Executive Director)
Kwok Chui Lian (Independent, Non-Executive Director)

Executive Committee

Teo Ho Beng (Chairman)
Teo Ho Kang, Roland
Lim Kim Soon Lee, Cindy

Audit Committee

Chan Wah Tiong (Chairman)
Dr Wang Kai Yuen
Chan Boon Hui
Kwok Chui Lian

Nominating Committee

Dr Wang Kai Yuen (Chairman)
Chan Boon Hui
Chan Wah Tiong

Remuneration Committee

Dr Wang Kai Yuen (Chairman)
Chan Boon Hui
Chan Wah Tiong

Group Financial Controller

Aw Hui Mien, Jenny

Company Secretary

Lai Foon Kuen

Registered Office / Business Office

564A Balestier Road
Singapore 329880
Tel : 6250 2200
Fax : 6253 2420
Email : hiaphoe@hiaphoe.com
www.hiaphoe.com

Share Registrar and Share Transfer Office

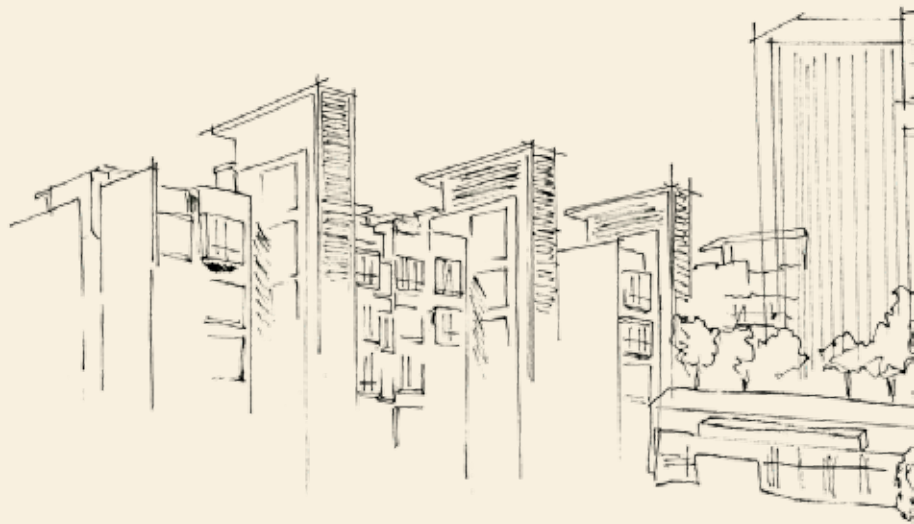
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

Auditors

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

Audit Partner-In-Charge

Nelson Chen Wee Teck
Since the Financial Year ended 2009



SIGNATURE HOMES
by **HiapHoe**

HIAP HOE LIMITED

Company Registration No. 199400676Z

564A Balestier Road, Singapore 329880

Tel +65 6250 2200 **Fax** +65 6253 2420

www.hiaphoe.com