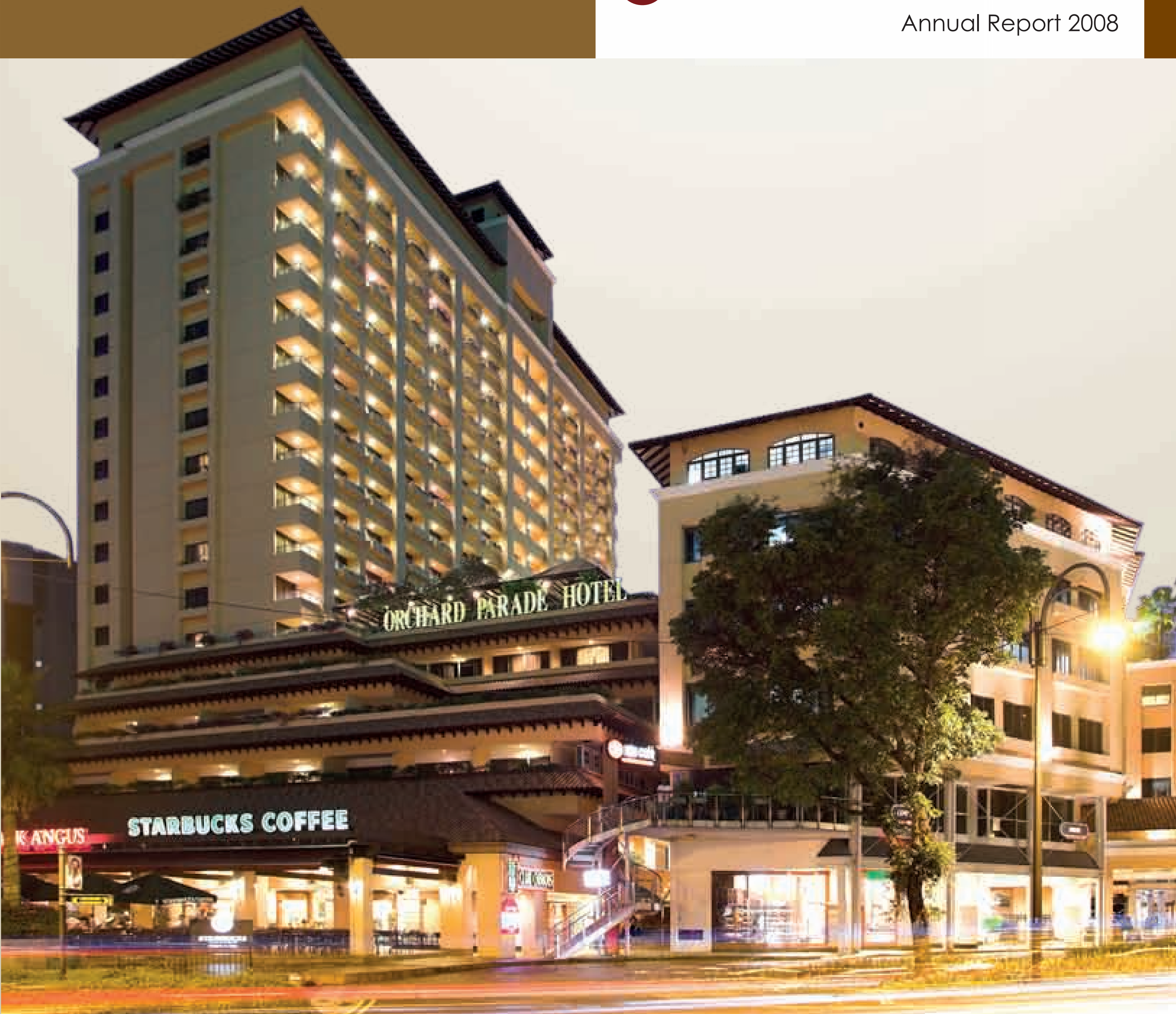
# Orchard Parade Holdings Limited

Annual Report 2008



# Contents



# Corporate Information

## BOARD OF DIRECTORS

**Executive Chairman**
Mr. Philip Ng Chee Tat

**Executive Directors**
Mdm. Ng Siok Keow
Mr. Albert Goh
Mdm. Tan Siok Hwee
Mr. Tjong Yik Min
Mr. Eddie Yong Chee Hiong

**Non-executive Directors**
Mr. Hin Hoo Sing
Mr. Cheng Hong Kok
Mr. Heng Chiang Meng
Mr. Lucas Chow Wing Keung

## SECRETARIES

Ms. Joanne Lim Swee Lee
Ms. Madelyn Kwang Yeit Lam

## INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP
8 Cross Street
#17-00 PWC Building
Singapore 048424

**Partner-in-charge**
Mr. Kyle Lee
Appointment: 2008

## MAIN BANKERS

Oversea-Chinese Banking
Corporation Limited
DBS Bank Ltd
Citibank, N.A.

## AUDIT COMMITTEE

**Chairman**
Mr. Cheng Hong Kok

**Members**
Mr. Hin Hoo Sing
Mr. Heng Chiang Meng
Mr. Lucas Chow Wing Keung

## NOMINATING COMMITTEE

**Chairman**
Mr. Hin Hoo Sing

**Members**
Mr. Philip Ng Chee Tat
Mr. Heng Chiang Meng

## REMUNERATION COMMITTEE

**Chairman**
Mr. Lucas Chow Wing Keung

**Members**
Mr. Cheng Hong Kok
Mr. Heng Chiang Meng

## REGISTERED OFFICE

14 Scotts Road
#06-01 Far East Plaza
Singapore 228213
Telephone : (65) 6235 2411
Facsimile : (65) 6235 3316
Website : www.fareast.com.sg

## CORPORATE OFFICE

1 Tanglin Road
#05-01 Orchard Parade Hotel
Singapore 247905
Telephone : (65) 6833 6688
Facsimile : (65) 6738 8085

## REGISTRAR

Boardroom Corporate &
Advisory Services Pte. Ltd.
3 Church Street
#08-01 Samsung Hub
Singapore 049483

# Chairman's Statement

**Mr. Philip Ng Chee Tat**
Executive Chairman

### FINANCIAL HIGHLIGHTS

The Group achieved a lower turnover of $69.0 million for the financial year ended 31 December 2008, a decrease of $16.3 million or 19% over the $85.3 million recorded for the same period in 2007.

Profit after taxation declined by $7.7 million from $34.7 million in 2007 to $27.0 million in 2008.

While higher operating contributions came from the Group's Hospitality business, Property Development did not do as well and Property Investment contribution was flat. The Group's share of $2.1 million loss is mainly due to an associated company, Yeo Hiap Seng Limited ("YHS"), compared to a profit of $1.9 million a year ago added to the decline. Loss in YHS was largely caused by revaluation and impairment losses.

At Group level, net asset value per share for 2008 was $2.33 compared to $2.15 in 2007. Earnings per share both weighted and on a fully diluted basis, in 2008 were 7.68 cents.

### HOSPITALITY

Revenue from the Hospitality business in 2008 was $55.3 million, an improvement of $6.7 million from $48.6 million in 2007. Consequently, net operating profit went up by $7.0 million, from $27.2 million in 2007 to $34.2 million in 2008.

The Group's hospitality assets are well located and for the most part of 2008 were generating good rates and high occupancies. Major events like the Formula 1 Singapore Grand Prix held in September 2008 helped to lift the performance.

Orchard Parade Hotel's average occupancy held at 88% while Albert Court Hotel declined marginally by one percentage point to 87%. Occupancy at the serviced residences at Central Square lost some ground, from 94% in 2007 to 86% in 2008.

### PROPERTY DEVELOPMENT

Revenue of the Group's Property Development Division fell from $26.0 million in 2007 to $2.1 million in 2008. Net operating loss was $0.5 million.

The Group sold 12 units of The Floridian in 2008, or a total of 17 units since the project was launched out of the 336 units in the development.

**PROPERTY INVESTMENT**

The Group's investment assets comprising office, retail and food & beverage units in Orchard Parade Hotel, Albert Court Hotel and Central Square yielded a rental income of $10.8 million in 2008, slightly better than $9.7 million in 2007.

Net operating profit of this division was $23.6 million, $1.2 million lower than the $24.8 million in 2007, primarily because the fair value gain arising from revaluation of the Group's investment properties dropped by $3.1 million from $18.9 million in 2007 to $15.8 million in 2008.

**DIVIDEND**

No dividend was recommended by the Directors in respect of the financial year ended 31 December 2008.

**OUTLOOK FOR 2009**

At the time of this report, the economic outlook continued to remain uncertain. The Group will remain vigilant and manage costs to prepare for the difficult period ahead as it rides on its competitive advantages to maximize returns.

**ACKNOWLEDGEMENT**

On behalf of the Board, I would like to extend a warm welcome to two new directors who joined the Board during the year, Mr. Lucas Chow Wing Keung and Mr. Eddie Yong Chee Hiong. Their extensive experience and valuable insights will stand us in good stead and we look forward to their contributions in the years ahead.

I also wish to extend my appreciation to all our tenants, customers, business associates, shareholders and the staff for their unwavering support.

**Philip Ng Chee Tat**
Executive Chairman
27 March 2009

# *Profile of the Board of Directors & Management*




1 2 3 4

1. **Mr. Philip Ng Chee Tat** was appointed to the Board of the Company as its Chairman on 25 June 1993. On 1st July 2008, Mr. Ng was re-designated Executive Chairman. In addition, he is a member of the Nominating Committee of the Company. Mr. Ng was last re-elected as a Director of the Company on 25 April 2008. As he is related to the substantial shareholder of the Company, he is considered by the Nominating Committee of the Company to be non-independent.

Currently, Mr. Ng is the Chief Executive Officer of Far East Organization, the Chairman, Managing Director and Chief Executive Officer of Yeo Hiap Seng Limited, the Chairman of Yeo Hiap Seng (Malaysia) Berhad and a Director of Hong Kong based Sino Group. Mr. Ng holds a number of positions on various community groups and statutory boards such as Lee Kuan Yew School of Public Policy Board of Governors and the Singapore-China Foundation Board of Governors. He is also the Non-resident Ambassador of The Republic of Singapore to The Republic of Chile.

Mr. Ng graduated from King's College, London University in 1983 with First Class Honors in Civil Engineering and holds Masters degrees in Technology and Policy and in City Planning from the Massachusetts Institute of Technology.

2. **Mdm. Ng Siok Keow** was appointed Executive Director of the Company on 6 August 1987. She was last re-elected as a Director of the Company on 25 April 2008. As she is related to the Company's substantial shareholder, she is considered by the Nominating Committee of the Company to be non-independent.

Mdm. Ng is also Executive Director of Far East Organization, the Chairman of the Management Committee of Cairnhill Community Club and holds directorship in Singapore Symphonia Company Ltd. She was awarded the Pingkat Bakti Masharakat (PBM) in 1995, the Orchid Award by the Singapore Girl Guides Association in 1996 and the Bintang Bakti Masharakat (BBM) in 2001.

Mdm. Ng obtained her Bachelor of Science (Honours) degree in Chemistry from University of Singapore.

3. **Mr. Albert Goh** was appointed Executive Director of the Company on 6 August 1987. He was last re-appointed as a Director of the Company on 25 April 2008. At the Company's Forty-first Annual General Meeting, Mr. Goh being over 70 years of age, will retire and be eligible for re-appointment under Section 153(6) of the Companies Act, Chapter 50. Mr. Goh is an employee of the substantial shareholder of the Company, he is considered by the Company's Nominating Committee to be non-independent.

Meanwhile, Mr. Goh is also a Senior Executive Director of Far East Organization ("FEO"), where he has spent the last 34 years. He oversees FEO's income tax, corporate secretarial and accounts departments of the Financial Management Division.

Mr. Goh completed the Singapore Government Scheme of Higher Services Competitive Examination in 1957 and has been an Associate Member of the Institute of Cost & Executive Accountants, London since 1981.

4. **Mdm. Tan Siok Hwee** was appointed Executive Director of the Company on 6 August 1987 and is also an Executive Director of Far East Organization. She was last re-elected as a Director of the Company on 28 April 2006. As Mdm. Tan is an employee of the substantial shareholder of the Company, she is considered by the Nominating Committee of the Company to be non-independent.

# *Profile of the Board of Directors & Management*

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Mdm. Tan obtained her Bachelor of Accountancy degree from University of Singapore in 1973 and is a Certified Public Accountant. She has been a member of the Institute of Certified Public Accountants of Singapore since 1976.

5. **Mr. Tjong Yik Min** was appointed Executive Director of the Company on 1 August 2005. He was last re-elected as a Director of the Company on 28 April 2006. At the Company's Forty-first Annual General Meeting, Mr. Tjong will retire and be eligible for re-election under Article 96 of the Company's Articles of Association.

Mr. Tjong is currently the President & Chief Operating Officer of Yeo Hiap Seng Limited, the Deputy Chairman of Yeo Hiap Seng (Malaysia) Berhad, the Chief Operating Officer and Executive Director of Far East Organization. He has extensive experience in both public and private sectors and had served as Executive Director and Group President of Singapore Press Holdings Limited, Permanent Secretary, Ministry of Communications and Director of Internal Security Department. In addition, he also sits on the Board of Genting International PLC.

Mr. Tjong obtains his Bachelor of Engineering, Industrial Engineering and Bachelor of Commerce (Economics) from University of Newcastle, Australia. In addition, he graduated from University of Singapore with a Master of Science, Industrial Engineering.

6. **Mr. Eddie Yong Chee Hiong** was appointed Executive Director of the Company on 10 July 2008. At the Company's Forty-first Annual General Meeting, Mr. Eddie Yong will retire and be eligible for re-election under Article 101 of the Company's Articles of Association. He is an employee of the substantial shareholder of the Company, he is considered by the Company's Nominating Committee to be non-independent.

Currently Mr. Eddie Yong is also an Executive Director and a COO of Corporate Real Estate Business Group in Far East Organization. Since 1997 Mr. Eddie Yong is a member of the Singapore Corporation of Rehabilitative Enterprises ("SCORE") Board and is presently the Deputy Chairman of SCORE's Committees on Industry and Development. He is also currently the Honorary Secretary of Management Council of Real Estate Developers Association of Singapore.

Mr. Eddie Yong graduated from National University of Singapore with Master of Science (Property) and holds Bachelor of Science (Honours) in Urban Estates Management in Liverpool, United Kingdom. He has been a member of professional bodies in Singapore and United Kingdom and also a certified Property Manager by the USA Institute of Real Estate Management.

7. **Mr. Heng Chiang Meng** is a Non-executive Director of the Company and was appointed on 19 June 1998. He was last re-elected as a Director of the Company on 30 April 2007. The Company's Nominating Committee considers Mr. Heng to be an independent director. During the year 2008, Mr. Heng was appointed as Lead Independent Director of the Company. In addition, he is also a member of the Audit, Nominating and Remuneration Committees of the Company.

Mr. Heng holds directorships in the following listed companies: Jasper Investments Ltd, Keppel Land Ltd, Macquarie International Infrastructure Fund Ltd, Thakral Corporation Ltd and Garratt's Ltd, listed on the Australian Stock Exchange in Sydney. He is a Board member of the National Environment Agency.

Mr. Heng has a Bachelor of Business Administration (Honours) degree from the University of Singapore.

# *Profile of the Board of Directors & Management*

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8. **Mr. Cheng Hong Kok** was appointed as Non-executive Director of the Company on 30 May 1996. The Company's Nominating Committee considers Mr. Cheng to be an independent director. He is Chairman of the Audit Committee of the Company and also a member of the Remuneration Committee. Mr. Cheng was last re-elected on 29 April 2005. At the Company's Forty-first Annual General Meeting, Mr. Cheng will retire and be eligible for re-election under Article 96 of the Company's Articles of Association.

Mr. Cheng is a Director and an Executive Committee member of Singapore Petroleum Company Limited ("SPC"). He also sits on the Board of SP Corporation Ltd and is its Audit Committee Chairman. He is also a Director of Gul Technologies Singapore Ltd, Keppel Oil & Gas Services Pte Ltd and Singapore Refining Company Pte Ltd. Mr. Cheng held various senior positions in SPC in corporate planning, finance and administration, supply and trading, and marketing and distribution from 1970 to 1980 and became its President and Chief Executive Officer from 1981 to 1996. Through SPC, he was involved in the Asean Council on Petroleum (ASCOPE) for many years. He was a Board member of the Singapore Economic Development Board from 1987 to 1990 and a member of the Government Economic Planning Committee from 1989 to 1991. In 1961, Mr. Cheng was awarded the Singapore State Scholarship, the Colonial Welfare and Development Scholarship and the University of Malaya Entrance Scholarship.

Mr. Cheng graduated from the University of London in 1964 with First Class Honours in Chemical Engineering and in 1981 obtained the Advanced Executive Management Certificate from the J.L. Kellogg Graduate School of Management, Northwestern University, USA. He was awarded the University of Cambridge Fellowship in 1964 and the Eisenhower Fellowship in 1979.

9. **Mr. Hin Hoo Sing** is a Non-executive Director of the Company and was appointed on 6 August 1987. He was last re-elected as a Director of the Company on 30 April 2007. The Company's Nominating Committee considers Mr. Hin to be an independent director. In addition to being a member of the Board, Mr. Hin chairs the Nominating Committee and is a member of the Audit Committee.

Mr. Hin is an Advocate and Solicitor of the Supreme Court of Singapore and was called to the Singapore Bar in 1970. He is a Barrister-at-Law from Lincoln's Inn, UK and also a Commissioner for Oaths and a Notary Public.

10. **Mr. Lucas Chow Wing Keung** was appointed as Non-executive Director of the Company on 1 June 2008. The Company's Nominating Committee considers Mr. Lucas Chow to be an independent director. He is Chairman of the Remuneration Committee of the Company and also a member of the Audit Committee. At the Company's Forty-first Annual General Meeting, Mr. Lucas Chow will retire and be eligible for re-election under Article 101 of the Company's Articles of Association.

Mr. Lucas Chow is currently the Chief Executive Officer of MediaCorp and also sits on its board of directors. In addition, he chairs the Singapore Health Promotion Board as well as the National Tripartite Committee on Workplace Health, and sits on various other boards of directors and advisory committees including the National University of Singapore Board of Trustees. He continues to be closely involved with the telecommunications sector - as an independent director of MediaRing Ltd, a Singapore-listed Internet Telephony & Telecommunication company and Emobile Ltd, a Japanese telco services provider; and as a Consultant to British Telecom's Asia Pacific Advisory Board.

Mr. Lucas Chow holds a Bachelor of Science (honours) from the University of Aston, Birmingham, United Kingdom.

# *Organisation Chart*

as at 27 March 2009

## HOSPITALITY DIVISION

- **100%** Orchard Parade Hotel (owned by Orchard Parade Holdings Limited)
- **100%** Albert Court Hotel (owned by First Choice Properties Pte Ltd)
- **100%** Central Square Serviced Apartments & Serviced Offices (owned by OPH Riverside Pte Ltd)

## PROPERTY DEVELOPMENT DIVISION

- **100%** Orchard Parade Land Pte Ltd
- **100%** Tannery Holdings Pte Ltd
- **100%** Westview Properties Pte Ltd
- **100%** Jadevine Limited
- **100%** Goldvine Pte Ltd
- **100%** Pearlvine Pte Ltd

- **100%** OPH Orion Limited
  - **60%** Orwin Development Limited
- **100%** OPH Zenith Pte Ltd
  - **50%** Seasons Park Limited
- **100%** OPH Property Limited
  - **50%** Hill Grove Realty Limited
- **100%** OPH Westcove Pte Ltd
- **100%** OPH Marymount Limited
- **80%** Seasons Green Limited

## PROPERTY INVESTMENT DIVISION

- **100%** Office & Commercial Units at Orchard Parade Hotel (owned by Orchard Parade Holdings Limited)
- **100%** Commercial Units at Albert Court Hotel (owned by First Choice Properties Pte Ltd)
- **100%** Office & Commercial Units at Central Square (owned by OPH Riverside Pte Ltd)
- **100%** Office Units at Tanglin Shopping Centre (owned by Orchard Parade Holdings Limited)
- **100%** Industrial Units at Tannery House (owned by Tannery Holdings Pte Ltd)
- **100%** Pinehigh Development Sdn Bhd
- **100%** Stable Properties Pte Ltd

## INVESTMENT HOLDINGS

- **100%** Jelco Properties Pte Ltd
  - **49.53%** Yeo Hiap Seng Limited*
- **100%** OPH Securities Holding Pte Ltd
- **100%** OPH Investment Trading Pte Ltd
- **100%** OPH Investments Pte Ltd
  - **25%** Minard Investment Limited
    - **22.16%** Universal Gateway International Pte Ltd
  - **15.37%** SQL View Pte Ltd

* Listed Company

# *Land Bank and Assets of the Orchard Parade Holdings Group*

as at 27 March 2009

| | Tenure | Land Area (square feet) | Approximate Net Saleable (Unsold units)/ Lettable Area/ Gross Floor Area (square feet) | No. of Units/ Rooms |
|---|---|---|---|---|
| **HOTELS** | | | | |
| Orchard Parade Hotel ("OPH") | Freehold | 87,653 | 285,865 | 387 rooms |
| Albert Court Hotel ("ACH") | 99-Year | 45,993 | 112,194 | 210 rooms |
| Sub-total | | 133,646 | 398,059 | 597 rooms |
| **RESIDENTIAL** | | | | |
| Kew Vale - Manor Houses | 99-Year | 22,090 | 28,320 | 4 |
| Floridian | Freehold | 230,797 | 466,243 | 314 |
| Sub-total | | 252,887 | 494,563* | 318 |
| **MIXED DEVELOPMENT** | | | | |
| Central Square | | 67,147 | | |
| Commercial | 99-Year | | 47,173 | 100 |
| Residential | 99-Year | | 94,860 | 128 |
| Sub-total | | 67,147 | 142,033 | 228 |
| **INVESTMENT PROPERTIES** | | | | |
| Tanglin Shopping Centre | Freehold | N.A. | 5,952 | 4 |
| Plaza Atrium | Freehold | 20,236 | 85,872 | 65 |
| OPH Podium Block | Freehold | N.A. | 64,853 | 79 |
| ACH Commercial Units | 99-Year | N.A. | 10,790 | 25 |
| Sub-total | | 20,236 | 167,467 | 173 |
| **Total** | | **473,916** | **1,202,122** | |

* Net Saleable Area

# *Corporate Governance Statement*

as at 27 March 2009

In July 2005, the Singapore Council on Corporate Disclosure and Governance issued a revised Code of Corporate Governance (the "2005 Code") that superseded and replaced the Code of Corporate Governance that was issued in March 2001.

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2008, with specific reference to the principles and guidelines of the 2005 Code, as well as the Listing Manual of the Singapore Exchange Securities Trading Limited and the Singapore Companies Act, where applicable.

**PRINCIPLE 1**

*Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.*

The Board has responsibility to provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives. The functions of the Board include reviewing and approving the annual budget of the Company, ensuring that there is a sound system of internal controls to safeguard shareholders' investments and the Company's assets, reviewing monthly management accounts, reviewing the business performance of the Company, approving the release of the quarterly, half-yearly and year-end accounts, and endorsing the framework of remuneration for the Board and key executives.

The Board meets regularly and whenever particular circumstances require. The Company's Articles of Association allow Board meetings to be conducted by way of telephonic and video conferencing. In 2008, the Board met on five occasions. The attendance of Board members at those meetings, as well as meetings of the Audit Committee, Nominating Committee and Remuneration Committee established by the Board are as follows:

| Name of Director | Board | | Audit Committee | | Nominating Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B |
| Philip Ng Chee Tat | 5 | 5 | | | 1 | 1 | 1 | 1 |
| Ng Siok Keow | 5 | 5 | | | | | | |
| Albert Goh | 5 | 5 | | | | | | |
| Tan Siok Hwee | 5 | 3 | | | | | | |
| Tjong Yik Min | 5 | 5 | | | | | | |
| Eddie Yong Chee Hiong[1] | 3 | 3 | | | | | | |
| Heng Chiang Meng | 5 | 4 | 5 | 5 | 1 | 1 | 2 | 2 |
| Hin Hoo Sing | 5 | 4 | 5 | 4 | 1 | 1 | | |
| Cheng Hong Kok | 5 | 5 | 5 | 5 | | | 2 | 2 |
| Lucas Chow Wing Keung[2] | 3 | 3 | 2 | 1 | | | 1 | 1 |

A: Number of meetings held during the financial year/period from 1 January 2008 (or date of appointment, where applicable) to 31 December 2008
B: Number of meetings attended during the financial year/period from 1 January 2008 (or date of appointment, where applicable) to 31 December 2008
1: Appointed as a director on 10 July 2008
2: Appointed as a director on 1 June 2008

The Company has adopted internal guidelines regarding matters that require Board approval. The types of material transactions, which require Board approval, include:

i) transactions in the ordinary course of business with gross value per transaction exceeding a specified amount;
ii) major transactions not in the ordinary course of business;
iii) borrowings and/or provision of corporate guarantees or other security;
iv) acquisition or disposal of fixed assets exceeding a specified value;
v) equity or contractual joint ventures;
vi) diversification into new businesses; and
vii) interested person transactions.

The Company intends that any other incoming director will be briefed by Management on the Company's businesses and governance practices. In addition, the Company's directors are encouraged to keep themselves apprised of changes in laws and regulations.

**PRINCIPLE 2**

*There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board presently comprises ten members, of whom four, or one-third, are independent directors. The independent directors are Mr. Heng Chiang Meng, Mr. Hin Hoo Sing, Mr. Cheng Hong Kok and Mr. Lucas Chow Wing Keung.

The Board is of the view that its present size is appropriate and facilitates effective decision making, taking into account the scope and nature of the Company's operations. The Board comprises respected members of the business community who have long and extensive experience in various fields, ranging from engineering to law, accounting, banking and finance. A profile of each member of the Board is found in this annual report.

**PRINCIPLE 3**

*There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

Effective 10 July 2008, the five Executive Directors have been designated by the Board to lead Management in the day-to-day operations of the Group. The Executive Directors will be guided by the Chairman of the Board, Mr. Philip Ng Chee Tat on strategic direction and issues. The roles and responsibilities of the Chairman and Executive Directors are distinct and separate.

The Chairman's responsibilities include scheduling meetings to allow the Board to perform its duties responsibly, preparing the meeting agenda in consultation with the Executive Director and the Company Secretary, managing the Board, and ensuring compliance with the Company's policies on corporate governance.

**PRINCIPLE 4**

*There should be a formal and transparent process for the appointment of new directors to the Board.*

The Nominating Committee was established on 25 March 2002. It comprises three directors, of whom two are independent. Mr. Hin Hoo Sing, an independent director, chairs the Committee. The other members are Mr. Philip Ng Chee Tat and Mr. Heng Chiang Meng. Mr. Heng is also an independent director.

The Nominating Committee adopted its written terms of reference on 5 November 2002. It will make recommendations to the Board on all board committee appointments, assess the effectiveness of the Board as a whole and review and recommend the appointment of key executives. The Committee also determines annually the independence of each director of the Board and decides whether directors who hold multiple directorships are able to adequately carry out his or her duties as a director of the Company. After due consideration, the Nominating Committee decided not to impose guidelines on competing time commitments as it was felt that this would be too inflexible. Instead, the Committee would make assessments based on directors' declarations made annually and from time to time.

The Company's Articles of Association require one-third, or the number nearest one-third, of the directors, including the person holding the office of Managing Director (or any equivalent appointment however described), which is presently vacant, to retire from office. The directors to retire every year are those who have been longest in office since their last election or appointment. In addition, a newly appointed director will hold office only until the next annual general meeting at which he will be eligible for re-election.

Key information regarding the Directors, including their academic and professional qualifications, is found in the Directors' Profile in this annual report.

**PRINCIPLE 5**

*There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.*

The responsibilities of the Nominating Committee also include assessing annually the independence of directors and evaluating the performance of the Board and the Chairman of the Board based on a set of criteria. The assessment criteria include the Board's performance against established performance objectives, contribution to ensuring effective risk management, response to problems and crisis, and adequacy of Board and committees' meetings held to enable proper consideration of issues.

The Committee is of the opinion that the Company's share price and some other financial indicators listed in the Code may not always be truly reflective of the directors' or the Company's performances. Thus the Committee prefers to assess the Board and its members on broader bases.

**PRINCIPLE 6**

*In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.*

The Board has separate and independent access to the Company's senior management, who keeps the Board apprised of the Company's operations and performance by providing monthly management reports.

The Company's directors also have separate and independent access to the Company Secretaries. The role of the Company Secretaries, one of whom is always in attendance at Board meetings, is set out in the Company's Corporate Governance Policies Manual and includes preparing the agenda and papers for meetings of the Board and its various committees, writing and circulating minutes of meetings, sending Board members information relating to the Company as needed and ensuring that board procedures are followed and that applicable rules and regulations are complied with.

Directors, either individually or collectively, may, if necessary and with the approval of the Board, take independent professional advice at the Company's expense.

**PRINCIPLE 7**

*There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

The Company's Remuneration Committee was established on 25 March 2002 and comprises three directors, all of whom are non-executive. With effect from 1 July 2008, Mr. Lucas Chow Wing Keung, a non-executive independent director, chairs this Committee. The other members are Mr. Heng Chiang Meng and Mr. Cheng Hong Kok, who are also non-executive independent directors. Some of the members of the Committee are experienced in compensation matters, but in any case, the Committee has access to both internal and external human resource advisors.

The Remuneration Committee had, in consultation with the Chairman of the Board, recommended a framework of remuneration for the Board members and for key executives of the Company. In making their recommendation, the Committee took into consideration the guidelines proposed by the Singapore Institute of Directors. The entire Board has endorsed the framework, which has been incorporated into the Company's Corporate Governance Policies Manual.

**PRINCIPLE 8**

*The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

All of the directors, whether executive or non-executive, receive the same amount of directors' fees. Members of the various committees receive additional fees for serving on their respective committees. The Chairman of each of these committees is normally being paid more than the members for the additional fees. The aggregate of all these fees is approved for payment by the Company's shareholders at the annual general meeting of the Company.

Currently, all five Executive Directors receive only a nominal salary from the Company. The Executive Directors have separate employment contracts with a substantial shareholder or its related company.

The Remuneration Committee is of the view that the non-executive directors are not over-compensated to the extent that their independence may be compromised.

The Company does not have any long-term incentive schemes or employee share option scheme.

**PRINCIPLE 9**

*Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.*

The annual remuneration report below sets out the names of the Directors and top five executives for the last financial year earning annual remuneration, which falls within bands of $250,000. Within each band, there is a breakdown (in percentage terms) of each Director's remuneration earned through fees, fixed salary, variable or performance-related income or bonuses, and benefits in kind. There are no employees in the Company who are the immediate family members of any of the directors and whose remuneration exceeds S$150,000 during the last financial year.

The breakdown (in percentage terms) of each director's remuneration earned through fees, fixed salary, variable bonuses and benefits in kind are as follows:

| Director | Directors' Fees[1] | Base Salary | Performance-based Bonus | Benefits in kind |
|---|---|---|---|---|
| | % | % | % | % |
| Below $250,000 | | | | |
| Philip Ng Chee Tat | 100 | - | - | - |
| Ng Siok Keow | 93.60 | - | - | 6.40 |
| Albert Goh | 100 | - | - | - |
| Tan Siok Hwee | 100 | - | - | - |
| Tjong Yik Min | 100 | - | - | - |
| Eddie Yong Chee Hiong[2] | - | 99.64 | - | 0.36 |
| Heng Chiang Meng | 100 | - | - | - |
| Cheng Hong Kok | 100 | - | - | - |
| Hin Hoo Sing | 100 | - | - | - |
| Lucas Chow Wing Keung[3] | - | - | - | - |

**Notes:**

1. The Directors' fees shown are on a paid basis and not on accrued basis. Hence, the fees relate to services rendered in respect of the previous year 2007.
2. Appointed Director on 10 July 2008.
3. Appointed Director on 1 June 2008.

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

| Remuneration Bands | No. of Executives |
|---|---|
| Below $250,000 | 5 |

**PRINCIPLE 10**
*The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

Shareholders are provided with information on the Company's financial performance, position and prospects through SGXNET announcements on a quarterly basis. This is in addition to other announcements required by the Listing Manual to be made.

Management provides members of the Board with monthly management accounts and other information in connection with certain matters or transactions, which would require Board approval. In this way, the Board is kept abreast of the operations, financial performance, position and prospects of the Company.

**PRINCIPLE 11**
*The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.*

The Company's Audit Committee comprises four directors, all of whom are non-executive and independent. Mr. Cheng Hong Kok is the Chairman of the Audit Committee. The other members are Mr. Hin Hoo Sing, Mr. Heng Chiang Meng and Mr. Lucas Chow Wing Keung. At least two members of the Audit Committee have experience in accounting or related financial management.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, which include: assessing the appropriateness of mechanisms created to identify, prevent and minimise business risks; ensuring that a review of the effectiveness of the Company's material internal controls is conducted at least annually; reviewing the independent auditor's proposed audit scope and final audit report; reviewing the performance and considering the independence of the independent auditor and meeting with them annually; and reviewing all interested persons transactions.

The Audit Committee has full access to and the co-operation of the Company's Management and in addition, has absolute discretion to invite any director or executive officer of the Company to attend its meetings, as it deems necessary. The Audit Committee has nominated PricewaterhouseCoopers LLP for re-appointment as independent auditor of the Company as at the forthcoming Annual General Meeting. The Audit Committee has conducted an annual review of non-audit services provided by the independent auditor to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity provided by the independent auditor before confirming their re-nomination.

In the last financial year, the Audit Committee held five meetings. In those meetings, the Committee reviewed, *inter alia*, the internal auditor's report on interested party transactions and reports on other areas of the Group's business, the internal auditor's audit plan and cost for the current financial year, the independent auditor's audit plan and final audit report, the year-end and quarterly announcements on financial statements, the Group's year-end and quarterly performances, and also discussed corporate governance matters.

**PRINCIPLE 12**

*The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.*

The Company places importance on the maintenance of a sound system of internal controls in order to safeguard shareholders' interests and the Company's assets. The Audit Committee ensures that the internal auditors conduct reviews of the Company's material internal controls, including financial, operational and compliance controls. Risk management and financial management are also assessed.

The Audit Committee reviews the effectiveness of the Company's internal controls on behalf of the Board. In their review, the Committee considers the nature of the risks facing the Company and the extent to which these risks are acceptable to bear, the likelihood of risks materialising and the Company's ability to reduce their incidence and impact on the business, and the cost versus the benefit of managing the risks. Having reviewed the various areas of potential risks facing the Company and the control measures employed to manage these risks, the Audit Committee is satisfied that the internal controls in the Company are adequate.

**PRINCIPLE 13**

*The company should establish an internal audit function that is independent of the activities it audits.*

The Company outsources its internal audit function to the Group Internal Audit Department ("GIA") of Far East Organization, the Company's parent. GIA reports directly to the Audit Committee and also reports administratively to the Chairman of the Board.

Having regard to the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, and having reviewed the functions and organisational structure of GIA, the Audit Committee is satisfied that GIA meets the requisite standards, is adequately resourced, and has appropriate standing within the Company.

The Audit Committee ensures the adequacy of the internal audit function by examining the scope of GIA's work, the quality of their reports, their qualifications and training, their relationship with the independent auditor and their independence of the areas reviewed.

**PRINCIPLE 14**

*Companies should engage in regular, effective and fair communication with shareholders.*

The Company strives to disclose information to its shareholders in a timely manner and typically makes announcements through SGXNET. It also responds to queries from investors, fund managers and analysts but without making selective disclosure.

## PRINCIPLE 15

*Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

The Company's Articles of Association allow shareholders to vote in person or by proxy or by attorney, or in the case of a corporation by a representative. A shareholder may appoint up to two proxies to attend and vote in his stead at a general meeting. The Company has not amended its Articles of Association to provide for other methods of voting in absentia as these would require a costly system of authentication to ensure the integrity of information and the identity of shareholders in telephonic and electronic media.

At a general meeting, each distinct issue is the subject of a separate resolution. The chairmen of the various Board Committees are usually available at the Company's general meetings to address questions raised. The Company's auditors are also present at annual general meetings of the Company to address shareholders' queries on the conduct of audit and the preparation and content of the auditor's report.

## RISK MANAGEMENT

### Operation Risks

The operational risks facing the Group includes changes in external market conditions such as government policies, rules and regulations relating to the property and financial markets, increase in interest rates, oversupply of properties, price-cutting by competitors and drop in visitor arrivals due to political instability, terrorism and health warnings. Other risks include increase in operating costs and the necessity for capital expenditure from time to time.

Management undertakes periodic reviews of the Group's past performances, identifies and assesses current and future operational and financial risks facing the Group and controls and manages these risks without limits and strategies approved by the Board.

### Financial Risks

The Group's activities are affected by various financial risks, including interest rate risk, foreign currency risk and liquidity risk, the details of each are set out in Note 33 to the financial statements of this Annual Report.

## DEALINGS IN SECURITIES

The Company has issued an internal guideline on dealings by the Group's employees in the Company's shares. Directors and employees are prohibited from trading in the Company's shares two weeks before the announcement of the financial results of the Company for each of the first three quarters of its financial year, or one month prior to the announcement of the financial results of the Company for the full financial year up to and including the date of the announcement. In addition, all employees are required to observe insider trading laws at all times and are prohibited from trading whilst in possession of price-sensitive information.

## MATERIAL CONTRACTS

No material contract involving the interests of any director or controlling shareholder of the Company has been entered into by the Company or any of its subsidiaries since the end of the financial year and no such contract subsisted at the end of the financial year.

## INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited are as follows:

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual) | |
|---|---|---|
| | S$'000 | |
| | 2008 | 2007 |
| **Far East Organisation Centre Pte Ltd** | | |
| Rental income | 631 | 339 |
| Management service fees | n.a. | (603) |
| **Orchard Parksuites Pte Ltd** | | |
| Management service fees | n.a. | (977) |
| **Far East Hospitality Services Pte Ltd** | | |
| Rental income | 459 | 315 |
| Management service fees | (2,255) | (1,221) |
| **Far East Management Pte Ltd** | | |
| Rental income | 807 | 574 |
| Computer maintenance support fees | (260) | (102) |
| Management service fees | (1,017) | (346) |
| Property development, project management and sales & marketing service fees | (960) | n.a. |
| **Lyon Cleaning & Maintenance Services Pte Ltd** | | |
| Management service fees | n.a. | (404) |
| **The Elizabeth Hotel** | | |
| Hospitality revenue | n.a. | 105 |

The Company does not have any shareholders' mandate for interested person transactions.

# Contents

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2008 and the balance sheet of the Company as at 31 December 2008.

**Directors**

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

Philip Ng Chee Tat
Ng Siok Keow
Albert Goh
Tan Siok Hwee
Tjong Yik Min
Hin Hoo Sing
Cheng Hong Kok
Heng Chiang Meng
Lucas Chow Wing Keung (appointed on 1 June 2008)
Yong Chee Hiong (appointed on 10 July 2008)

**Arrangements to enable directors to acquire shares and debentures**

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

**Directors' interests in shares or debentures**

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

| | Number of ordinary shares of $0.50 each | | | |
|---|---|---|---|---|
| | Holdings registered in name of director | | Holdings in which director is deemed to have an interest | |
| | **At 31.12.2008** | At 1.1.2008 | **At 31.12.2008** | At 1.1.2008 |
| **The Company** | | | | |
| Ng Siok Keow | **14,469** | 14,469 | **72,346** | 72,346 |
| Albert Goh | **5,620** | 5,620 | **-** | - |

(b) The directors' interests in the ordinary shares of the Company as at 21 January 2009 were the same as those as at 31 December 2008.

**Directors' contractual benefits**

Since the end of the previous financial year, no director 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 he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that certain directors have employment relationships with related corporations of the ultimate holding company and have received remuneration in those capacities.

**Share options**

No options were granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

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

**Audit Committee**

The Audit Committee performs the functions specified by Section 201B(5) of the Singapore Companies Act, the Listing Manual and the Singapore Code of Corporate Governance.

The Audit Committee, which is a sub-committee of the Board of Directors, comprises four members, all of whom are independent non-executive directors. The members of the Audit Committee are:

Mr Cheng Hong Kok (Chairman)
Mr Hin Hoo Sing
Mr Heng Chiang Meng
Mr Lucas Chow Wing Keung (appointed on 1 July 2008)

The Audit Committee meets periodically with management, the internal auditors and the external auditors of the Company to discuss the scope and results of the internal and statutory audits, financial and operating results, internal controls, accounting policies and other significant matters, including the financial statements that accompany this report.

The Audit Committee has recommended to the Board of Directors the nomination of PricewaterhouseCoopers LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting. The Audit Committee has conducted an annual review of non-audit services provided by the independent auditor to satisfy itself that the nature and extent of such services will not prejudice their independence and objectivity before confirming their re-nomination.

**Independent auditor**

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

| | |
|---|---|
| TJONG YIK MIN<br>Director | ALBERT GOH<br>Director |

27 March 2009

# STATEMENT BY DIRECTORS

*For the financial year ended 31 December 2008*

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 25 to 84 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008, and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

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

On behalf of the directors

| | |
|---|---|
| TJONG YIK MIN<br>Director | ALBERT GOH<br>Director |

27 March 2009

# *INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHARD PARADE HOLDINGS LIMITED*

We have audited the accompanying financial statements of Orchard Parade Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 25 to 84, which comprise the balance sheets of the Company and of the Group as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

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

(a) devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

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

*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 financial statements are free from material misstatement.

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

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

# *INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHARD PARADE HOLDINGS LIMITED*

*Opinion*

In our opinion,

(a) the balance sheet of the Company and the consolidated financial statements of the Group 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 Company and of the Group as at 31 December 2008, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

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

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 27 March 2009

# CONSOLIDATED INCOME STATEMENT

*For the financial year ended 31 December 2008*

| | Note | The Group 2008 $'000 | 2007 $'000 |
|---|---|---|---|
| Sales | 4 | **68,971** | 85,260 |
| Cost of sales | | **(23,696)** | (42,631) |
| Gross profit | | **45,275** | 42,629 |
| Other income | 4 | **7,514** | 6,506 |
| Other gains/(losses) - net | | | |
| - Fair value gains on investment properties | 4 | **15,818** | 18,933 |
| - Other | 4 | **(7,295)** | 2,444 |
| Expenses | | | |
| - Distribution and marketing | | **(4,498)** | (3,623) |
| - Administrative | | **(4,215)** | (5,444) |
| - Finance | 6 | **(15,334)** | (20,539) |
| - Other | | **(3,872)** | (3,814) |
| Share of (loss)/profit of associated companies | | **(2,058)** | 1,944 |
| **Profit before income tax** | | **31,335** | 39,036 |
| Income tax expense | 9 | **(4,384)** | (4,325) |
| **Net profit for the financial year attributable to equity holders of the Company** | | **26,951** | 34,711 |
| **Earnings per share (cents per share)** | | | |
| - Basic and diluted | 10 | **7.68** | 9.89 |

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

# BALANCE SHEETS

*As at 31 December 2008*

| | Note | The Group 2008 $'000 | The Group 2007 $'000 | The Company 2008 $'000 | The Company 2007 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 11 | **20,306** | 20,309 | **13,112** | 3,841 |
| Trade receivables | 12 | **5,745** | 6,913 | **2,828** | 2,369 |
| Inventories | 13 | **68** | 68 | **48** | 53 |
| Development properties | 14 | **158,685** | 153,205 | **-** | - |
| Financial assets at fair value through profit or loss | 15 | **9,482** | 17,293 | **-** | - |
| Tax recoverable | 9(c) | **553** | 695 | **470** | 456 |
| Advances to a subsidiary | 19(b) | **-** | - | **140** | - |
| Other current assets | 16 | **350** | 614 | **140** | 217 |
| | | **195,189** | 199,097 | **16,738** | 6,936 |
| **Non-current assets** | | | | | |
| Investments in associated companies | 17(a) | **285,732** | 300,868 | **-** | - |
| Investments in subsidiaries | 19(a) | **-** | - | **489,009** | 489,009 |
| Advances to subsidiaries | 19(b) | **-** | - | **198,439** | 227,767 |
| Other non-current assets | 20 | **111** | 96 | **111** | 96 |
| Investment properties | 21 | **168,957** | 152,976 | **110,324** | 94,937 |
| Property, plant and equipment | 22 | **698,456** | 640,608 | **450,559** | 405,410 |
| Deferred income tax assets | 27 | **223** | 1,700 | **-** | - |
| | | **1,153,479** | 1,096,248 | **1,248,442** | 1,217,219 |
| **Total assets** | | **1,348,668** | 1,295,345 | **1,265,180** | 1,224,155 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade payables | 23 | **9,015** | 7,405 | **1,893** | 1,660 |
| Other current payables | 24 | **12,317** | 11,844 | **8,227** | 8,336 |
| Income tax payable | 9(c) | **2,724** | 2,289 | **-** | - |
| Advances from subsidiaries | 19(c) | **-** | - | **15,443** | - |
| Borrowings | 25(a) | **172,790** | 203,016 | **133,415** | 197,822 |
| | | **196,846** | 224,554 | **158,978** | 207,818 |
| **Non-current liabilities** | | | | | |
| Borrowings | 25(a) | **301,199** | 288,503 | **194,971** | 194,799 |
| Advances from subsidiaries | 19(c) | **-** | - | **110,459** | 83,858 |
| Other non-current liabilities | 26 | **3,925** | 3,810 | **447** | 445 |
| Deferred income tax liabilities | 27 | **28,520** | 26,041 | **6,773** | 6,706 |
| | | **333,644** | 318,354 | **312,650** | 285,808 |
| **Total liabilities** | | **530,490** | 542,908 | **471,628** | 493,626 |
| **NET ASSETS** | | **818,178** | 752,437 | **793,552** | 730,529 |
| **EQUITY** | | | | | |
| **Share capital and reserves attributable to equity holders of the Company** | | | | | |
| Share capital | 28 | **354,391** | 354,391 | **354,391** | 354,391 |
| Revaluation and other reserves | 29 | **479,043** | 433,940 | **412,295** | 365,864 |
| (Accumulated losses)/Retained earnings | 30 | **(15,256)** | (35,894) | **26,866** | 10,274 |
| **Total equity** | | **818,178** | 752,437 | **793,552** | 730,529 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the financial year ended 31 December 2008*

| | Share capital $'000 | Revaluation and other reserves $'000 | Accumulated losses $'000 | Total equity $'000 |
|---|---|---|---|---|
| **2008** | | | | |
| **Beginning of financial year** | 354,391 | 433,940 | (35,894) | 752,437 |
| Revaluation surplus on property, plant and equipment | - | 62,206 | - | 62,206 |
| Deferred tax liability on revaluation surplus | - | (3,093) | - | (3,093) |
| Currency translation differences | - | (230) | - | (230) |
| Share of associated company's fair value loss on available-for-sale financial assets | - | (19,053) | - | (19,053) |
| Share of associated company's revaluation surplus | - | 7,291 | - | 7,291 |
| Share of associated company's currency translation reserve | - | (1,316) | - | (1,316) |
| Net income recognised directly in equity | - | 45,805 | - | 45,805 |
| Net profit | - | - | 26,951 | 26,951 |
| **Total recognised income** | - | 45,805 | 26,951 | 72,756 |
| Dividend paid to shareholders | - | - | (7,015) | (7,015) |
| Share of associated company's transfer from revaluation and other reserves | - | (702) | 702 | - |
| **End of financial year** | **354,391** | **479,043** | **(15,256)** | **818,178** |
| | | | | |
| **2007** | | | | |
| **Beginning of financial year** | 354,391 | 290,819 | (70,605) | 574,605 |
| Revaluation surplus on property, plant and equipment | - | 151,724 | - | 151,724 |
| Deferred tax liability on revaluation surplus | - | (12,338) | - | (12,338) |
| Change in tax rate | - | 940 | - | 940 |
| Currency translation differences | - | (12) | - | (12) |
| Share of associated company's fair value loss on available-for-sale financial assets | - | (3,466) | - | (3,466) |
| Share of associated company's revaluation surplus | - | 6,164 | - | 6,164 |
| Share of associated company's currency translation reserve | - | 109 | - | 109 |
| Net income recognised directly in equity | - | 143,121 | - | 143,121 |
| Net profit | - | - | 34,711 | 34,711 |
| **Total recognised income** | - | 143,121 | 34,711 | 177,832 |
| **End of financial year** | 354,391 | 433,940 | (35,894) | 752,437 |

An analysis of the movements in each category within "Revaluation and other reserves", is presented in Note 29.

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

# CONSOLIDATED CASH FLOW STATEMENT

*For the financial year ended 31 December 2008*

| | Note | 2008<br>$'000 | 2007<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit | | **26,951** | 34,711 |
| Adjustments for: | | | |
| Income tax | | **4,384** | 4,325 |
| Depreciation of property, plant and equipment | | **7,267** | 7,493 |
| Dividend income | | **(676)** | (784) |
| Interest income | | **(104)** | (152) |
| Interest expense | | **15,383** | 20,574 |
| Gain arising on dilution of interest in an associated company | | **-** | (2,389) |
| Gain on disposal of property, plant and equipment | | **(3)** | (3) |
| Fair value gains on investment properties | | **(15,818)** | (18,933) |
| Share of loss/(profit) of associated companies | | **2,058** | (1,944) |
| | | **39,442** | 42,898 |
| Change in working capital: | | | |
| Trade receivables | | **1,168** | 29,381 |
| Development properties | | **(5,467)** | 18,227 |
| Financial assets at fair value through profit or loss | | **7,811** | 334 |
| Other current assets | | **264** | 164 |
| Other non-current assets | | **(15)** | - |
| Trade payables | | **1,610** | (1,665) |
| Other payables | | **1,100** | 2,328 |
| Cash generated from operations | | **45,913** | 91,667 |
| Income tax paid - net | 9(c) | **(2,944)** | (2,019) |
| **Net cash provided by operating activities** | | **42,969** | 89,648 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(2,910)** | (1,637) |
| Payments for investment properties | | **(406)** | (1,069) |
| Proceeds from disposal of property, plant and equipment | | **4** | 8 |
| Dividend received from associated company | | **-** | 865 |
| Dividend received from investee companies | | **676** | 784 |
| Dividend paid to shareholders | | **(7,015)** | - |
| Interest received | | **104** | 152 |
| **Net cash used in investing activities** | | **(9,547)** | (897) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **237,551** | 453,100 |
| Repayment of borrowings | | **(255,632)** | (525,125) |
| Interest paid | | **(15,344)** | (22,561) |
| Proceeds from advances from associated companies | | **-** | 973 |
| Repayment of advances from minority shareholders | | **-** | (149) |
| **Net cash used in financing activities** | | **(33,425)** | (93,762) |
| **Net decrease in cash and cash equivalents** | | **(3)** | (5,011) |
| Cash and cash equivalents at beginning of financial year | | **20,309** | 25,320 |
| **Cash and cash equivalents at end of financial year** | 11 | **20,306** | 20,309 |

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

**1. General information**

Orchard Parade Holdings Limited (the "Company") is incorporated and domiciled in Singapore. The address of its principal place of business is 1 Tanglin Road, #05-01, Orchard Parade Hotel, Singapore 247905.

The Company is listed on the Singapore Exchange.

The principal activities of the Company are hospitality, investment holding and property investment. The principal activities of the subsidiaries are set out in Note 40 to the financial statements.

**2. Significant accounting policies**

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

***Interpretations and amendments to published standards effective in 2008***

On 1 January 2008, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS and INT FRS that are relevant to the Group:

INT FRS 111 Group and Treasury Share Transactions

In addition, amendments to FRS 39-Financial Instruments: Recognition and Measurement and FRS 107-Financial Instruments: Disclosures – Reclassifications of Financial Assets, were adopted by the Group with effect from 1 July 2008.

The adoption of the above FRS and INT FRS did not result in any substantial changes to the Group's accounting policies nor any significant impact on these financial statements.

**2. Significant accounting policies** (continued)

2.2 Revenue recognition

Sales comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales is presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectibility of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Hospitality revenue and other services rendered*

Revenue from the rental of hotel rooms and other facilities and from rendering of services is recognised when the services are rendered.

(b) *Sale of development properties*

Revenue from sale of development properties is recognised using the percentage of completion method. The stage of completion is determined by the proportion of construction costs incurred to date as certified by the architects or quantity surveyors, to the estimated total construction costs for the project.

(c) *Sale of financial assets at fair value through profit or loss*

Revenue from the sale of financial assets at fair value through profit or loss is recognised when the significant risks and rewards of ownership of the financial assets are transferred to the buyer and collectibility of the related receivables is reasonably assured.

(d) *Rental income*

Rental income from operating leases is recognised on a straight-line basis over the lease term.

(e) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and thereafter amortising the discount as interest income.

(f) *Dividend income*

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

**2. Significant accounting policies** (continued)

2.3 Group accounting

(a) *Subsidiaries*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the dates of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of minority interest. The accounting policy on goodwill arising on acquisition of subsidiaries is set out in the paragraph "Goodwill".

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interest is that part of net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the Group. They are measured at the minorities' share of fair values of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the minorities' share of losses in a subsidiary exceeds its interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minorities are attributed to the equity holders of the Company, unless the minorities have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are attributed to the equity holders of the Company until the minorities' share of losses previously absorbed by the equity holders of the Company are fully recovered.

The accounting policy on investments in subsidiaries in the separate financial statements of the Company is set out in the paragraph "Investments in subsidiaries and associated companies".

(b) *Associated companies*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associated companies in the consolidated balance sheet includes goodwill (net of accumulated amortisation) identified on acquisition, where applicable. The accounting policy on goodwill arising on acquisition of associated companies is set out in the paragraph "Goodwill".

**2. Significant accounting policies** (continued)

2.3 Group accounting (continued)

(b) *Associated companies* (continued)

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The accounting policy on investments in associated companies in the separate financial statements of the Company is set out in the paragraph "Investments in subsidiaries and associated companies".

(c) *Joint ventures*

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements using proportionate consolidation.

Proportionate consolidation involves combining the Group's share of the joint ventures' income and expenses, assets and liabilities and cash flows of the jointly-controlled entities on a line-by-line basis with similar items in the Group's financial statements.

When the Group sells assets to a joint venture, the Group recognises only the portion of unrealised gains or losses on the sale of assets that is attributable to the interest of the other venturers. The Group recognises the full amount of any loss when the sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

When the Group purchases assets from a joint venture, it does not recognise its share of the profits of the joint ventures arising from the Group's purchase of assets until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Accounting policies of joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

**2. Significant accounting policies** (continued)

2.4 Property, plant and equipment

(a) *Measurement*

(i) *Land and buildings*

Land and buildings are initially recorded at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Leasehold land, and buildings on freehold and leasehold land are subsequently carried at the revalued amount less accumulated depreciation and accumulated impairment losses (if any).

Land and buildings are revalued by independent professional valuers on a triennial basis and in the intervening years, the directors would review the carrying value of each land and building and independent valuation is performed whenever there has been a material change. When an asset is revalued, any accumulated depreciation and accumulated impairment losses (if any) at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Increases in carrying amounts arising from revaluation are recognised in an asset revaluation reserve, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in the income statement. Decreases in carrying amounts that offset previous increases of the same asset are recognised against the asset revaluation reserve. All other decreases in carrying amounts are charged to the income statement.

(ii) *Other property, plant and equipment*

Furniture and fittings, plant and equipment, motor vehicles, and other assets (Note 2.19) are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) *Depreciation*

Freehold land and construction-in-progress are not depreciated.

Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

| | |
|---|---|
| Leasehold land | over period of lease of 81 to 85 years |
| Buildings on freehold land and leasehold land | 50 years |
| Furniture and fittings | 10 years |
| Plant and equipment | 3 - 10 years |
| Motor vehicles | 5 - 10 years |
| Other assets | 5 - 10 years |

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in the income statement when the changes arise.

**2. Significant accounting policies** (continued)

2.4 Property, plant and equipment (continued)

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when 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. All other repair and maintenance expenses are recognised in the income statement when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the income statement. Any amount in revaluation reserve relating to that asset is transferred to retained earnings directly.

2.5 Development properties

Development properties include completed properties held for sale and properties under development.

(a) *Completed properties held for sale*

Completed properties held for sale are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

(b) *Unsold properties under development*

Properties under development that are unsold are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete the development and selling expenses.

(c) *Sold properties under development*

Revenue and cost on properties under development that have been sold are recognised using the percentage of completion method. The stage of completion is measured by reference to the physical surveys of construction work completed. When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised as an expense immediately.

The aggregated costs incurred and the profit/loss recognised in each property under development that has been sold are compared against progress billings up to the financial year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers, under trade receivables. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers, under other current payables.

**2. Significant accounting policies** (continued)

2.6 *Goodwill*

Goodwill represents the excess of the cost of an acquisition of subsidiaries, joint ventures or associated companies over the fair value of the Group's share of the identifiable net assets and contingent liabilities at the date of acquisition.

Goodwill on subsidiaries and joint ventures is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of the subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

2.7 Borrowing costs

Borrowing costs are recognised in the income statement using the effective interest method except for those costs that are directly attributable to borrowings acquired specifically for the construction or development of properties. The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investments of these borrowings, are capitalised in the cost of the property under development.

2.8 Investment properties

Investment properties include those portions of buildings that are held for long-term rental yields and/or for capital appreciation. Investment properties are initially recognised at cost and subsequently carried at fair value, representing open market values determined annually by independent professional valuers. Changes in fair values are recognised in the income statement.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to the income statement. The cost of maintenance, repairs and minor improvement is charged to the income statement when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the income statement.

2.9 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

**2. Significant accounting policies** (continued)

2.10 Impairment of non-financial assets

(a) *Goodwill*

Goodwill is tested annually for impairment, and whenever there is any indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in associated company is tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies of the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in the income statement and is not reversed in a subsequent period.

(b) *Property, plant and equipment, investments in subsidiaries and associated companies*

Property, plant and equipment and investments in subsidiaries and associated companies (including goodwill on acquisition of associated companies) are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing (i.e. the higher of the fair value less cost to sell and the value-in-use), recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs to.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the income statement unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

**2. Significant accounting policies** (continued)

2.10 Impairment of non-financial assets (continued)

(b) *Property, plant and equipment, investments in subsidiaries and associated companies* (continued)

A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

2.11 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented within “trade receivables”, “other current assets”, “cash and cash equivalents”, and “advances to subsidiaries” on the balance sheet.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the sale proceeds and the carrying amount is recognised in the income statement.

**2. Significant accounting policies** (continued)

2.11 Financial assets (continued)

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in the income statement.

(d) *Subsequent measurement*

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of "financial assets at fair value through profit or loss" including the effects of currency translation, interest and dividend, are recognised in the income statement when the changes arise.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

*Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delays in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same item in the income statement.

The allowance for impairment loss account is reduced through the income statement in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with financial institutions and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

**2. Significant accounting policies** (continued)

2.13 Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.14 Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently carried at amortised cost using the effective interest method.

2.15 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.16 Operating leases

The Group leases investment properties under operating leases to third parties and related parties [Note 35(a)].

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the income statement on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

2.17 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and includes all costs in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**2. Significant accounting policies** (continued)

2.18 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the income statement, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.19 Replacement assets

Replacement assets comprise linen, glassware and utensils. Items held in the stores are regarded as inventories and shown in the balance sheet as current assets at cost. Items in use are regarded as part of the necessary operating equipment of the hotel and are accounted for as "other assets" under property, plant and equipment (Note 2.4).

2.20 Provisions for other liabilities or charges

Provisions for other liabilities or charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

**2. Significant accounting policies** (continued)

2.21 Employee compensation

*Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

2.22 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the Company's functional currency.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the income statement. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the income statement as part of the gain or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the date of the balance sheet;

(ii) Income and expenses are translated at average exchange rate (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in the currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the date of the balance sheet. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition are used.

**2. Significant accounting policies** (continued)

2.23 Segment reporting

A business segment is a distinguished component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.24 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.25 Dividends to Company's shareholders

Dividends to Company's shareholders are recognised when the dividends are approved for payments.

2.26 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values (if material) plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

Intragroup transactions are eliminated on consolidation.

**3. Critical accounting estimates, assumptions and judgements**

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Uncertain tax positions*

The Group and the Company are subject to income tax mainly in Singapore. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") in each tax jurisdiction.

**3. Critical accounting estimates, assumptions and judgements** (continued)

(a) *Uncertain tax positions (continued)*

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for anticipated tax audit issues based on estimates of whether the additional tax will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(b) *Valuation of investment properties*

The Group's investment properties, with a carrying amount of $168,957,000 (Note 21) as at 31 December 2008, are stated at their estimated fair values which are determined annually by independent professional valuers. These estimated fair values may differ from the prices at which the Group's investment properties could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates require an assessment of uncontrollable factors, such as overall market conditions. As a result, actual results of operations and realisation of these investment properties could differ from the estimates set forth in these financial statements, and the difference could be significant.

If the actual fair values of investment properties differ by 10% from the estimates used for these financial statements, the investment properties as at 31 December 2008 would be reduced or increased by $16,896,000 and the profit before income tax for the year then ended would be increased or reduced by the same amount.

**4. Sales, other income and other gains/(losses) - net**

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Hospitality revenue | **55,305** | 48,580 |
| Rental income | **10,844** | 9,697 |
| Dividend income | **676** | 784 |
| Management fees charged to a joint venture | **383** | - |
| Sale of financial assets at fair value through profit or loss | **-** | 212 |
| Sale of development properties | **1,763** | 25,987 |
| **Total** | **68,971** | 85,260 |
| Hotel service fees and other related income | **6,915** | 5,902 |
| Interest income - fixed deposit | **104** | 152 |
| Marketing, accounting and administrative fees | **21** | 52 |
| Other miscellaneous income | **474** | 400 |
| **Total other income** | **7,514** | 6,506 |

**4. Sales, other income and other gains/(losses) - net** (continued)

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Other gains/(losses) - net | | |
| - Fair value gains on investment properties (Note 21) | **15,818** | 18,933 |
| - Other | | |
| Gain on disposal of property, plant and equipment | **3** | 3 |
| Gain arising on dilution of interest in an associated company | **-** | 2,389 |
| Unrealised losses on financial assets at fair value through profit or loss (Note 15) | **(7,811)** | (203) |
| Write back of cost on development properties | **513** | - |
| Write back of allowance for foreseeable losses on development properties (Note 14) | **-** | 255 |
| | **(7,295)** | 2,444 |
| **Total other gains/(losses) - net** | **8,523** | 21,377 |

**5. Expenses by nature**

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Advertising, promotion and marketing expenses | **2,251** | 1,188 |
| Changes in development properties | **-** | 17,765 |
| Cost of development properties | **1,019** | 3,231 |
| Depreciation of property, plant and equipment (Note 22) | **7,267** | 7,493 |
| Directors' fees | **310** | 310 |
| Employee compensation (Note 8) | **6,297** | 7,217 |
| Hospitality supplies and services | **9,958** | 8,414 |
| Maintenance, engineering and support services | **1,426** | 2,003 |
| Management service fees to a related party [Note 35(a)] | **849** | 1,000 |
| Other fees paid/payable to the auditors of the Group | **297** | 319 |
| Property tax and upkeep of properties | **3,422** | 3,370 |
| Cost of financial assets at fair value through profit or loss sold (Note 15) | **-** | 132 |
| Other | **3,185** | 3,070 |
| Total cost of sales, distribution and marketing, administrative and other operating expenses | **36,281** | 55,512 |

The cost of development properties recognised as an expense and included in "cost of sales" amounts to $1,019,000 (2007: $20,996,000).

## 6. Finance expenses

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Interest expense: | | |
| - Loans from banks/financial institutions | **2,554** | 5,339 |
| - Bonds and Notes/Medium Term Notes | **12,842** | 15,686 |
| - Bank overdrafts | **-** | 11 |
| | **15,396** | 21,036 |
| Currency translation gains - net | **(49)** | (35) |
| | **15,347** | 21,001 |
| Less: Interest expense capitalised in development properties [Note 14(d)] | **(13)** | (462) |
| Finance expenses recognised in the income statement | **15,334** | 20,539 |

## 7. Remuneration bands of directors of the Company

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| Number of directors of the Company in remuneration bands: | | |
| - $500,000 and above | **-** | - |
| - $250,000 to below $500,000 | **-** | - |
| - below $250,000 | **10** | 8 |
| Total | **10** | 8 |

## 8. Employee compensation

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Wages and salaries | **5,435** | 6,457 |
| Employer's contribution to defined contribution plans including Central Provident Fund | **425** | 488 |
| Other benefits | **437** | 272 |
| | **6,297** | 7,217 |

## 9. Income taxes

(a) Income tax expense

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Tax expense attributable to profit is made up of: | | |
| - Profit from current financial year | | |
| Current income tax - Singapore | **3,391** | 4,060 |
| Deferred income tax | **863** | 878 |
| | **4,254** | 4,938 |
| - Under/(Over) provisions in prior financial years: | | |
| Current income tax | **130** | 1,087 |
| Deferred income tax | **-** | (1,700) |
| | **130** | (613) |
| | **4,384** | 4,325 |

(b) The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Profit before tax | **31,335** | 39,036 |
| Tax calculated at tax rate of 18% (2007: 18%) | **5,640** | 7,026 |
| Effects of | | |
| - change in Singapore tax rate | **-** | (437) |
| - different tax rates in other countries | **(10)** | (24) |
| - partial tax exemption | **(109)** | (99) |
| - expenses not deductible for tax purposes | **1,519** | 1,812 |
| - income not subject to tax | **(3,398)** | (2,369) |
| - utilisation of previously unrecognised tax losses | **-** | (955) |
| - deferred tax asset not recognised | **241** | 334 |
| - share of results of associated companies | **371** | (350) |
| Tax charge | **4,254** | 4,938 |

**9. Income taxes** (continued)

(c) Movement in current income tax payable/(tax recoverable)

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Beginning of financial year | | | | |
| Income tax payable | **2,289** | 545 | **-** | - |
| Tax recoverable | **(695)** | (2,079) | **(456)** | (1,492) |
| | **1,594** | (1,534) | **(456)** | (1,492) |
| Income tax paid - net | **(2,944)** | (2,019) | **(2,054)** | (10,284) |
| Tax expense | **3,391** | 4,060 | **1,872** | 8,466 |
| Under provision in prior financial years | **130** | 1,087 | **168** | 2,854 |
| End of financial year | **2,171** | 1,594 | **(470)** | (456) |
| Comprising: | | | | |
| Income tax payable | **2,724** | 2,289 | **-** | - |
| Tax recoverable | **(553)** | (695) | **(470)** | (456) |
| | **2,171** | 1,594 | **(470)** | (456) |

**10. Earnings per share**

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| Net profit after tax attributable to equity holders of the Company ($'000) | **26,951** | 34,711 |
| Weighted average number of ordinary shares outstanding for basic earnings per share ('000) | **350,774** | 350,774 |
| Basic earnings per share (cents per share) | **7.68** | 9.89 |

(b) Diluted earnings per share

The basic earnings per share are the same as the diluted earnings per share as there is no dilutive potential ordinary share.

**11. Cash and cash equivalents**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Cash at bank and on hand | **4,941** | 7,075 | **1,587** | 3,841 |
| Short-term bank deposits | **15,365** | 13,234 | **11,525** | - |
| | **20,306** | 20,309 | **13,112** | 3,841 |

Cash and cash equivalents of the Group include amounts totalling $212,000 (2007: $8,952,000), representing the Group's 60% attributable share of a joint venture's bank balances and fixed deposits, held under the Housing Developers (Project Account) (amendment) Rule 1997 and the Housing Developers (Project Account) Rules 1990, withdrawals of which are restricted to payments for project expenditure incurred, until the completion of the project.

Short-term bank deposits at the balance sheet date have an average maturity of one month (2007: one week) from the end of the financial year with the following weighted average effective interest rates:

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| Short-term bank deposits | **0.54%** | 1.29% |

**12. Trade receivables**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Trade receivables: | | | | |
| - related parties [Note 35(a)] | **1,225** | 254 | **523** | 30 |
| - non-related parties | **5,294** | 7,469 | **2,305** | 2,375 |
| | **6,519** | 7,723 | **2,828** | 2,405 |
| Less: Allowance for impairment of receivables - non-related parties | **(774)** | (810) | **-** | (36) |
| | **5,745** | 6,913 | **2,828** | 2,369 |

**13. Inventories**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Food and beverage | **30** | 38 | **24** | 30 |
| Linen and utensils | **16** | 3 | **3** | 3 |
| Sundry supplies | **22** | 27 | **21** | 20 |
| | **68** | 68 | **48** | 53 |

**14. Development properties**

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| (a) <u>Composition:</u> | | |
| Completed properties held for sale [Note 14(b)] | **8,500** | 9,519 |
| Properties under development [Note 14(c)] | **150,185** | 143,686 |
| | **158,685** | 153,205 |
| (b) <u>Completed properties held for sale, at cost</u> | | |
| Freehold land | **-** | 362 |
| Leasehold land | **7,545** | 7,545 |
| Development costs | **6,938** | 7,595 |
| | **14,483** | 15,502 |
| Allowance for foreseeable losses | **(5,983)** | (5,983) |
| | **8,500** | 9,519 |
| Movements in allowance for foreseeable losses are as follows: | | |
| Beginning of financial year | **5,983** | 6,238 |
| Allowance written back during the financial year (Note 4) | **-** | (255) |
| End of financial year | **5,983** | 5,983 |
| (c) <u>Properties under development</u> | | |
| Freehold land | **80,834** | 80,834 |
| Development costs | **69,351** | 62,852 |
| | **150,185** | 143,686 |

**14. Development properties** (continued)

(d) Interest capitalised during the year was $13,000 (2007: $462,000). The weighted average effective rate of interest capitalised was 2.73% (2007: 5.44%) per annum.

(e) As at 31 December 2008, development properties with net book value of $158,685,000 (2007: $152,186,000) were pledged as securities for banking facilities of the Group (Note 25).

(f) Details of the development properties of the Group as at 31 December 2008 are as follows:

| Unsold gross floor area (Sq. metres) | Description and location | Purpose of development | Stage of completion/ expected date of completion | Group's effective interest in the property | Existing use |
|---|---|---|---|---|---|
| | **Held by subsidiaries:** Manor Houses: | | | | |
| 2,631 | Leasehold residential land on a 99-year lease from 8 August 1994 at Kew Drive, Singapore | Bungalows for sale | CSC obtained (15 June 1998 to 18 June 1998) | 100% | Residential |
| | **Held by joint venture company:** Orwin Development Limited Floridian: | | | | |
| 26,298 | Freehold residential land at Bukit Timah Road, Singapore | Condominium housing development | Main building contract awarded. Phase 1 piling completed | 60% | Property under development |

CSC - Certificate of statutory completion

(g) Completion of construction method

As stated in Note 2.5, the Group recognises profit from the sale of development properties using the percentage of completion method. Had the completion of construction method been adopted, there are no financial effects as required under Recommended Accounting Practice 11, Pre-completion Contracts For The Sale of Development Property on the consolidated financial statements of the Group for the financial years ended 31 December 2008 and 31 December 2007 as no revenue and cost are recognised since the main construction had not commenced at 31 December 2007, and construction is in-progress at 31 December 2008.

## 15. Financial assets at fair value through profit or loss

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Beginning of financial year | **17,293** | 17,626 |
| Addition | **-** | 2 |
| Disposal | **-** | (132) |
| Unrealised fair value losses (Note 4) | **(7,811)** | (203) |
| End of financial year | **9,482** | 17,293 |
| Designated as: | | |
| - fair value on initial recognition | **9,482** | 17,293 |

Financial assets at fair value through profit or loss comprise of equity securities listed in Singapore.

## 16. Other current assets

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Deposits | **87** | 464 | **10** | 105 |
| Prepayments and other | **263** | 150 | **130** | 112 |
| | **350** | 614 | **140** | 217 |

## 17. Investments in associated companies

(a)

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Beginning of financial year | **300,868** | 294,593 |
| Share of (loss)/profit | **(2,058)** | 1,944 |
| Gain arising on dilution of interest in an associated company (Note 4) | **-** | 2,389 |
| Share of asset revaluation surplus [Note 29(b)(i)] | **7,291** | 6,164 |
| Share of movement in currency translation reserve [Note 29(b)(ii)] | **(1,316)** | 109 |
| Share of fair value losses on available-for-sale financial assets [Note 29(b)(iii)] | **(19,053)** | (3,466) |
| Dividends received, net of tax | **-** | (865) |
| End of financial year | **285,732** | 300,868 |
| The summarised financial information of associated companies are as follows: | | |
| - Assets | **592,471** | 662,500 |
| - Liabilities | **(177,025)** | (216,589) |
| - Revenue | **414,363** | 436,974 |
| - Net (loss)/profit | **(4,514)** | 1,629 |

Goodwill amounting to $108,968,000 (2007: $108,968,000) relating to the Group's investment in an associated company, Yeo Hiap Seng Limited ("YHS"), a company listed on the Singapore Exchange, is included in the carrying amount of investments in associated companies.

**17. Investments in associated companies** (continued)

(b) The Group's investments in associated companies includes investment in YHS, a listed associated company, with a carrying amount of $282,140,000 (2007: $297,495,000) for which the quoted market price is $554,271,000 (2007: $696,392,000) at the balance sheet date.

(c) As at 31 December 2008, quoted equity shares in YHS with a carrying amount of approximately $89,350,000 (2007: $94,213,000), were pledged as collateral for banking facilities of the Group (Note 25).

(d) The associated companies, which have year-ends that are co-terminous with the Group are:

| Name of companies | Country of business and incorporation | Equity holding 2008 % | Equity holding 2007 % |
|---|---|---|---|
| Associates of: | | | |
| **Jelco Properties Pte Ltd:** | | | |
| Yeo Hiap Seng Limited[1][3] | Singapore | **49.53** | 49.53 |
| **OPH Property Limited:** | | | |
| Hill Grove Realty Limited[2][3] | Singapore | **50** | 50 |
| **OPH Zenith Pte Ltd:** | | | |
| Seasons Park Limited[2][3] | Singapore | **50** | 50 |
| **OPH Investments Pte Ltd:** | | | |
| Minard Investment Limited[2][4] | British Virgin Islands | **25** | 25 |

(1) Yeo Hiap Seng Limited ("YHS") is listed on the Singapore Exchange and is a subsidiary of Far East Organisation Pte Ltd ("FEO"), the holding and ultimate holding company of the Company due to direct interest held by FEO.
(2) Unquoted equity shares.
(3) Audited by PricewaterhouseCoopers LLP, Singapore.
(4) Not required to be audited under the laws of the country of incorporation.

**17. Investments in associated companies** (continued)

(e)

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Advances to associated companies | **860** | 860 |
| Less: Allowance for impairment loss | **(860)** | (860) |
| | **-** | - |

The advances to associated companies are unsecured, interest-free and have no fixed terms of repayment. Repayment is not expected within the next twelve months.

At the balance sheet date, the carrying amounts of the advances to associated companies approximated their fair values.

(f) Available-for-sale financial assets of an associated company

The independent auditor's report of the Group's significant associated company, Yeo Hiap Seng Limited ("YHS") for the financial year ended 31 December 2008, which was unqualified, contained an emphasis of matter over the assessment of impairment on YHS group's available-for-sale financial assets as follows:

"Included in the YHS group's negative fair value reserve are fair value losses amounting to $41,082,000 on shares of two quoted equity investments in the food and beverage segment ("F&B investments") for which the acquisitions are for long term and strategic purposes. The cost of acquisition of the F&B investments is $76,920,000.

In considering whether the investments are impaired at the balance sheet date, the directors of YHS have evaluated various qualitative and quantitative factors which include among others the following:
- whether the fall in share prices are within the normal volatility of the investments; and
- the period in which the share prices have fallen below costs.

Taking into account such consideration, the directors of YHS are of the opinion that the investments are not impaired and consequently, cumulative fair value losses amounting to $41,082,000 as at 31 December 2008 on the F&B investments are taken to equity and no impairment losses have been recognised in the income statement.

The YHS group will continue to review its portfolio of quoted equity investments every quarter to ascertain if the investments are impaired and which will require the YHS group to take the cumulative fair value losses to the income statement as an impairment loss."

(g) Contingent liabilities of an associated company

During the financial year, the Central Jakarta District Court has dismissed the suit in favour of certain subsidiaries of the YHS group, Yeo Hiap Seng (Malaysia) Berhad (YHSM) and PT YHS Indonesia (Incorporated in Indonesia), in relation to a suit filed by PT Kharisma Inti Persada ("Plaintiff") in Central Jakarta District Court, claiming for approximately Rupiah 219.9 billion (approximately $32 million) for an alleged breach of an alleged distribution agreement and an alleged distribution appointment. Subsequently, a formal notification on the Plaintiff's appeal together with the Plaintiff's memorial of appeal has been served against YHSM. YHSM will be contesting the appeal and based on the advice from YHSM's legal advisor in Indonesia. The Directors of YHSM are of the opinion that the claim is without merit and therefore unsustainable.

## 18. Investment in a joint venture

The following amounts represent the Group's 60% share of the assets and liabilities and income and expenses of the joint venture, Orwin Development Limited, which are included in the consolidated balance sheet and income statement using the line-by-line format of proportionate consolidation:

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Assets | | |
| - Current assets | **156,038** | 159,709 |
| Liabilities | | |
| - Current liabilities | **8,626** | 3,569 |
| - Non-current liabilities | **33,593** | 40,793 |
| | **42,219** | 44,362 |
| Net assets | **113,819** | 115,347 |
| Sales | **-** | 22,391 |
| Expenses | **(1,528)** | (18,964) |
| (Loss)/Profit before tax | **(1,528)** | 3,427 |
| Income tax | **-** | (972) |
| (Loss)/Profit after tax | **(1,528)** | 2,455 |
| Operating cash (outflows)/inflows | **(6,418)** | 47,208 |
| Investing cash inflows | **62** | 145 |
| Financing cash outflows | **(2,874)** | (57,935) |
| Total cash outflows | **(9,230)** | (10,582) |
| Proportionate interest in joint venture's commitments [Note 32(b)] | **80,525** | 87,234 |

There are no contingent liabilities relating to the Group's interest in the joint venture.

Details of the joint venture are included in Note 40.

**19. Investments in subsidiaries**

| | | The Company | |
|---|---|---|---|
| | | **2008** | 2007 |
| | | **$'000** | $'000 |
| (a) | Unquoted equity shares at cost: | | |
| | - 15% redeemable cumulative preference shares | **396,100** | 396,100 |
| | - Ordinary shares | **107,572** | 107,572 |
| | | **503,672** | 503,672 |
| | Less: Impairment losses | **(14,663)** | (14,663) |
| | | **489,009** | 489,009 |
| (b) | *Current* | | |
| | Advances to a subsidiary | **140** | - |
| | *Non-current* | | |
| | Advances to subsidiaries | **328,902** | 355,725 |
| | Less: Allowance for doubtful advances | **(130,463)** | (127,958) |
| | | **198,439** | 227,767 |
| | | **198,579** | 227,767 |

The advances to subsidiaries are unsecured and have no fixed terms of repayment. Repayments are not expected within the next twelve months for the advances to subsidiaries except advances of $140,000 (2007: $Nil) that are repayable within the next twelve months. Interest is charged at a weighted average effective interest rate of 3.38% (2007: 3.92%) per annum on advances to subsidiaries of $9,193,000 (2007: $30,619,000). The other advances totalling $319,849,000 (2007: $325,106,000) are interest-free.

| | | The Company | |
|---|---|---|---|
| | | **2008** | 2007 |
| | | **$'000** | $'000 |
| (c) | *Current* | | |
| | Advances from subsidiaries | **15,443** | - |
| | *Non-current* | | |
| | Advances from subsidiaries | **110,459** | 83,858 |
| | | **125,902** | 83,858 |

The advances from subsidiaries are unsecured and have no fixed terms of repayment. Repayments are not expected within the next twelve months for advances from subsidiaries except for advances of $15,443,000 (2007: $Nil) that are repayable within the next twelve months. The advances from subsidiaries are interest-free except for an amount of $30,000,000 (2007: $Nil) which bears interest at a weighted average effective rate of 3.23% (2007: Nil%) per annum. Included in advances from subsidiaries is an amount of $3,857,000 (2007: $3,620,000) relating to interest payable on advances from subsidiaries.

(d) At the balance sheet date, the carrying amounts of the advances from/to subsidiaries approximated their fair values.

## 20. Other non-current assets

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| At cost | | | | |
| Available-for-sale financial assets | | | | |
| - unlisted securities | **1,336** | 1,336 | **-** | - |
| Country club membership | **228** | 213 | **228** | 213 |
| | **1,564** | 1,549 | **228** | 213 |
| Less: Impairment losses | | | | |
| Available-for-sale financial assets | | | | |
| - unlisted securities | **(1,336)** | (1,336) | **-** | - |
| Country club membership | **(117)** | (117) | **(117)** | (117) |
| | **111** | 96 | **111** | 96 |

Investments are classified as non-current assets, unless they are expected to be realised within twelve months of the balance sheet date or unless they need to be sold to raise operating capital.

## 21. Investment properties

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| (a) Beginning of financial year | **152,976** | 130,745 | **94,937** | 83,543 |
| Exchange differences | **(243)** | 1 | **-** | - |
| Reclassified from property, plant and equipment (Note 22) | **-** | 2,228 | **-** | 2,228 |
| Additions | **406** | 1,069 | **301** | - |
| Adjustment on revaluation to: | | | | |
| - income statement (Note 4) | **15,818** | 18,933 | **15,086** | 9,166 |
| End of financial year | **168,957** | 152,976 | **110,324** | 94,937 |

**21. Investment properties** (continued)

(b) Investment properties are carried at fair values at the balance sheet date as determined by independent professional valuers on an open market value basis.

Investment properties are leased to third parties and related parties [Note 35(a)] under operating leases. As at 31 December 2008, investment properties with a carrying amount of $163,764,000 (2007: $147,541,000) were pledged as security for banking facilities of the Group (Note 25).

The following amounts are recognised in the income statement:

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Rental income | **9,283** | 8,349 |
| Direct operating expenses | **(2,875)** | (2,685) |

(c) Details of investment properties are:

| | Tenure | Unexpired term of the lease |
|---|---|---|
| **Singapore** | | |
| Shops and offices at Orchard Parade Hotel, Tanglin Road | Freehold | - |
| Shops at Albert Court Hotel, Albert Street | Leasehold | 81 years |
| Shops and offices at Central Square, Havelock Road | Leasehold | 85 years |
| 4 office units at Tanglin Shopping Centre, Tanglin Road | Freehold | - |
| **Malaysia** | | |
| 24-storey commercial building known as Plaza Atrium, Kuala Lumpur | Freehold | - |

**22. Property, plant and equipment**

| | Freehold and leasehold land $'000 | Freehold and leasehold buildings $'000 | Plant, equipment, furniture and fittings $'000 | Motor vehicles $'000 | Other assets $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| (a) The Group | | | | | | |
| **2008** | | | | | | |
| *Cost or valuation* | | | | | | |
| Beginning of financial year | | | | | | |
| Cost | - | - | 33,912 | 123 | 3,212 | 37,247 |
| Valuation | 482,333 | 150,303 | - | - | - | 632,636 |
| | 482,333 | 150,303 | 33,912 | 123 | 3,212 | 669,883 |
| Additions | - | - | 2,127 | - | 783 | 2,910 |
| Disposals | - | - | (69) | - | - | (69) |
| Transfers | - | - | 990 | - | (990) | - |
| Adjustment on revaluation | 60,261 | (3,834) | - | - | - | 56,427 |
| End of financial year | 542,594 | 146,469 | 36,960 | 123 | 3,005 | 729,151 |
| Representing: | | | | | | |
| Cost | - | - | 36,960 | 123 | 3,005 | 40,088 |
| Valuation | 542,594 | 146,469 | - | - | - | 689,063 |
| | 542,594 | 146,469 | 36,960 | 123 | 3,005 | 729,151 |
| *Accumulated depreciation* | | | | | | |
| Beginning of financial year | - | - | 27,197 | 123 | 1,955 | 29,275 |
| Depreciation charge (Note 5) | 2,157 | 3,622 | 1,469 | - | 19 | 7,267 |
| Disposals | - | - | (68) | - | - | (68) |
| Adjustment on revaluation | (2,157) | (3,622) | - | - | - | (5,779) |
| End of financial year | - | - | 28,598 | 123 | 1,974 | 30,695 |
| ***Net book value*** | | | | | | |
| **End of financial year** | **542,594** | **146,469** | **8,362** | **-** | **1,031** | **698,456** |

**22. Property, plant and equipment** (continued)

| | Freehold and leasehold land $'000 | Freehold and leasehold buildings $'000 | Plant, equipment, furniture and fittings $'000 | Motor vehicles $'000 | Other assets $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| (a) The Group | | | | | | |
| **2007** | | | | | | |
| *Cost or valuation* | | | | | | |
| Beginning of financial year | | | | | | |
| Cost | - | - | 33,347 | 187 | 2,222 | 35,756 |
| Valuation | 349,896 | 138,024 | - | - | - | 487,920 |
| | 349,896 | 138,024 | 33,347 | 187 | 2,222 | 523,676 |
| Additions | - | - | 647 | - | 990 | 1,637 |
| Disposals | - | - | (82) | (64) | - | (146) |
| Reclassified to investment property (Note 21) | (2,101) | (127) | - | - | - | (2,228) |
| Adjustment on revaluation | 134,538 | 12,406 | - | - | - | 146,944 |
| End of financial year | 482,333 | 150,303 | 33,912 | 123 | 3,212 | 669,883 |
| Representing: | | | | | | |
| Cost | - | - | 33,912 | 123 | 3,212 | 37,247 |
| Valuation | 482,333 | 150,303 | - | - | - | 632,636 |
| | 482,333 | 150,303 | 33,912 | 123 | 3,212 | 669,883 |
| *Accumulated depreciation* | | | | | | |
| Beginning of financial year | - | - | 24,584 | 178 | 1,941 | 26,703 |
| Depreciation charge (Note 5) | 1,475 | 3,305 | 2,690 | 9 | 14 | 7,493 |
| Disposals | - | - | (77) | (64) | - | (141) |
| Adjustment on revaluation | (1,475) | (3,305) | - | - | - | (4,780) |
| End of financial year | - | - | 27,197 | 123 | 1,955 | 29,275 |
| ***Net book value*** | | | | | | |
| **End of financial year** | 482,333 | 150,303 | 6,715 | - | 1,257 | 640,608 |

**22. Property, plant and equipment** (continued)

(b) The Company

| | Freehold and leasehold land $'000 | Freehold and leasehold buildings $'000 | Plant, equipment, furniture and fittings $'000 | Motor vehicles $'000 | Other assets $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2008** | | | | | | |
| *Cost or valuation* | | | | | | |
| Beginning of financial year | | | | | | |
| Cost | - | - | 23,739 | 49 | 2,996 | 26,784 |
| Valuation | 315,857 | 83,948 | - | - | - | 399,805 |
| | 315,857 | 83,948 | 23,739 | 49 | 2,996 | 426,589 |
| Additions | - | - | 790 | - | 760 | 1,550 |
| Disposals | - | - | (39) | - | - | (39) |
| Transfers | - | - | 990 | - | (990) | - |
| Adjustment on revaluation | 45,022 | (432) | - | - | - | 44,590 |
| End of financial year | 360,879 | 83,516 | 25,480 | 49 | 2,766 | 472,690 |
| Representing: | | | | | | |
| Cost | - | - | 25,480 | 49 | 2,766 | 28,295 |
| Valuation | 360,879 | 83,516 | - | - | - | 444,395 |
| | 360,879 | 83,516 | 25,480 | 49 | 2,766 | 472,690 |
| *Accumulated depreciation* | | | | | | |
| Beginning of financial year | - | - | 19,362 | 49 | 1,768 | 21,179 |
| Depreciation charge | - | 2,152 | 989 | - | - | 3,141 |
| Disposals | - | - | (37) | - | - | (37) |
| Adjustment on revaluation | - | (2,152) | - | - | - | (2,152) |
| End of financial year | - | - | 20,314 | 49 | 1,768 | 22,131 |
| ***Net book value*** | | | | | | |
| **End of financial year** | **360,879** | **83,516** | **5,166** | **-** | **998** | **450,559** |

**22. Property, plant and equipment** (continued)

| | Freehold and leasehold land $'000 | Freehold and leasehold buildings $'000 | Plant, equipment, furniture and fittings $'000 | Motor vehicles $'000 | Other assets $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| (b) The Company | | | | | | |
| **2007** | | | | | | |
| *Cost or valuation* | | | | | | |
| Beginning of financial year | | | | | | |
| Cost | - | - | 23,357 | 49 | 2,006 | 25,412 |
| Valuation | 234,774 | 82,781 | - | - | - | 317,555 |
| | 234,774 | 82,781 | 23,357 | 49 | 2,006 | 342,967 |
| Additions | - | - | 393 | - | 990 | 1,383 |
| Disposals | - | - | (11) | - | - | (11) |
| Reclassified to investment property (Note 21) | (2,101) | (127) | - | - | - | (2,228) |
| Adjustment on revaluation | 83,184 | 1,294 | - | - | - | 84,478 |
| End of financial year | 315,857 | 83,948 | 23,739 | 49 | 2,996 | 426,589 |
| Representing: | | | | | | |
| Cost | - | - | 23,739 | 49 | 2,996 | 26,784 |
| Valuation | 315,857 | 83,948 | - | - | - | 399,805 |
| | 315,857 | 83,948 | 23,739 | 49 | 2,996 | 426,589 |
| *Accumulated depreciation* | | | | | | |
| Beginning of financial year | - | - | 17,589 | 41 | 1,768 | 19,398 |
| Depreciation charge | - | 2,070 | 1,781 | 8 | - | 3,859 |
| Disposals | - | - | (8) | - | - | (8) |
| Adjustment on revaluation | - | (2,070) | - | - | - | (2,070) |
| End of financial year | - | - | 19,362 | 49 | 1,768 | 21,179 |
| ***Net book value*** | | | | | | |
| **End of financial year** | 315,857 | 83,948 | 4,377 | - | 1,228 | 405,410 |

(c) If the freehold and leasehold land and buildings of the Group and the Company stated at valuation as at 31 December 2008 were included in the financial statements at cost less accumulated depreciation, their net book values would have been $165,474,000 and $51,546,000 (2007: $168,706,000 and $52,802,000) respectively.

(d) At the balance sheet date, the net book value of freehold and leasehold land and buildings of the Group and the Company pledged as security for borrowings amounted to $689,063,000 (2007: $632,636,000) and $444,395,000 (2007: $399,805,000) respectively (Note 25).

**22. Property, plant and equipment** (continued)

(e) The freehold and leasehold land and buildings of the Group comprise:

| Location | Description and existing use | Tenure |
|---|---|---|
| **Singapore** | | |
| 1 Tanglin Road | Hotel operation | Freehold/99 year leasehold with effect from April 1965 |
| 180 Albert Street | Hotel operation | 99 year leasehold with effect from September 1990 |
| 20 Havelock Road | Serviced apartments and serviced offices | 99 year leasehold with effect from February 1995 |

(f) Valuation

The freehold and leasehold land and buildings are carried at fair values at the balance sheet date as determined by independent professional valuers on an open market value basis.

The revaluation surplus of the Group and the Company for the financial year ended 31 December 2008 of $62,206,000 (2007: $151,724,000) and $46,742,000 (2007: $86,548,000) respectively were credited directly to asset revaluation reserve of the Group and the Company [Note 29(b)(i)].

**23. Trade payables**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Trade payables to: | | | | |
| - non-related parties | **7,189** | 6,771 | **1,214** | 1,425 |
| - related parties [Note 35(a)] | **1,826** | 634 | **679** | 235 |
| | **9,015** | 7,405 | **1,893** | 1,660 |

**24. Other current payables**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Other creditors | **2,076** | 1,481 | **1,354** | - |
| Interest payable | **3,702** | 4,213 | **3,303** | 4,087 |
| Accrual for operating expenses | **5,113** | 4,934 | **3,120** | 3,976 |
| Deferred revenue | **292** | 216 | **-** | - |
| Rental deposits | **1,134** | 1,000 | **450** | 273 |
| | **12,317** | 11,844 | **8,227** | 8,336 |

**25. Borrowings**

(a)

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| *Current* | | | | |
| Loans from banks/financial institutions* | **64,375** | 16,194 | **25,000** | 11,000 |
| Medium Term Notes* | **108,415** | 186,822 | **108,415** | 186,822 |
| | **172,790** | 203,016 | **133,415** | 197,822 |
| *Non-current* | | | | |
| Loans from banks/financial institutions* | **106,228** | 93,704 | **-** | - |
| Bonds and Notes* | **194,971** | 194,799 | **194,971** | 194,799 |
| | **301,199** | 288,503 | **194,971** | 194,799 |
| **Total borrowings** | **473,989** | 491,519 | **328,386** | 392,621 |

* Net of transaction costs.

(b) Secured liabilities

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Included in borrowings are the following secured liabilities: | | | | |
| Loans from banks/financial institutions* | **170,603** | 109,898 | **25,000** | 11,000 |
| Medium Term Notes* | **108,415** | 186,822 | **108,415** | 186,822 |
| Bonds and Notes* | **194,971** | 194,799 | **194,971** | 194,799 |
| | **473,989** | 491,519 | **328,386** | 392,621 |

* Net of transaction costs.

The securities for borrowings are as follows:

Loans from banks/financial institutions

These facilities of the Group and the Company are secured by:

(i) a first legal mortgage over the Group's development properties, investment properties, freehold and leasehold land and buildings (Notes 14, 21 and 22);

**25. Borrowings** (continued)

(b) Secured liabilities (continued)

These facilities of the Group and the Company are secured by: (continued)

(ii) certain quoted shares in an associated company held by a subsidiary [Note 17(c)];

(iii) fixed and floating charge over all the assets of the Company and certain subsidiaries;

(iv) assignment of all rights to and benefits from the sale and purchase agreements, rental proceeds, lease tenancies, building contracts, licences and insurance policies in respect of development properties, investment properties and freehold and leasehold land and buildings within the Group (Notes 14, 21 and 22); and

(v) corporate guarantee by the Company.

Medium Term Notes ("MTN")

The MTN programme is effective for ten years from 19 September 2001 under which Notes of various amounts at various interest rates for various periods ranging from three months to one year were issued. Unless previously redeemed or repurchased and cancelled as provided in the terms of the MTNs, the MTNs are redeemable at their principal amounts on their respective maturity dates from January 2009 to August 2009.

The MTNs constitute direct and unconditional obligation of the Company and are secured by:

(i) a corporate guarantee from a wholly owned subsidiary, OPH Property Limited;

(ii) a charge over monies in OPH Property Limited's bank account, amounting to $3,000 (2007: $3,000); and

(iii) a negative pledge undertaken by the Company and OPH Property Limited.

The proceeds from the issued MTNs were utilised towards the re-financing of the Company's borrowings.

Bonds and Notes

On 5 March 2004, the Company issued $195,000,000 five-year secured Bonds and Notes comprising $100,000,000 Fixed Rate Bonds (the "Bonds") and $95,000,000 Floating Rate Notes (the "Notes"). The Group classifies these Bonds and Notes as non-current as the Group has secured a new loan facility with a tenure of 3 years as at 31 December 2008 to refinance these borrowings. The new loan facility has been drawn down to repay the Bonds and Notes subsequent to the balance sheet date.

**25. Borrowings** (continued)

(b) Secured liabilities (continued)

The Bonds and Notes are secured on:

(i) a first legal mortgage over a hotel property and the freehold land thereon;

(ii) a legal assignment of the rights, title and interest under or arising out of any sale agreements, lease agreements, insurances, revenue collection account, performance bonds and any other cash flows arising from the property; and

(iii) comprehensive insurance of the property, naming the trustee as beneficiary.

The Bonds and Notes rank pari passu as a single class without any preference or priority among themselves but rank senior to all other present and future unsecured obligations (including subordinated obligations and priorities created by law or the trust deed) of the Company from time to time outstanding.

In the event of an amalgamation, reconstruction or merger of the Company and/or the Company and its subsidiaries occurring on or after the third year, the Company shall have the option to redeem all the Bonds and the Notes at a specified premium and on specified interest payment dates. Similarly, the Bondholders and Noteholders have an option to sell the Bonds and Notes back to the Company if following such event, the Company's majority shareholder holds less than 33% interest in the Company.

(c) Interest rate risks

The weighted average effective interest rates of total borrowings at the balance sheet date were as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **%** | % | **%** | % |
| Loans from banks/financial institutions | **2.37** | 3.16 | **4.00** | 3.22 |
| Medium Term Notes | **2.87** | 3.10 | **2.87** | 3.10 |
| Bonds and Notes | **3.59** | 4.28 | **3.59** | 4.28 |

**25. Borrowings** (continued)

(d) Fair value of non-current borrowings

The carrying amounts of non-current borrowings approximate their fair values as these instruments bear interest at variable rates except for a fixed-rate portion of the non-current bank borrowings where the fair values are as follows:

| | The Group and the Company | | | |
|---|---|---|---|---|
| | Carrying amount | | Fair value | |
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Long term secured loan - fixed, net of transaction costs | **99,985** | 99,897 | **99,420** | 100,566 |

The fair values above are determined from the cash flow analysis, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group and the Company as follows:

| | The Group and the Company | |
|---|---|---|
| | **2008** | 2007 |
| Long term secured loan | **7.60%** | 3.60% |

**26. Other non-current liabilities**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Rental deposits | **907** | 792 | **447** | 445 |
| Advances from minority shareholders of subsidiaries | **2** | 2 | **-** | - |
| Advances from associated companies | **3,016** | 3,016 | **-** | - |
| | **3,925** | 3,810 | **447** | 445 |

The advances from minority shareholders and associated companies are unsecured and interest-free. There are no fixed terms of repayment but repayment is not expected within the next twelve months.

At the balance sheet date, the carrying amounts of the advances from minority shareholders of subsidiaries and associated companies approximated their fair values.

**27. Deferred income taxes**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| **Deferred income tax assets** | **(223)** | (1,700) | **-** | - |
| **Deferred income tax liabilities** | | | | |
| - to be settled within one year | **331** | 455 | **315** | 357 |
| - to be settled after one year | **28,189** | 25,586 | **6,458** | 6,349 |
| | **28,520** | 26,041 | **6,773** | 6,706 |

Movement in deferred income tax account (net) is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Beginning of financial year | **24,341** | 13,765 | **6,706** | 6,986 |
| Effect of change in Singapore tax rate | | | | |
| - income statement | **-** | (437) | **-** | (314) |
| - equity [Note (29)(b)(i)] | **-** | (940) | **-** | (384) |
| Tax charged/(credited) to: | | | | |
| - income statement | **863** | (385) | **(244)** | (187) |
| - equity [Note (29)(b)(i)] | **3,093** | 12,338 | **311** | 605 |
| End of financial year | **28,297** | 24,341 | **6,773** | 6,706 |

The deferred income taxes taken to equity during the year are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Asset revaluation reserve in shareholders' equity - land and buildings [Note 29(b)(i)] | **3,093** | 11,398 | **311** | 221 |

The Group has unrecognised tax losses of approximately $88,874,500 (2007: $88,429,800) which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. These tax losses have no expiry date.

**27. Deferred income taxes** (continued)

The movement in the deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the year is as follows:

The Group

*Deferred income tax liabilities*

| | Accelerated tax depreciation | Asset revaluation surplus | Other | Total |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **2008** | | | | |
| Beginning of financial year | 964 | 23,797 | 1,280 | 26,041 |
| (Credited)/Charged to | | | | |
| - income statement | (19) | (111) | (484) | (614) |
| - equity | - | 3,093 | - | 3,093 |
| End of financial year | **945** | **26,779** | **796** | **28,520** |
| **2007** | | | | |
| Beginning of financial year | 1,406 | 10,997 | 1,362 | 13,765 |
| Effect of change in Singapore tax rate | | | | |
| - income statement | (141) | (160) | (136) | (437) |
| - equity | - | (940) | - | (940) |
| (Credited)/Charged to | | | | |
| - income statement | (301) | 1,562 | 54 | 1,315 |
| - equity | - | 12,338 | - | 12,338 |
| End of financial year | 964 | 23,797 | 1,280 | 26,041 |

*Deferred income tax assets*

| | Tax losses | Other | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **2008** | | | |
| Beginning of financial year | (1,000) | (700) | (1,700) |
| Charged to income statement | 777 | 700 | 1,477 |
| End of financial year | **(223)** | **-** | **(223)** |
| **2007** | | | |
| Beginning of financial year | - | - | - |
| Credited to income statement | (1,000) | (700) | (1,700) |
| End of financial year | (1,000) | (700) | (1,700) |

**27. Deferred income taxes** (continued)

The Company

*Deferred income tax liabilities*

| | Accelerated tax depreciation $'000 | Asset revaluation surplus $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|
| **2008** | | | | |
| Beginning of financial year | 723 | 4,574 | 1,409 | 6,706 |
| (Credited)/Charged to | | | | |
| - income statement | (19) | (244) | 19 | (244) |
| - equity | - | 311 | - | 311 |
| End of financial year | **704** | **4,641** | **1,428** | **6,773** |
| **2007** | | | | |
| Beginning of financial year | 1,006 | 4,618 | 1,362 | 6,986 |
| Effect of change in Singapore tax rate | | | | |
| - income statement | (100) | (78) | (136) | (314) |
| - equity | - | (384) | - | (384) |
| (Credited)/Charged to | | | | |
| - income statement | (183) | (187) | 183 | (187) |
| - equity | - | 605 | - | 605 |
| End of financial year | 723 | 4,574 | 1,409 | 6,706 |

The Group's and Company's deferred tax liabilities have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date. On 22 January 2009, the Singapore Minister for Finance announced a reduction in corporate tax rate from 18% to 17% with effect from the year of assessment 2010. The Group's and Company's deferred tax expense for the current financial year have not taken into consideration the effect of the reduction in the corporate tax rate, which will be accounted for in the Group's and Company's deferred tax expense in the year ending 31 December 2009. The Group's and Company's deferred tax liabilities as of 31 December 2008 will be reduced by approximately $1,584,000 and $376,000 respectively when the new corporate tax rate of 17% is applied.

**28. Share capital**

| | No. of shares | Amount |
|---|---|---|
| | Issued share capital '000 | Share capital $'000 |
| **2008 and 2007** | | |
| Beginning and end of financial year | 350,774 | 354,391 |

All issued shares are fully paid. There is no par value for these ordinary shares.

**29. Revaluation and other reserves**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| (a) Composition: | | | | |
| Asset revaluation reserve | **513,096** | 447,394 | **412,295** | 365,864 |
| Currency translation reserve | **(14,305)** | (12,759) | **-** | - |
| Fair value reserve | **(19,748)** | (695) | **-** | - |
| | **479,043** | 433,940 | **412,295** | 365,864 |
| (b) Movements: | | | | |
| (i) *Asset revaluation reserve:* | | | | |
| Beginning of financial year | **447,394** | 300,904 | **365,864** | 279,537 |
| Effect of change in Singapore tax rate (Note 27) | **-** | 940 | **-** | 384 |
| Revaluation gains on: | | | | |
| - property, plant and equipment (Note 22) | **62,206** | 151,724 | **46,742** | 86,548 |
| Deferred tax liability on revaluation gains (Note 27) | **(3,093)** | (12,338) | **(311)** | (605) |
| Share of associated company's revaluation surplus (Note 17) | **7,291** | 6,164 | **-** | - |
| Share of associated company's transfer to accumulated losses | **(702)** | - | **-** | - |
| End of financial year | **513,096** | 447,394 | **412,295** | 365,864 |
| (ii) *Currency translation reserve:* | | | | |
| Beginning of financial year | **(12,759)** | (12,856) | **-** | - |
| Net currency translation differences of financial statements of a foreign subsidiary company | **(230)** | (12) | **-** | - |
| Share of associated company's translation reserve (Note 17) | **(1,316)** | 109 | **-** | - |
| End of financial year | **(14,305)** | (12,759) | **-** | - |
| (iii) *Fair value reserve:* | | | | |
| Beginning of financial year | **(695)** | 2,771 | **-** | - |
| Share of associated company's fair value losses on available-for-sale financial assets (Note 17) | **(19,053)** | (3,466) | **-** | - |
| End of financial year | **(19,748)** | (695) | **-** | - |

Revaluation and other reserves are non-distributable.

## 30. Retained earnings

Movement in retained earnings for the Company is as follows:

| | The Company | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Beginning of financial year | **10,274** | (30,282) |
| Net profit | **23,607** | 40,556 |
| Dividend paid to shareholders | **(7,015)** | - |
| End of financial year | **26,866** | 10,274 |

Movement in accumulated losses for the Group is shown in the Consolidated Statement of Changes in Equity.

## 31. Contingent liabilities

Subsequent to the sale of an investment property by a subsidiary in 2002, an injunction was obtained by the previous tenant of the investment property against the two existing owners and the subsidiary. The injunction prevents the existing owners and the subsidiary from disposing of the investment property until the conclusion of the trial. In the event the injunction is successful, the subsidiary will have to void the sale of the investment property and refund $3.0 million to the purchaser with a corresponding decrease of $0.7 million to the Group and subsidiary's net profit.

Based on legal advice on this matter, the directors are of the opinion that the outcome of the trial will be favourable to the subsidiary, and no significant liabilities will be incurred. Hence, no provision has been made in respect of the lawsuit.

## 32. Commitments

(a) Corporate guarantees

Corporate guarantees issued by the Company to banks in respect of banking facilities granted to the subsidiaries are disclosed in Note 33(b).

In addition, a corporate guarantee issued by a subsidiary of the Company is disclosed in Note 25(b).

(b) Capital commitments

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Capital expenditures contracted for: | | | | |
| (i) Property under development (Note 18) | **80,525** | 87,234 | **-** | - |
| (ii) Property, plant and equipment | **-** | 123 | **-** | 123 |
| | **80,525** | 87,357 | **-** | 123 |

**32. Commitments** (continued)

(c) Operating lease commitments

The Group leases out its investment properties under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Not later than one year | | | | |
| - third parties | **6,964** | 5,231 | **5,175** | 3,761 |
| - related parties [Note 35(a)] | **781** | 1,015 | **334** | 336 |
| | **7,745** | 6,246 | **5,509** | 4,097 |
| Between one and five years | | | | |
| - third parties | **4,002** | 2,861 | **3,399** | 2,239 |
| - related parties [Note 35(a)] | **53** | 369 | **-** | 95 |
| | **4,055** | 3,230 | **3,399** | 2,334 |
| | **11,800** | 9,476 | **8,908** | 6,431 |

**33. Financial risk management**

The Group's activities expose it to market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management objective is to effectively manage these risks and minimise potential adverse effects on the financial performance of the Group. The financial risk management is carried out by a team within the management of the Group.

(a) Market risk

(i) *Cash flow and fair value interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets other than fixed deposits with banks, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's exposure to cash flow interest rate risks arises mainly from variable-rate borrowings. The Company's exposure to cash flow interest rate risks arises mainly from borrowings, and advances and loans from/to subsidiaries at variable rates. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

**33. Financial risk management** (continued)

(a) Market risk (continued)

(i) *Cash flow and fair value interest rate risk (continued)*

The Group's and the Company's borrowings at variable rates are denominated in Singapore Dollars. If the interest rates increase/decrease by 1% (2007: 1%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by $4,340,000 (2007: $4,231,000) and $3,067,000 (2007: $3,383,000) as a result of higher/lower interest expense on these borrowings.

(ii) *Currency risk*

The Group's currency exposure to foreign exchange risk is not significant as most of its transactions are denominated in Singapore Dollars, except for the activities undertaken by its Malaysian subsidiary, which are mainly denominated in Malaysia Ringgit. The Malaysian subsidiary mainly owns an investment property in Kuala Lumpur [Note 21(c)] and does not have significant financial assets and liabilities as the property is currently vacant awaiting redevelopment to commence.

The Company's business is not exposed to any significant foreign exchange risk as majority of its financial assets and liabilities are denominated in Singapore Dollars.

(iii) *Price risk*

The Group is exposed to equity securities price risk because of the investments held by the Group which are classified on the consolidated balance sheet as financial assets at fair value through profit or loss. These securities are listed in Singapore. The investment decisions are undertaken by a team, which comprises certain directors of the Company.

If prices for equity securities listed in Singapore change by 10% (2007: 10%) with all other variables including tax rate being held constant, the profit after tax will be:

| | Increase/(Decrease) | |
|---|---|---|
| | **Profit after tax 2008 $'000** | Profit after tax 2007 $'000 |
| The Group | | |
| Listed in Singapore | | |
| - increased by | **778** | 1,418 |
| - decreased by | **(778)** | (1,418) |

**33. Financial risk management** (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history and/or requiring deposits to be placed with the Group prior to provision of certain of its services. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group has no significant concentrations of credit risk and has in place credit policies and procedures to ensure on-going credit evaluation and active account monitoring.

As the Group and the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

| | The Company | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Corporate guarantees provided to banks on subsidiaries' banking facilities | **145,681** | 99,000 |

The Group's and the Company's major classes of financial assets are bank deposits and trade receivables.

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with reputable banks. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

**33. Financial risk management** (continued)

(b) Credit risk (continued)

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Past due 0 to 2 months | **1,080** | 1,433 | **710** | 730 |
| Past due 2 to 4 months | **114** | 79 | **39** | 46 |
| Past due over 4 months | **271** | 14 | **254** | - |
| | **1,465** | 1,526 | **1,003** | 776 |

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Gross amount | **774** | 810 | **-** | 36 |
| Less: Allowance for impairment | **(774)** | (810) | **-** | (36) |
| | **-** | - | **-** | - |
| Beginning of financial year | **810** | 793 | **36** | 26 |
| Allowance made | **23** | 45 | **-** | 15 |
| Allowance utilised | **(59)** | (28) | **(36)** | (5) |
| End of financial year | **774** | 810 | **-** | 36 |

**33. Financial risk management** (continued)

(c) Liquidity risk

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flow.

| | Less than 1 year $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 |
|---|---|---|---|
| The Group | | | |
| **At 31 December 2008** | | | |
| Trade and other payables | 21,040 | - | - |
| Borrowings | 370,329 | 4,122 | 109,227 |
| Other non-current liabilities | - | 3,693 | 232 |
| | **391,369** | **7,815** | **109,459** |
| **At 31 December 2007** | | | |
| Trade and other payables | 19,033 | - | - |
| Borrowings | 217,002 | 201,389 | 96,538 |
| Other non-current liabilities | - | 3,639 | 171 |
| | 236,035 | 205,028 | 96,709 |
| The Company | | | |
| **At 31 December 2008** | | | |
| Trade and other payables | 10,120 | - | - |
| Borrowings | 331,679 | - | - |
| Other non-current liabilities | - | 222 | 225 |
| | **341,799** | **222** | **225** |
| **At 31 December 2007** | | | |
| Trade and other payables | 9,996 | - | - |
| Borrowings | 208,803 | 196,453 | - |
| Other non-current liabilities | - | 304 | 141 |
| | 218,799 | 196,757 | 141 |

The Group and the Company manage the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities.

The Group has secured a new loan facility to refinance the repayment of Bonds and Notes due within 1 year [Note 25(b)].

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

**33. Financial risk management** (continued)

(d) Capital risk (continued)

Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Net debt | **475,015** | 489,804 | **325,394** | 398,776 |
| Total equity | **818,178** | 752,437 | **793,552** | 730,529 |
| Total capital | **1,293,193** | 1,242,241 | **1,118,946** | 1,129,305 |
| **Gearing ratio** | **37%** | 39% | **29%** | 35% |

The Group also monitors the ratio of consolidated total borrowings to consolidated tangible net worth and ratio of consolidated total liabilities to consolidated tangible net worth which should not at any time exceed 2.00 and 2.25 respectively as these are the key debt covenant ratios required under the Medium Term Notes programme.

The debt covenant ratios required under the Medium Term Notes programme as at 31 December are as follows:

| | The Group and the Company | |
|---|---|---|
| | **2008** | 2007 |
| Ratio of consolidated total borrowings to consolidated tangible net worth | **0.67** | 0.76 |
| Ratio of consolidated total liabilities to consolidated tangible net worth | **0.75** | 0.84 |

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2008 and 2007.

**34. Immediate and ultimate holding company**

The Company's immediate and ultimate holding company is Far East Organisation Pte Ltd, incorporated in Singapore.

**35. Related party transactions**

The following transactions took place between the Group and related parties during the financial year:

(a) Sale and purchase of goods and services

In the ordinary course of business, the Group transacted with related parties, which relate to certain corporations in which the major shareholder of the holding company has substantial interests. These transactions are on terms agreed between the parties concerned.

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

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Amount billed (by)/to related parties: | | |
| Management service, property management, accounting, computer support and other fees | **(3,532)** | (3,653) |
| Property development, project management and sales and marketing service fees | **(960)** | - |
| Management fees charged to a joint venture | **383** | - |
| Rental income | **1,897** | 1,228 |
| Hospitality revenue | **-** | 105 |

Outstanding balances at 31 December 2008, arising from sale and purchase of goods and services, are set out in Notes 12 and 23 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| Wages and salaries | **344** | 605 |
| Employer's contribution to defined contribution plans, including Central Provident Fund | **19** | 39 |
| Directors' fees | **310** | 310 |
| | **673** | 954 |

Included in the above is total compensation to directors of the Company amounting to $315,000 (2007: $314,000).

The banding of directors' remuneration is disclosed in Note 7.

**36. Segment information**

(a) Primary reporting format - business segments

| | Hospitality $'000 | Property Development $'000 | Property Investment $'000 | Investment Holding $'000 | Food and Beverage and Other[1] $'000 | Eliminations $'000 | The Group $'000 |
|---|---|---|---|---|---|---|---|
| **Financial year ended 31 December 2008** | | | | | | | |
| **REVENUE** | | | | | | | |
| - external sales | 55,305 | 2,146 | 10,844 | 676 | - | - | 68,971 |
| - inter-segment revenue | - | - | - | - | - | - | - |
| | 55,305 | 2,146 | 10,844 | 676 | - | - | 68,971 |
| Segment result[2] | 34,242 | (502) | 23,581 | (6,736) | - | (1,962) | 48,623 |
| Other income | | | | | | | 104 |
| Finance expense | | | | | | | (15,334) |
| Share of profit/(loss) of associated companies | - | 219 | - | - | (2,277) | - | (2,058) |
| Profit before income tax | | | | | | | 31,335 |
| Income tax expense | | | | | | | (4,384) |
| **Total profit** | | | | | | | 26,951 |
| Segment assets | 703,460 | 159,038 | 169,724 | 9,706 | - | (74) | 1,041,854 |
| Associated companies | - | 3,592 | - | - | 282,140 | - | 285,732 |
| Unallocated assets | | | | | | | 21,082 |
| **Consolidated total assets** | | | | | | | 1,348,668 |
| Segment liabilities | 7,116 | 9,551 | 2,374 | 6,216 | - | - | 25,257 |
| Unallocated liabilities | | | | | | | 505,233 |
| **Consolidated total liabilities** | | | | | | | 530,490 |
| **Other segment items** | | | | | | | |
| Capital expenditure | 2,910 | - | - | - | - | - | 2,910 |
| Depreciation | 6,906 | - | 2 | 359 | - | - | 7,267 |
| Fair value gains on investment properties credited to income statement - net | - | - | 15,818 | - | - | - | 15,818 |

(1) This relates to investment held in an associated company, Yeo Hiap Seng Limited.

(2) Includes fair value gains on investment properties (Note 4).

**36. Segment information** (continued)

(a) Primary reporting format - business segments (continued)

| | Hospitality | Property Development | Property Investment | Investment Holding | Food and Beverage and other[1] | Eliminations | The Group |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial year ended 31 December 2007** | | | | | | | |
| **REVENUE** | | | | | | | |
| - external sales | 48,580 | 25,987 | 9,697 | 996 | - | - | 85,260 |
| - inter-segment revenue | - | - | - | 35,065 | - | (35,065) | - |
| | 48,580 | 25,987 | 9,697 | 36,061 | - | (35,065) | 85,260 |
| Segment result[2] | 27,228 | 4,571 | 24,850 | 41,767 | - | (40,937) | 57,479 |
| Other income | | | | | | | 152 |
| Finance expense | | | | | | | (20,539) |
| Share of profit of associated companies | - | 668 | - | - | 1,276 | - | 1,944 |
| Profit before income tax | | | | | | | 39,036 |
| Income tax expense | | | | | | | (4,325) |
| **Total profit** | | | | | | | 34,711 |
| Segment assets | 645,505 | 154,556 | 154,379 | 17,407 | - | (74) | 971,773 |
| Associated companies | - | 3,373 | - | - | 297,495 | - | 300,868 |
| Unallocated assets | | | | | | | 22,704 |
| **Consolidated total assets** | | | | | | | 1,295,345 |
| Segment liabilities | 7,100 | 8,331 | 2,461 | 5,166 | - | - | 23,058 |
| Unallocated liabilities | | | | | | | 519,850 |
| **Consolidated total liabilities** | | | | | | | 542,908 |
| **Other segment items** | | | | | | | |
| Capital expenditure | 1,637 | - | - | - | - | - | 1,637 |
| Depreciation | 7,124 | - | 4 | 365 | - | - | 7,493 |
| Fair value gains on investment properties credited to income statement - net | - | - | 18,933 | - | - | - | 18,933 |

(1) This relates to investment held in an associated company, Yeo Hiap Seng Limited.
(2) Includes fair value gains on investment property (Note 4).

**36. Segment information** (continued)

(a) Primary reporting format - business segments (continued)

At 31 December 2008, the Group is organised into five main business segments:

- Hospitality - operation of Orchard Parade Hotel, Albert Court Hotel and Central Square
- Property development - sale of properties
- Property investment - rental of investment properties owned by the Group
- Investment holding and trading - investments in quoted/unquoted shares
- Food and beverage and others - sale of food and beverage products by an associated company

Inter-segment transactions are recorded at their transacted price which is generally at fair value. Segment assets consist primarily of property, plant and equipment, investment properties, development properties, receivables and exclude cash and cash equivalents, tax recoverable and deferred income tax assets. Segment liabilities comprise mainly of operating liabilities and exclude tax liabilities, deferred income tax liabilities and borrowings. Capital expenditure comprises additions to property, plant and equipment.

(b) Secondary reporting format - geographical segments

The Group's five business segments operate in two main geographical areas:

- Singapore - the Company is headquartered and has operations in Singapore. The operations in this area are principally hospitality, property development, property investment, investment holding and food and beverage.
- Other countries - the operations are property investment and food and beverage.

With the exception of Singapore, no other individual country contributed more than 10% of consolidated sales and assets. Sales are based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical areas where the assets are located.

| | Sales | | Total assets * | | Capital expenditure | |
|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | **$'000** | $'000 | **$'000** | $'000 | **$'000** | $'000 |
| Singapore | **68,971** | 85,258 | **1,200,322** | 1,156,174 | **2,910** | 1,637 |
| Other countries | **-** | 2 | **148,346** | 139,171 | **-** | - |
| | **68,971** | 85,260 | **1,348,668** | 1,295,345 | **2,910** | 1,637 |

* Includes the Group's share of net assets of an associated company, Yeo Hiap Seng Limited, which is accounted for using the equity method of accounting.

**37. Dividends**

| | The Group and the Company | |
|---|---|---|
| | **2008** | 2007 |
| | **$'000** | $'000 |
| *Ordinary dividends paid* | | |
| Final exempt dividend paid in respect of the previous financial year of 2 cents (2007: Nil cents) per share (Note 30) | **7,015** | - |

**38. New or revised accounting standards and interpretations**

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has not early adopted. The Group's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Group is set out below:

(a) FRS 1(R) *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009)

The revised standard requires:

- All changes in equity arising from transactions with owners in their capacity as owners to be presented separately from components of comprehensive income;
- Components of comprehensive income not to be included in statement of changes in equity;
- Items of income and expenses and components of other comprehensive income to be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate statement of profit and loss followed by a statement of comprehensive income);
- Presentation of restated balance sheet as at the beginning of the comparative period when entities make restatements or reclassifications of comparative information.

The revisions also include changes in the titles of some of the financial statements primary statements.

The Group will apply the revised standard from 1 January 2009 and provide comparative information that conforms to the requirements of the revised standard. The key impact of the application of the revised standard is the presentation of an additional primary statement, that is, the statement of comprehensive income.

(b) FRS 108 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009)

FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed.

The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group expects the new operating segments to be similar to the business segments currently disclosed.

(c) Revised FRS 23 *Borrowing Costs* (effective for annual periods beginning on or after 1 January 2009)

The revised standard removes the option to recognise immediately as an expense borrowing costs that are attributable to qualifying assets, except for those borrowing costs on qualifying assets that are measured at fair value or inventories that are manufactured or produced in large quantities on a repetitive basis.

The Group will apply the revised FRS 23 from 1 January 2009. As the Group has been capitalising the relevant borrowing costs, the revised standard is not expected to have any impact to the Group.

**39. Authorisation of financial statements**

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Orchard Parade Holdings Limited on 27 March 2009.

**40. Listing of subsidiary companies in the Group**

| Name of Company | Principal activities | Country of Incorporation and place of Business | Cost of investment | | % of Paid-up capital held by: The Company or its Nominees | | Subsidiaries or their Nominees | |
|---|---|---|---|---|---|---|---|---|
| | | | **2008** **$'000** | 2007 $'000 | **2008** **%** | 2007 % | **2008** **%** | 2007 % |
| Stable Properties Pte Ltd | Property investment | Singapore | ***** | * | **100** | 100 | **-** | - |
| First Choice Properties Pte Ltd | Operation of hotel and property investment | Singapore | **12,083** | 12,083 | **100** | 100 | **-** | - |
| OPH Securities Holding Pte Ltd (2) | General trading/ investment holding | Singapore | ***** | * | **100** | 100 | **-** | - |
| Tannery Holdings Pte Ltd | Property development and investment | Singapore | ***** | * | **100** | 100 | **-** | - |
| Pinehigh Development Sdn Bhd | Investment in a property in Malaysia | Malaysia | ****** | ** | **100** | 100 | **-** | - |
| Westview Properties Pte Ltd | Property development | Singapore | **17,370** | 17,370 | **100** | 100 | **-** | - |
| Goldvine Pte Ltd (2) | Property development | Singapore | **10,466** | 10,466 | **100** | 100 | **-** | - |
| Orchard Parade Land Pte Ltd (2) | Property investment and property management services | Singapore | ***** | * | **100** | 100 | **-** | - |
| Jadevine Limited | Property development | Singapore | **26,018** | 26,018 | **100** | 100 | **-** | - |
| Pearlvine Pte Ltd | Property development | Singapore | **7,863** | 7,863 | **100** | 100 | **-** | - |
| OPH Property Limited | Investment holding | Singapore | ***** | * | **100** | 100 | **-** | - |
| OPH Westcove Pte Ltd | Property development | Singapore | **1,000** | 1,000 | **100** | 100 | **-** | - |
| OPH Zenith Pte Ltd | Investment holding | Singapore | ***** | * | **100** | 100 | **-** | - |
| OPH Riverside Pte Ltd | Operation of serviced apartments, serviced offices and property investment | Singapore | **30,972** | 30,972 | **100** | 100 | **-** | - |
| Balance carried forward | | | **105,772** | 105,772 | | | | |

**40. Listing of subsidiary companies in the Group** (continued)

| Name of Company | Principal activities | Country of Incorporation and place of Business | Cost of investment | | % of Paid-up capital held by The Company or its Nominees | | % of Paid-up capital held by Subsidiaries or their Nominees | |
|---|---|---|---|---|---|---|---|---|
| | | | **2008 $'000** | 2007 $'000 | **2008 %** | 2007 % | **2008 %** | 2007 % |
| Balance brought forward | | | **105,772** | 105,772 | | | | |
| OPH Investments Pte Ltd | Investment holding | Singapore | ***** | * | **100** | 100 | **-** | - |
| OPH Marymount Limited | Property development | Singapore | **1,000** | 1,000 | **100** | 100 | **-** | - |
| OPH Orion Limited | Investment holding | Singapore | ***** | * | **100** | 100 | **-** | - |
| Jelco Properties Pte Ltd | Investment holding | Singapore | **396,100** | 396,100 | **100** | 100 | **-** | - |
| OPH Investment Trading Pte Ltd | Investment trading and holding | Singapore | ***** | * | **100** | 100 | **-** | - |
| Seasons Green Limited | Property development | Singapore | **800** | 800 | **80** | 80 | **-** | - |
| Subsidiary of OPH Orion Limited | | | | | | | | |
| Orwin Development Limited(1) | Property development | Singapore | **-** | - | **-** | - | **60** | 60 |
| | | | **503,672** | 503,672 | | | | |

All subsidiaries are audited by PricewaterhouseCoopers LLP, Singapore, except for Pinehigh Development Sdn Bhd, which is audited by Roger Yue, Tan & Associates.

* Cost of investment is $2.00.
** Cost of investment is RM2.00.
(1) Orwin Development Limited is a subsidiary of the Group under the Singapore Companies Act, Cap. 50, by virtue of the Group's equity interests exceeding 50%. However, for accounting purposes, Orwin Development Limited is regarded as a joint venture (Note 18) in accordance with FRS 31, Financial Reporting of Interests in Joint Ventures because a contractual agreement exists between the shareholders which requires unanimous consent from the shareholders for all strategic financial and operating activities relating to the company.
(2) These subsidiaries are in the process of voluntary liquidation after balance sheet date.

# *STATISTICS OF SHAREHOLDINGS*

*as at 20 March 2009*

| | | |
|---|---|---|
| Issued and fully paid-up capital | : | $354,390,541.40 |
| Number of shares issued | : | 350,774,021 |
| Class of shares | : | Ordinary shares fully paid |
| Voting rights | : | One vote per share |

**DISTRIBUTION OF SHAREHOLDINGS**

| Size of Holdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 999 | 370 | 5.92 | 73,681 | 0.02 |
| 1,000 - 10,000 | 4,565 | 73.07 | 20,904,624 | 5.96 |
| 10,001 - 1,000,000 | 1,291 | 20.66 | 48,865,300 | 13.93 |
| 1,000,001 and above | 22 | 0.35 | 280,930,416 | 80.09 |
| Total | 6,248 | 100.00 | 350,774,021 | 100.00 |

**TWENTY LARGEST SHAREHOLDERS**

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | Far East Organisation Pte Ltd | 176,196,364 | 50.23 |
| 2 | Bank of China Nominees Pte Ltd | 22,000,000 | 6.27 |
| 3 | United Overseas Bank Nominees Pte Ltd | 10,162,463 | 2.90 |
| 4 | DBS Nominees Pte Ltd | 8,974,418 | 2.56 |
| 5 | Kim Eng Securities Pte. Ltd. | 8,794,573 | 2.51 |
| 6 | Bank of East Asia Nominees Pte Ltd | 7,227,184 | 2.06 |
| 7 | BNP Paribas Pte Bank Nominees Pte Ltd | 7,118,253 | 2.03 |
| 8 | Daiwa (Malaya) Private Limited | 6,731,200 | 1.92 |
| 9 | Citibank Nominees Singapore Pte Ltd | 6,103,126 | 1.74 |
| 10 | Malayan Banking Berhad | 5,333,731 | 1.52 |
| 11 | OCBC Nominees Singapore Pte Ltd | 3,449,636 | 0.98 |
| 12 | DBSN Services Pte Ltd | 2,721,000 | 0.78 |
| 13 | The Estate of Khoo Teck Puat, Deceased | 2,412,200 | 0.69 |
| 14 | UOB Kay Hian Pte Ltd | 2,396,905 | 0.68 |
| 15 | OCBC Securities Private Ltd | 1,774,299 | 0.51 |
| 16 | Raffles Nominees Pte Ltd | 1,718,406 | 0.49 |
| 17 | Hotel Holdings (Private) Ltd | 1,699,600 | 0.48 |
| 18 | DBS Vickers Securities (S) Pte Ltd | 1,583,320 | 0.45 |
| 19 | HSBC (Singapore) Nominees Pte Ltd | 1,286,722 | 0.37 |
| 20 | Phillip Securities Pte Ltd | 1,134,816 | 0.32 |
| | Total | 278,818,216 | 79.49 |

# *STATISTICS OF SHAREHOLDINGS*

*as at 20 March 2009*

**SUBSTANTIAL SHAREHOLDERS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS**

| Name | No. of Shares | % |
|---|---|---|
| Far East Organisation Pte Ltd ("Far East")* | 203,530,095 | 58.02 |
| The Estate of Khoo Teck Puat, Deceased | 20,951,000 | 5.97 |

* (i) Both Mr. Ng Teng Fong and Mdm. Tan Kim Choo, the Chairman and a Director respectively of Far East are deemed to have an interest in the above shareholdings as they own 50% each of the issued shares of Far East.

(ii) In addition to her interest in the aforsaid shareholding, Mdm. Tan is also a registered and beneficial owner of 222,520 shares in the Company.

**COMPLIANCE WITH RULE 723 OF THE LISTING MANUAL**

The percentage of shareholding held in the hands of the public as at 20 March 2009 was 35.91%. Thus, the Company has complied with Rule 723 of the Listing Manual of the Singapore Securities Trading Limited, which requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) of a listed company in a class that is at all times held by the public.

# *NOTICE OF ANNUAL GENERAL MEETING*

**NOTICE IS HEREBY GIVEN** that the Forty-first Annual General Meeting of Orchard Parade Holdings Limited will be held at Antica I, Level 2, Orchard Parade Hotel, 1 Tanglin Road, Singapore 247905 on Wednesday, the 29th day of April 2009 at 2.00 p.m. for the following businesses:

**ORDINARY BUSINESS**

1. To receive and adopt the audited accounts for the financial year ended 31 December 2008 and the reports of the directors and auditors thereon. **(Resolution 1)**

2. To approve the payment of $360,989 as Directors' fees for the financial year ended 31 December 2008. (2007: $309,500) **(Resolution 2)**

3. To re-elect Mr. Tjong Yik Min as Director under Article 96. **(Resolution 3)**

4. To re-elect Mr. Cheng Hong Kok as Director under Article 96. **(Resolution 4)**

5. To re-elect Mr. Lucas Chow Wing Keung as Director under Article 101. **(Resolution 5)**

6. To re-elect Mr. Eddie Yong Chee Hiong as Director under Article 101. **(Resolution 6)**

7. To record the retirement of Mr. Albert Goh, a Director who is over 70 years of age, who has decided not to seek re-appointment under Section 153(6) of the Companies Act, Chapter 50.

8. To re-appoint Messrs PricewaterhouseCoopers LLP as auditors for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 7)**

9. To transact any other business which may properly be transacted at an Annual General Meeting.

**SPECIAL BUSINESS**

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

10. **ORDINARY RESOLUTION**

"That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (***Act***) and the listing rules of the Singapore Exchange Securities Trading Limited (***SGX-ST***), authority be and is hereby given to the Directors of the Company to:

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

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

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

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

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

(2) (subject to such manner of calculation as may be prescribed by SGX-ST) for the purpose of determining the aggregate number of Shares excluding treasury shares that may be issued under sub-paragraph (1) above:-

(i) the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares at the time this Resolution is passed after adjusting for:

(aa) new Shares arising from the conversion or exercise of convertible securities;

(bb) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(cc) any subsequent bonus issue, consolidation or subdivision of Shares;

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

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

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier." **(Resolution 8)**

BY ORDER OF THE BOARD

JOANNE LIM SWEE LEE
MADELYN KWANG YEIT LAM
Secretaries

Singapore,
13 April 2009

**Notes:**

1. A member of the Company entitled to attend and vote at the above meeting 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 and where there is more than one proxy, the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy must be stated.

2. If a proxy is to be appointed, the form must be deposited at the Registered Office of the Company at 14 Scotts Road #06-01, Far East Plaza, Singapore 228213 not less than 48 hours before the meeting.

**Note to Ordinary Resolutions 4 and 5**

Mr. Cheng Hong Kok, if elected, will continue to serve as an independent member of the Remuneration Committee and as Chairman of the Audit Committee.

Mr. Lucas Chow Wing Keung, if elected, will continue to serve as an independent member of the Audit Committee and as Chairman of the Remuneration Committee.

**Note to Agenda Item 7**

Mr. Albert Goh, a Director who is over 70 years of age, has informed the Company that due to health reasons, he would not seek re-appointment at this annual general meeting under Section 153(6) of the Companies Act, Chapter 50.

**Explanatory Note on Special Business to be Transacted**

**Ordinary Resolution 8**

Resolution 8, if passed, will empower the Directors to issue Shares in the capital of the Company, and/or Instruments (as defined above). The aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to Resolution 8 but excluding Shares which may be issued pursuant to any adjustments effected under any relevant Instrument) shall not exceed 50 per cent. of the total number of issued Shares excluding any treasury shares, with a sub-limit of 20 per cent. for Shares issued other than on a *pro rata* basis (including Shares to be issued in pursuance of Instruments made or granted pursuant to Resolution 8 but excluding Shares which may be issued pursuant to any adjustments effected under any relevant Instrument) to shareholders. For the purpose of determining the aggregate number of Shares excluding treasury 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 as at the time of the passing of Resolution 8 after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities;

(b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time Resolution 8 is passed; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares.

This calculation is in accordance with Rule 806(3) of the Listing Manual of the SGX-ST. The authority will continue in force until 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, unless previously revoked or varied at a general meeting.

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**ORCHARD PARADE HOLDINGS LIMITED**
(Registration No: 196700511H)
(Incorporated in the Republic of Singapore)

# PROXY FORM

***IMPORTANT***

1. For investors who have used their CPF monies to buy Orchard Parade Holdings Limited shares, this Annual Report has been forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We ______________________________________________(Name)

of ______________________________________________(Address)

being a Member(s)/Shareholder(s) of Orchard Parade Holdings Limited (the "Company") hereby appoint:

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us on my/our behalf at the Forty-first Annual General Meeting of the Company to be held at 2.00 p.m. on Wednesday, 29 April 2009 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they shall be entitled to do so in respect of any other matter arising at the Meeting.

| Resolutions | | For* | Against* |
|---|---|---|---|
| **Resolution 1.** | Adoption of the reports of the directors and auditors and the audited accounts for the year ended 31 December 2008 | | |
| **Resolution 2** | Approval of payment of Directors' fees | | |
| **Resolution 3.** | Re-election of Director, Mr. Tjong Yik Min, under Article 96 | | |
| **Resolution 4.** | Re-election of Director, Mr. Cheng Hong Kok, under Article 96 | | |
| **Resolution 5.** | Re-election of Director, Mr. Lucas Chow Wing Keung, under Article 101 | | |
| **Resolution 6.** | Re-election of Director, Mr. Eddie Yong Chee Hiong, under Article 101 | | |
| **Resolution 7.** | Re-appointment of PricewaterhouseCoopers LLP as auditors at a fee to be agreed by the Directors | | |
| **Resolution 8.** | Approval of the Ordinary Resolution pursuant to Section 161 of the Companies Act, Chapter 50 | | |

* Please indicate your vote "For" or "Against" with an "x" within the box provided.
** If you wish to exercise all your votes "For" or "Against", please indicate with an "x" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ____________ day of__________________ 2009.

| Total Number of Shares held |
|---|
| |

______________________________________
Signature(s) of Shareholders/Common Seal

Affix
Postage
Stamp

Company Secretary
Orchard Parade Holdings Limited
14 Scotts Road #06-01
Far East Plaza
Singapore 228213

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Fold along dotted line

**Notes:**

1. A member of the Company entitled to attend and vote at the Meeting 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.

2. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion (expressed as a percentage of the whole) of his/her shareholding to be represented by each proxy.

3. This instrument of proxy must be signed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or its attorney or affixed with its common seal thereto.

4. A body corporate which is a member may also appoint by resolution of its directors or other governing body an authorised representative in accordance with its Articles of Association or its constitutive documents and Section 179 of the Companies Act, Chapter 50 of Singapore, to attend and vote for and on behalf of such body corporate.

5. This instrument appointing a proxy or proxies (together with the power of attorney (if any) under which it is signed or a duly certified copy thereof), must be deposited at the registered office of the Company at 14 Scotts Road #06-01, Far East Plaza, Singapore 228213 not less than 48 hours before the time for holding the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his/her name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he/she should insert that number of shares. If the member has shares registered in his/her name in the Register of Members of the Company, he/she should insert that number of shares. If the member has shares entered against his/her name in the Depository Register and registered in his/her name in the Register of Members, he/she should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all shares held by the member.

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

8. For investors who have used their CPF monies to buy shares in the Company, this Notice is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

9. 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.

**Orchard Parade Holdings Limited**
(Registration No. 196700511H)

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Tel: (65) 6833 6688  Fax: (65) 6738 8085