ANNUAL REPORT

2006

HLG Enterprise Limited

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CORPORATE DIRECTORY

BOARD OF DIRECTORS
Wong Hong Ren (Chairman, non-executive)

EXECUTIVE
Neo Teck Pheng

NON-EXECUTIVE
Florence Tay Eng Neo
Michael Yeo Chee Wee (Independent)
Lee Kim Shin (Independent)
Kevin Hangchi

AUDIT COMMITTEE
Michael Yeo Chee Wee (Chairman)
Lee Kim Shin
Kevin Hangchi

NOMINATING COMMITTEE
Lee Kim Shin (Chairman)
Michael Yeo Chee Wee
Kevin Hangchi

REMUNERATION COMMITTEE
Michael Yeo Chee Wee (Chairman)
Lee Kim Shin
Kevin Hangchi

HLG ENTERPRISE SHARE OPTION SCHEME 2006 COMMITTEE
Michael Yeo Chee Wee (Chairman)
Lee Kim Shin
Kevin Hangchi

SECRETARIES
Yeo Swee Gim, Joanne
Aw Siew Yen, Patricia

REGISTERED OFFICE
11 Collyer Quay
#16-02 The Arcade
Singapore 049317
Tel: (65) 6324 9500
Fax: (65) 6221 4861

REGISTRARS & SHARE TRANSFER OFFICE
KCK CorpServe Pte. Ltd.
(formerly known as Kon Choon Kooi Pte Ltd)
47 Hill Street #06-02
Singapore Chinese Chamber of Commerce & Industry Building
Singapore 179365
Tel: (65) 6837 2133
Fax: (65) 6339 0218

AUDITORS
PricewaterhouseCoopers
Certified Public Accountants
8 Cross Street
#17-00 PWC Building
Singapore 048424
(Partner-in-charge: Leong Yit Siong, appointed from commencement of the financial year ended 31 December 2004)

PRINCIPAL BANKERS
DBS Bank Ltd
HL Bank
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

CHAIRMAN'S STATEMENT

During the year under review, the Group embarked on several key corporate and business initiatives which aimed to position the Group for future growth. These included a renounceable rights issue of $131.4 million in principal amount of zero coupon unsecured non-convertible bonds due 2009 which was completed in July 2006 ("Unsecured Bonds"), and the disposal of certain non-performing and/or non-core assets and businesses.

Review of the Group's performance

The Group's net attributable profit to shareholders for the financial year ended 31 December 2006 ("FY2006") amounted to $11.3 million, an increase of 506.7% over that achieved in the financial year ended 31 December 2005 ("FY2005"). This increase was largely due to gains which arose from the ongoing asset rationalization program undertaken by the Group.

Continuing Operations

The Group's turnover from continuing operations for FY2006 declined by approximately 13.3% from $40.9 million to $35.4 million, due mainly to the completion of the sale of LKN Building and the closure of the construction business.

In FY2006, the hotel and restaurant sector recorded a marginal 0.7% decline in turnover as compared to FY2005. The overall soft hospitality market in Shanghai and the carrying out of the two phases of room renovations in Hotel Equatorial Shanghai ("HES") in 2006 had caused a $1.7 million drop in revenue from Changning Equatorial Service Apartments and HES. This was partially offset by the $1.3 million growth in combined turnover from Hotel Equatorial Qingdao ("HEQ"), Tristar Inn Singapore and Hotel Equatorial Cameron which improved their businesses on the back of a rise in occupancy rates and average room rates.

The Group reported a profit before tax of $3.8 million from continuing operations for FY2006. This was 39.1% below the $6.2 million profit achieved in FY2005.

The net attributable profit for FY2006 was mainly supported by the substantial increase in other income arising from the ongoing asset rationalization program with gains from the disposal of LKN Building and P.T. Taman Nongsa Indah Village though partially offset by the net loss on disposal of the Group's interest in Hotel Equatorial (M) Sdn Bhd ("HEM"), increase in the interest income in FY2006 over FY2005 and write back of provision for impairment of receivables and debts owing by the Group to creditors.

The Group incurred a higher interest expense of $6.0 million in FY2006 compared against $4.1 million in FY2005 due mainly to the higher interest accrued for the Unsecured Bonds. In addition, the Group had a net exchange loss of $4.0 million compared to a net exchange gain of $4.3 million in FY2005, which loss related mainly to the unrealised exchange loss from the revaluation of foreign currency net monetary assets caused by the weakening of US dollar, Ringgit Malaysia and Renminbi against the Singapore dollar. The Company will continue to review the Group's exposure in its foreign currency net monetary assets and would consider the feasibility of hedging such exposure after taking into account the prevailing market conditions.

Discontinued Operations

The Group divested its IT and computer operations business in September 2006 following the disposal of Primefield Company Pte Ltd ("Primefield"). In accordance with the Singapore Financial Reporting Standards, the gain on disposal of Primefield and the results of Primefield group have been reclassified and presented separately on the income statement as "Discontinued Operations".

The gain on disposal of Primefield, which amounted to $10.2 million, boosted the Group's performance for FY2006. Overall, the Group's net profit from Discontinued Operations attributable to shareholders for FY2006 was $8.8 million compared to a net loss of $2.4 million in FY2005.

Hotel and Restaurant Operations

People's Republic of China

The property boom in China has fuelled the supply of new hotels and service apartments in Shanghai, which together with the renovation programs carried out during the year had resulted in a weaker trading performance for HES in FY2006. As a result, occupancy declined from 66% to 56%. However, average room rate ("ARR") improved by approximately 6% following the completion of the last phase of room renovation in August 2006. Revenue per available room ("RevPAR") for the hotel declined by 9% to RMB 492.

Riding on the growth in the exhibition and conference meetings and coupled with newly renovated rooms for half of its inventory, HEQ had improved its occupancy and ARR by about 2% and 5% respectively compared to FY2005. Correspondingly, RevPAR improved by 9% to RMB 309.

Changning Equatorial Service Apartments operated under a challenging operating environment during the year and recorded a 25% decrease in RevPAR attributable to a decline in both occupancy and ARR of 10% and 9% respectively.

Malaysia

RevPAR for Hotel Equatorial Cameron improved by 11% to RM 63, mainly driven by ARR growth which increased by 8% as occupancy improved marginally to 42% in 2006 from 41% in 2005. The rate growth was achieved on the back of the overall growth in the Asian economy.

Singapore

RevPAR for Tristar Inn increased by 27% to $56 on the back of a 11% increase in occupancy to 86%, and ARR growth of 10% to $65. This strong performance was attributable to the positive Singapore tourism sector and the continued strong contribution from tour group sales.

Outlook

To further enhance their respective competitiveness, in late 2006, HES commenced the renovation of its office tower and lounge bar, which had not been renovated since the hotel's opening in 1991, whilst HEQ commenced the renovation of the remaining 188 superior rooms. The renovations at HES and HEQ are expected to be completed by April 2007.

As part of the Group's ongoing asset rationalization program, the Group granted options in December 2006 to third parties to purchase Tristar Inn and 2 adjoining shop units at 970 Geylang Road, Singapore for an aggregate purchase consideration of $19.16 million (the "Disposals"). The completion of the Disposals is expected to take place in March 2007 and the resultant profit from the Disposals will be taken up in the Group's income statement for the quarter ending 31 March 2007.

Barring unforeseen circumstances, and excluding the contributions by Tristar Inn as elaborated above, the Group expects the performance for the hotel and restaurant sector to improve in 2007. However, depending on the then prevailing trading conditions and management of the Group's finances, the said improvement if any, before taking into account the financial effects from the ongoing asset rationalization program, may not be able to offset a higher interest expense payable with respect to the Unsecured Bonds. As previously disclosed to shareholders, the Unsecured Bonds were issued pursuant to a rights issue principally to redeem the variable rate secured non-convertible bonds due 2010 ("Secured Bonds") issued in March 2005 so that (subject to any redemption rights (if applicable) of the redeemable convertible preference shares) the Group is able to conserve the value of its assets, without being subject to the periodic payment obligations under the Secured Bonds which obliged the Group to dispose of certain assets within a certain period of time to redeem, *inter alia*, the Secured Bonds. While the Company will manage its finances prudently, the increase in the interest expense from the Unsecured Bonds may be mitigated if and to the extent that any such bonds are redeemed by the Company at its discretion during this period with its surplus cash.

The Group intends to continue to dispose of its non-performing and/or non-core assets, though the pace may be slower than that experienced last year. For this new financial year, other than trying to drive higher operating profitability from its existing assets portfolio, the Group will also direct more attention to pursue mergers and acquisitions opportunities at the appropriate time, to grow the earnings base of the Group. Such business expansion opportunities, if materialised, may be funded by the Group's existing cash resources, additional borrowings and/or new funding from shareholders.

As a substantial portion of the Group's current asset portfolio relates to hotel operations in China and Malaysia, it continues to be exposed to currency fluctuation risks.

Appreciation

On behalf of the Board of Directors, I would like to thank our shareholders, financial lenders, creditors and customers for their continued support and my appreciation to my fellow Directors for their invaluable contribution.

Last but not least, I wish to express my sincere gratitude to the Group's management and staff for their contribution, their commitment to professionalism and continued support over the past year.

Wong Hong Ren
Chairman
6 March 2007

BOARD OF DIRECTORS

WONG HONG REN, Age 55

Appointed Chairman on 23 May 2006 and Director on 22 February 2006, Mr Wong was last re-elected as a Director of HLG Enterprise Limited ("HLGE") on 27 April 2006.

Mr Wong is the Chairman and President of Philippines-listed Grand Plaza Hotel Corporation, Chairman of M&C REIT Management Limited (as Manager of CDL Hospitality Real Estate Investment Trust), New Zealand-listed Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited. He is also an Executive Director of London-listed Millennium & Copthorne Hotels plc and a Director of Thakral Corporation Ltd ("TCL"), New York-listed China Yuchai International Limited and Hong Kong-listed City e-Solutions Limited ("CES").

Mr Wong joined Hong Leong Management Services Pte. Ltd. ("HLMS"), a wholly-owned subsidiary of Hong Leong Investment Holdings Pte. Ltd. ("HLIH"), in 1988 as Group Investment Manager and was re-designated as Executive Vice President (Group Investment) of HLMS in 2006. He is widely experienced in hospitality and industrial businesses overseas, investment analysis, international capital market and mergers and acquisitions transactions as well as post-acquisition management re-organisation matters. Prior to 1988, he was a Director and General Manager (Investment and Property) of Haw Par Brothers International Limited (now known as Haw Par Corporation Limited) and a Director of Investment with Royal Trust Asset Management Pte Ltd (now known as RT Investment Nominees Pte Ltd) and First Capital Corporation Ltd (now known as Guocoland Limited).

Mr Wong holds a Master of Business Administration from Bradford University, United Kingdom.

NEO TECK PHENG, Age 36

Appointed to the Board on 22 February 2006 and became an Executive Director on 23 May 2006. Mr Neo was last re-elected as a Director of HLGE on 27 April 2006.

Mr Neo is also a Director of TCL. He has been in the employment of the HLIH Group since 1996, holding various investment positions. He is currently the Investment Manager of City Developments Limited, a subsidiary of HLIH. He joined HLMS as an Investment Manager and was re-designated as Senior Vice President (Investment) in 2006. Mr Neo has many years' experience in accounting, mergers and acquisitions transactions and management re-organisation work. Prior to joining the HLIH Group, he worked in KPMG from 1994 to 1996.

Mr Neo holds a Bachelor of Accountancy (First Class Honours) from Nanyang Technological University, Singapore and is a non-practising member of the Institute of Certified Public Accountants of Singapore.

FLORENCE TAY ENG NEO, Age 53

Appointed to the Board since 26 December 2000 and the Group Chief Executive Officer ("CEO") in 2001, Ms Tay resigned as Group CEO on 31 May 2006 and became a non-Executive Director. She was last re-elected on 27 April 2006.

In 1981, Ms Tay co-founded Primefield Company Pte Ltd ("PCPL"), an investment holding company previously wholly-owned by HLGE. The Group's previous information technology and computer operation businesses were carried out through the PCPL group including AXS Infocomm Pte Ltd. The PCPL group was disposed off by the Group in September 2006. Ms Tay has 25 years of experience in the information technology field. Prior to joining HLGE, she was a Director of Radio Corporation of Singapore Pte Ltd (now known as Mediacorp Radio Singapore Pte Ltd) for 5 years from 1994 to 1999 and the Chairman of Microcomputer Trade Association of Singapore for 3 years from 1989 to 1992.

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

BOARD OF DIRECTORS (continued)

MICHAEL YEO CHEE WEE, Age 69

Appointed a Director since 1 January 1985 and last re-elected on 25 April 2005, Mr Yeo is the Chairman of the Audit, Remuneration and HLG Enterprise Share Option Scheme 2006 ("Scheme") Committees and a member of the Nominating Committee.

Mr Yeo has extensive experience in the food and beverage including finance-related matters having worked with Yeo Hiap Seng Ltd for 23 years, the last eight years of which as its Executive Director till 1998. He is currently Chairman of the Public Advisory Panel on Police Licensing since 2002. He has previously served on a number of government organisations including Chairman of the National Crime Prevention Council (until 2002), Singapore Science Centre Board (until 1997) and the Singapore Manufacturers' Association (until 1979), and Deputy Chairman of the Singapore National Shippers' Council (until 1995), and a member of the Trade Development Board, the Singapore Securities Industry Council and the Economic Development Board (until 1985) and Jurong Town Corporation (until 1982). He was awarded the Public Service Medal – PBM in 1992 and the Public Service Star - BBM in 1999.

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

LEE KIM SHIN, Age 46

Appointed a Director since 25 January 2006, Mr Lee was last re-elected on 27 April 2006. Mr Lee is the Chairman of the Nominating Committee and a member of the Audit, Remuneration and Scheme Committees. He is a Partner of Allen & Gledhill since 1991 and is currently the Head of the firm's Corporate and Commercial Department. His experience encompasses mergers and acquisitions, local and regional joint ventures, schemes of reconstruction, amalgamations, capital reductions and restructurings. He also provides general corporate advice to companies across a broad spectrum of industries with particular emphasis on power and telecommunications.

Mr Lee holds a Bachelor of Laws, LL.B (National University of Singapore) and was called to the Singapore Bar in 1986.

KEVIN HANGCHI, Age 34

Appointed a Director on 3 August 2006, Mr Hangchi also sits on the Audit, Nominating, Remuneration and Scheme Committees. He has been the Assistant Manager of CES since 2000 and was re-designated as Senior Vice President in 2006. He has also been involved and assisted companies within the HLIH Group, with various corporate-related and transactional exercises since 2000. Prior to that, he was an Advocate and Solicitor in the Financial Services Department of Allen & Gledhill from 1997 to 1999.

Mr Hangchi graduated from the University of Southampton in the United Kingdom with a BSc (Social Sciences) (Hons) Degree in Accounting and Law. He was called to the English Bar and admitted to the Rolls as a Barrister-At-Law (Middle Temple) in 1997 and was called to the Singapore Bar in 1998.

KEY EXECUTIVES

SHERMAN KWEK EIK TSE

Mr Kwek joined HLG Enterprise Limited ("HLGE") as Executive Vice-President on 1 March 2006. He is currently also the Chief Operating Officer of Thakral Corporation Ltd. In his most recent role before joining HLGE, he was a Director of RECAP Investments Limited, a wholly-owned subsidiary of Real Estate Capital Asia Partners, LP., a real estate private equity fund. Prior to that, he spent 5 years in New York as a financial analyst in a venture capital firm before moving on to the investment banking division of Credit Suisse First Boston and then subsequently holding a hotel management and property development role for the U.S. division of Millennium & Copthorne Hotels plc.

Mr Kwek has experience in the areas of financial management, mergers and acquisitions, information technology, real estate investments and hotel management. He graduated from Boston University with a Bachelor of Science in Business Administration, majoring in Finance and Marketing with a minor in Psychology.

FOO YANG HYM

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

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

YAM KIT SUNG

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

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

GROUP ACTIVITIES

Hospitality

- 50% in Shanghai International Equatorial Hotel Co., Ltd
  - Owns and operates Hotel Equatorial Shanghai, located in the central business district of Puxi, Shanghai. The property comprises a 27-storey hotel building and an adjoining 8-storey office tower. It has 526 saleable rooms which have been fully refurbished over the last 12 months.

- 60% in Hotel Equatorial Qingdao Co., Ltd
  - Owns and operates Hotel Equatorial Qingdao, located in the downtown of Qingdao city. The property comprises a 27-storey main hotel building and an adjoining 4-storey convention centre. It has 453 saleable rooms.

- 100% in Shanghai Hutai Real Estate Development Co., Ltd
  - Owns Changning Equatorial Service Apartments, housed in a 16-storey building located in downtown Changning district, Shanghai with 126 apartment units.

- 45% in Augustland Hotel Sdn Bhd
  - Owns Hotel Equatorial Cameron. The property is a tudor styled resort comprising 269 saleable rooms perched at more than 1,600 meters above sea level and surrounded by mountains and valleys.

- 100% in Tristar Inn Singapore
  - A boutique hotel in Singapore with 112 saleable rooms.

Property Development

Malaysia

- 35-storey shopping cum office towers, Menara Plaza Melaka (52% held by LKN Development Pte Ltd and its subsidiary), project suspended.

- Scientex Park at Pasir Gudang (28% held by LKN Development Pte Ltd and its subsidiary), comprising 58 units of shop office and 6 terrace houses available for sale.

- Resort development comprising 84 units low-rise and 23 units high-rise apartments and a commercial building at Cameron Highlands.

Investment Holding

Malaysia

- 18-storey office building, Wisma LKN, located at Jalan Wong Ah Fook, Johor Bahru.

Corporate Governance Report

HLG Enterprise Limited ("HLGE" or the "Company") is committed to maintaining good corporate governance in accordance with the principles and guidelines set out in the Code of Corporate Governance released by the Council on Corporate Disclosure and Governance in 2005 ("CCDG Code").

HLGE has adopted an internal guide on corporate governance ("Internal CG Guidelines") to take into consideration the principles and guidelines set out in the CCDG Code.

The following describes the Company's corporate governance policies and practices which include, *inter alia*, specific reference to the principles and guidelines as set out in the CCDG Code.

BOARD MATTERS

CCDG Code Principle 1: The Board's Conduct of Affairs

The Board oversees the Company's business. Its primary functions are to set corporate policy, provide guidance and approval of strategic plans and direction for the Company, review management performance, establish and oversee the framework for internal controls and risk management, assume responsibility for good corporate governance. These functions are either carried out directly by the Board or through committees established by the Board, namely, the Audit Committee ("AC"), the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the HLG Enterprise Share Option Scheme 2006 Committee ("Scheme Committee"), all collectively referred to hereafter as the Board Committees. The composition of each Board Committee can be found under the corporate directory section of this Annual Report 2006.

The delegation of authority by the Board to the Board Committees enables the Board to achieve operational efficiency by empowering these Board Committees to decide on matters within their respective written terms of reference and/or limits of delegated authority and yet maintain control over major policies and decisions.

The Company conducts regular scheduled Board meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. The Company will be amending its Articles of Association to allow for the meetings of its Board and Board Committees to be held *via* teleconferencing and/or videoconferencing.

The attendance of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings, is disclosed on page 10. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused only on his attendance at meetings of the Board and/or Board Committees. A Director's contribution may also extend beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Company.

The Board has also adopted an internal guide wherein certain key matters are specifically reserved for approval by the Board such as the setting of strategic decisions or policies or financial objectives which are, or may be significant, in terms of future profitability or performance of the Group and decisions to commence, discontinue or modify significantly any business activity or to enter or withdraw from a particular market sector.

Every newly appointed Director receives a formal letter, setting out his general duties and obligations as a director pursuant to the relevant legislations and regulations. Newly appointed Directors are also welcome to meet with the management and be briefed by them on the Company's business and governance practices. The Company encourages the Directors to keep updated with the latest changes to the relevant laws and regulations affecting the Company and to receive further relevant training of their choice in connection with the discharge of their duties. Such relevant courses include programmes conducted by the Singapore Institute of Directors and Singapore Exchange Securities Trading Limited (the "SGX-ST"). Each Director also receives a manual containing information on a director's duties and responsibilities, corporate information of the Group, and Company and Board policies including the Internal CG Guidelines which also cover the internal code of business and ethical conduct, internal code on securities trading, whistle-blowing procedure, and a schedule of matters specifically reserved for the Board's approval. Directors are also provided regular updates and briefings from time to time by professional advisers, auditors, management and the company secretaries on new laws, rules, regulations, listing requirements, governance practices, changes in accounting standards and business and risk management issues applicable or relevant to the performance of their duties and obligations as directors.

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

Directors' Attendance at Board and Board Committee Meetings in 2006

Name of Directors	Board	AC	NC	RC	Scheme Committee
	Number of Meetings held: 5	Number of Meetings held: 4	Number of Meetings held: 1	Number of Meetings held: 1	Number of Meetings held: Nil
	Meetings attended	Meetings attended	Meetings attended	Meetings attended	Meetings attended
Wong Hong Ren	4	N.A.	N.A.	N.A.	N.A.
Neo Teck Pheng	5	N.A.	N.A.	N.A.	N.A.
Florence Tay Eng Neo	5	N.A.	N.A.	N.A.	N.A.
Michael Yeo Chee Wee	5	4	1	1	N.A.
Lee Kim Shin	4	4	1	1	N.A.
Kevin Hangchi *	2	3	1	1	N.A.

* Mr Kevin Hangchi was appointed to the Board and the respective Board Committees on 3 August 2006

CCDG Code Principle 2: Board Composition and Guidance

The Board currently comprises 6 members, one of whom is an executive Director. Of the 5 non-executive Directors, the Board considers 2 of them, being one-third of the Board, to be independent, thus providing for a strong and independent element on the Board capable of exercising objective judgment on corporate affairs of the Group. No individual or small group of individuals dominates the Board's decision making.

The Board comprises business leaders and professionals with financial, legal and business management backgrounds. The Board has reviewed its composition, taking into account the scope and nature of the operations of the Group, and is satisfied that the current size of the Board is appropriate and allows for effective decision making. The standing of the members of the Board in the business and professional community, and their combined business, management and professional experience, knowledge and expertise provide the necessary core competencies to meet the Group's needs and to allow for diverse and objective perspectives on the Group's strategic direction and growth. Non-executive Directors of the Company are encouraged to participate actively in Board meetings in the development of the Company's strategic plans and direction, and in the review and monitoring of management's performance against set targets.

CCDG Code Principle 3: Chairman and Chief Executive Officer

The Board recognises that best practices of corporate governance advocate that the chairman of the board and the chief executive officer should in principle be separate persons to ensure an appropriate balance of power, increased accountability and greater capacity of the board for independent decision making.

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

The Executive Director is Mr Neo Teck Pheng who is assisted by Mr Sherman Kwek Eik Tse, the Executive Vice-President of the Company. The Executive Director bears executive responsibility for the Group's corporate and investment related business and management of the day-to-day operations of the Group. Both the Executive Director and the Executive Vice-President are not related to each other and also not related to the Chairman.

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

CCDG Code Principle 4: Board Membership

The NC's main role as set out in its written terms of reference is to recommend all Board and Board Committee appointments and re-appointments, determine independence of each Director, and identify new directors who have the appropriate knowledge, experience and skills to contribute effectively to the Board. 2 out of the 3 members of the NC, including the NC Chairman, are independent.

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

In reviewing and recommending to the Board any new director appointments, the NC takes into consideration the current Board size and its mix, the additional skills and experience that will bolster the core competencies of the Board, the search process for the identification of suitable candidates and once identified, the appropriate knowledge, experience and skills of the candidates who in its opinion, are fit and proper and qualified for office.

Key information regarding the Directors is set out on pages 5 and 6 of this Annual Report 2006.

CCDG Code Principle 5: Board Performance

The Company has in place 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 NC assesses each Director's performance and evaluates the Board's performance as a whole annually using objective and appropriate quantitative and qualitative criteria which were recommended by the NC and approved by the Board. Quarterly performance review by the Board includes a comparison of the Company's performance (including segmental performance) for the financial period under review against the Company's budgeted forecasts and performance for the corresponding period in the previous year.

Assessment parameters for Directors' performance include their level of participation at Board and Board Committee meetings and the quality of their contribution to Board processes and the business strategies and performance of the Group. The NC's evaluation of the individual Directors for the financial year ended 31 December 2006 ("FY 2006") was facilitated this year with feedback from individual Directors on areas relating to the Board's competencies and effectiveness. The results of the evaluation process would be used by the NC, in its consultation with the Chairman of the Board, to effect continuing improvements on Board processes.

CCDG Code Principle 6: Access to Information

Prior to each meeting, the respective members of the Board and the Board Committees are provided with the meeting agenda and the relevant papers submitted by the management, containing complete and adequate information to enable full deliberation on the issues to be considered at the respective meetings. Management staff and the Company's auditors, who can provide additional insight into the matters for discussion, are also invited from time to time to attend such meetings. The company secretaries attend all Board meetings and ensure that all Board procedures are followed. The company secretaries, together with other management staff of the Company, also ensures that the Company complies with all applicable statutory and regulatory rules.

On an ongoing basis, the Directors have separate and independent access to the Company's senior management and the company secretaries. The Directors, whether as a group or individually, are entitled to take independent professional advice at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant the same.

REMUNERATION MATTERS

CCDG Code Principle 7: Procedures for Developing Remuneration Policies

The RC comprises 3 non-executive Directors, 2 of whom including the chairman of the RC are independent. The RC's principal responsibilities as set out in its written terms of reference are to review and recommend for the endorsement of the Board, a framework of remuneration and the specific remuneration packages for each Board member, including the Executive Director. All the members of the RC also sit on the Scheme Committee and the chairman of the RC is also the chairman of the Scheme Committee. In setting remuneration packages, the RC also ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Company.

CCDG Code Principle 8: Level and Mix of Remuneration

In determining remuneration packages, the RC, with the assistance of the Company's Senior Vice President (Finance), considers the level of remuneration based on the Company's remuneration policy which comprises the following 3 distinct objectives:

- To ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Company's needs.
- To reward employees for achieving corporate and individual performance targets in a fair and equitable way.
- To ensure that the remuneration reflects employees' duties and responsibilities.

The remuneration of the non-executive Directors are set at a level appropriate to their degree of contribution, taking into account attendance and time spent, and their respective responsibilities. No Director is involved in deciding his own remuneration.

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

CCDG Code Principle 9: Disclosure of Remuneration

The total compensation packages for employees including the Executive Director comprise a fixed component (in the form of a base salary) and a variable component (which includes variable bonuses, allowances, and benefits-in-kind, where applicable), taking into account amongst other factors, the individual's performance, the performance of the Group and industry practices. The breakdown (in percentage terms) of the Directors' and Key Executives' remuneration for FY 2006 is set out below.

Remuneration of Directors and Key Executives for FY 2006

	Base Salary* %	Variable Bonuses/ Allowances* %	Board/Board Committee Fees** %	Other Benefits %	Total %
$250,000 and below					
Directors					
1. Wong Hong Ren	-	-	100	-	100
2. Neo Teck Pheng	76	-	19	5	100
3. Florence Tay Eng Neo	90	-	9	1	100
4. Michael Yeo Chee Wee	-	-	100	-	100
5. Lee Kim Shin	-	-	100	-	100
6. Kevin Hangchi	-	-	100	-	100
Key Executives					
7. Sherman Kwek Eik Tse	74	26	-	-	100
8. Foo Yang Hym	66	33	-	1	100
9. Yam Kit Sung	32	16	-	52	100

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

** These fees comprise Board and Board Committee fees for FY 2006, which are subject to approval by shareholders as a lump sum at the 2007 Annual General Meeting for FY 2006.

No options were granted by the Company to subscribe for unissued shares in the Company during FY 2006.

During FY 2006, none of the Directors had immediate family members not disclosed above who were employees of the Company and whose personal annual remuneration exceeded $150,000.

Information on the Scheme is set out in the Directors' Report on page 19 of this Annual Report 2006.

ACCOUNTABILITY AND AUDIT

CCDG Code Principle 10: Accountability

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

The management provides all Directors with monthly financial reports.

The Directors recognise that they have overall responsibility to ensure accurate financial reporting for the Group and for the Group's system of internal controls. The Board confirms that, with the assistance of the AC, it reviews the effectiveness of the Group's financial reporting and internal controls system, which are monitored through a programme of internal and external audits, and is generally satisfied with the adequacy of such internal controls system.

CCDG Code Principle 11: Audit Committee

The AC comprises 3 non-executive Directors, 2 of whom including the chairman of the AC are independent. The AC has sufficient financial management expertise and experience amongst its members to discharge its functions within its written terms of reference. The AC is authorised by the Board to investigate any matters it deems appropriate within its terms of reference and has full access to and co-operation of management. It may invite any Director, executive officer or employee of the Company to attend its meetings and is also authorised to seek external professional advice to enable it to discharge its functions.

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

- to review with management and, where appropriate, with the external auditors on the quarterly and full year financial statements issued by the Group before their submission to the Board to ensure their completeness, accuracy and fairness;

- to review, on an annual basis, the scope and results of the audit and its cost-effectiveness and the independence and objectivity of the external auditors;

- to review the effectiveness of the internal audit function;

- to make recommendations to the Board on the appointment, re-appointment and removal of external auditor, and to approve the remuneration and terms of engagement of the external auditor; and

- to review interested person transactions.

The AC held 4 meetings during the year and carried out its duties as set out within its terms of reference. It also met with the internal and external auditors, separately without the presence of management. Having reviewed the nature and extent of the non-audit services provided to the Group by the external auditors for FY 2006, the AC is of the opinion that the provision of such non-audit services would not affect the independence and objectivity of the external auditors. The AC has recommended to the Board the nomination of KPMG for appointment in place of the retiring auditors, PricewaterhouseCoopers.

HLGE has in place a whistle-blowing procedure where staff of the Company can raise in confidence complaints relating to accounting, financial reporting, internal controls and auditing matters. Under these procedures, arrangements are in place for independent investigation of such matters raised and for appropriate follow up action.

Disclosure of Interested Person Transactions

The Company ensures that interested person transactions are undertaken on an arm's length basis, on normal commercial terms consistent with the Group's usual business practices and policies, and are not prejudicial to the interests of the Company and its minority shareholders and on terms which are generally no more favourable to the interested persons as defined in Chapter 9 of the Listing Manual of the SGX-ST, than those extended to or received from unrelated third parties. Particulars of interested person transactions required to be disclosed under Rule 907 of the Listing Manual of the SGX-ST are as follows:

Name of Interested Person	Aggregate value of all interested person transactions in FY 2006 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted in FY 2006 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Hong Leong Investment Holdings Pte. Ltd. group of companies - Lease of office premises - Provision of management services Total:	 $414,892.80 $558,000.00 ---------------- $972,892.80 ==========	 Not applicable*

The above interested person transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

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

CCDG Code Principle 12: Internal Controls

The Directors recognise that they have overall responsibility to ensure accurate financial reporting for the Group and for the Group's system of internal controls. Internal and external auditors conduct regular reviews of the system of internal controls, and material internal control weaknesses are brought to the attention of the AC and to the management for remedial action. While no system can provide absolute assurance against material loss or financial misstatement, the Group's internal financial controls are designed to provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained, and that financial information used within the business and for publication is reliable. In reviewing these controls, the Directors have had regard to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them.

The Board confirms that, with the assistance of the AC, it reviews the effectiveness of the Group's financial, operational and compliance controls and risk management systems which are monitored through a programme of internal and external audits, and is generally satisfied with the adequacy of such internal controls system.

CCDG Code Principle 13: Internal Audit

The Company has outsourced its internal audit function to a professional consultant, Messrs Ernst & Young which reviews the Group's two material hotel assets and reports their audit findings and recommendations to the AC and to the management. The AC reviews the adequacy of the internal audit function through a review of the internal auditors' activities annually and is satisfied that the internal audit function has adequate resources to perform its functions properly.

COMMUNICATION WITH SHAREHOLDERS

CCDG Code Principle 14: Communication with Shareholders

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

CCDG Code Principle 15: Greater Shareholder Participation

At general meetings of the Company, shareholders are given the opportunity to communicate their views and ask the Directors and the management questions regarding matters affecting the Company. The chairman of the AC, NC and RC and the external auditors were present at the last Annual General Meeting, and will endeavour as far as reasonably practicable to be present at the coming Annual General Meeting to address, and to assist the Directors in addressing, queries raised by the shareholders.

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

RISK MANAGEMENT

The Board reviews the Group's financial performance against the approved budget. Budget variances are deliberated and appropriate actions taken. Business risks relating to new and unplanned activities are mitigated and minimized where possible. The Board also works with the internal and external auditors on their recommendations, institutes and executes relevant controls with a view of managing business risks.

INTERNAL CODE ON DEALINGS IN SECURITIES

The Company has adopted an internal code on securities trading which provides guidance and internal regulation with regard to dealings in the Company's securities by its Directors and officers. These guidelines prohibit dealing in the Company's securities while in possession of unpublished material price-sensitive information in relation to such securities and during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Company's financial year and one month before the date of announcement of the full year financial results.

6 March 2007

Directors' Report

For the financial year ended 31 December 2006

The directors present their report to the members of the Company together with the audited financial statements of the Group for the financial year ended 31 December 2006 and the balance sheet of the Company as at 31 December 2006.

Directors

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

Wong Hong Ren
Neo Teck Pheng
Florence Tay Eng Neo
Michael Yeo Chee Wee
Lee Kim Shin
Kevin Hangchi (appointed on 3 August 2006)

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 is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(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 shares, share options and/or debentures of the Company or its related corporations, except as follows:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
Name of director	At 31.12.2006	At 1.1.2006	At 31.12.2006	At 1.1.2006
The Company				
(Ordinary shares)				
Florence Tay Eng Neo	37,223,923	37,223,923	11,299,814	11,299,814

(b) The directors' interests in the ordinary shares of the Company as at 21 January 2007 were the same as at 31 December 2006.

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 its related corporations with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

Share options

The HLG Enterprise Share Option Scheme 2006 (the "Scheme"), was approved by the shareholders at the Extraordinary General Meeting of the Company held on 29 September 2006.

The Scheme is administered by a committee (the "Scheme Committee") comprising the following members:

Michael Yeo Chee Wee – Chairman
Lee Kim Shin
Kevin Hangchi

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

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

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

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

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

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

During the financial year, there were:

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

(ii) no shares issued by virtue of 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 as at the end of the financial year.

Audit Committee

The Audit Committee ("AC") comprises three non-executive Directors, two of whom including the Chairman of the AC, are independent. The members of the AC are as follows:

Michael Yeo Chee Wee	Chairman
Lee Kim Shin	
Kevin Hangchi	(appointed on 3 August 2006)

The AC held five meetings since the date of the last directors' report and carried out the functions of an audit committee as set out in the Companies Act, Chapter 50. In performing its functions, the AC reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the external auditors to review the audit plans and the results of their examination, and the internal auditors to review the audit plans and the results of their evaluation of the Group's system of internal controls. It also reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2006 as well as the auditors' reports thereon.

The AC has recommended to the board of directors that KPMG be nominated for appointment as auditors of the Company at the forthcoming Annual General Meeting in place of the retiring auditors, PricewaterhouseCoopers.

Auditors

The auditors, PricewaterhouseCoopers, will not be seeking re-appointment.

On behalf of the Board of Directors

NEO TECK PHENG	KEVIN HANGCHI
Director	Director

6 March 2007

Statement by Directors

For the financial year ended 31 December 2006

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 24 to 95 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2006 and of the results of the business, changes in equity and the cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, on the assumption that continuing financial support will be provided by the bondholders and bankers, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

NEO TECK PHENG Director	KEVIN HANGCHI Director

6 March 2007

Independent Auditor's Report

to the Members of HLG Enterprise Limited
(formerly known as LKN-Primefield Limited)

We have audited the accompanying financial statements of HLG Enterprise Limited (formerly known as LKN-Primefield Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 24 to 95, which comprise the balance sheets of the Company and of the Group as at 31 December 2006, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and 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 as to whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion,

(a) the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act (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 2006, 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 auditors have been properly kept in accordance with the provisions of the Act.

Without qualifying our opinion, we draw attention to Note 2.2 to the financial statements which states that the financial statements have been prepared on a going concern basis, which assumes the continuing financial support of the bondholders and bankers, and the Group's ability to generate sufficient cash from its operations or obtain funds from other sources to pay its debts as and when they fall due. In the event that the going concern assumption proves to be invalid, adjustments would have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are presently shown in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities that may arise and to reclassify non-current assets and liabilities as current assets and liabilities.

PricewaterhouseCoopers
Certified Public Accountants

Singapore, 6 March 2007

Consolidated Income Statement

For the financial year ended 31 December 2006

	Notes	The Group 2006 $'000	The Group 2005 $'000
Continuing operations			
Sales	4	**35,443**	40,903
Cost of sales		**(15,996)**	(19,766)
Gross profit		**19,447**	21,137
Other gains (net)	5	**11,719**	1,732
Expenses			
- Selling and marketing		**(1,001)**	(986)
- Administrative		**(1,621)**	(1,330)
- Finance (net)	6	**(10,070)**	234
- Others (net)		**(14,653)**	(14,854)
Profit from operations	7	**3,821**	5,933
Share of results of associated companies	21	**(24)**	299
Profit before income tax		**3,797**	6,232
Income tax expense	10(a)	**(1,302)**	(1,998)
Profit from continuing operations		**2,495**	4,234
Discontinued operations			
Profit /(loss) from discontinued operations	8	**8,839**	(2,576)
Total profit for the year		**11,334**	1,658
Attributable to:			
Equity holders of the Company		**11,334**	1,868
Minority interest (discontinued operations)		**-**	(210)
		11,334	1,658
Earnings per share for profit from continuing operations attributable to equity holders of the Company			
(expressed in cents per share)			
- Basic	11	**0.37**	0.74
- Diluted	11	**0.28**	0.63
Earnings/(loss) per share for profit /(loss) from discontinued operations attributable to equity holders of the Company			
(expressed in cents per share)			
- Basic	11	**1.30**	(0.41)
- Diluted	11	**1.01**	(0.35)

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

Balance Sheets

As at 31 December 2006

	Notes	The Group 2006 $'000	The Group 2005 $'000	The Company 2006 $'000	The Company 2005 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**36,728**	28,423	**20,965**	3,173
Trade and other receivables	13	**9,247**	9,158	**8,931**	78,343
Construction contract work-in-progress	14	**-**	-	**-**	-
Development properties	15	**17,840**	18,997	**-**	-
Inventories	16	**490**	792	**-**	-
Other current assets	17	**371**	694	**62**	129
		64,676	58,064	**29,958**	81,645
Investment property classified as held for sale	18(b)	**-**	42,360	**-**	42,360
Property, plant and equipment classified as held for sale	23	**13,396**	-	**-**	-
		78,072	100,424	**29,958**	124,005
Non-current assets					
Trade and other receivables	19	**11,062**	10,119	**21,266**	22,949
Other investments	20	**150**	150	**-**	-
Investments in associated companies	21	**7,219**	23,017	**-**	1,643
Investments in subsidiaries	22	**-**	-	**86,684**	22,451
Investment property	18(a)	**7,131**	7,210	**-**	-
Property, plant and equipment	23	**75,539**	109,656	**25**	209
		101,101	150,152	**107,975**	47,252
Total assets		**179,173**	250,576	**137,933**	171,257
LIABILITIES					
Current liabilities					
Trade and other payables	24	**18,436**	28,110	**949**	7,069
Current income tax liabilities	10(b)	**1,785**	3,056	**75**	200
Borrowings	25	**2,244**	32,321	**-**	-
		22,465	63,487	**1,024**	7,269
Non-current liabilities					
Borrowings	25	**169,650**	207,349	**161,781**	200,759
Deferred income tax liabilities	27	**418**	897	**-**	-
		170,068	208,246	**161,781**	200,759
Total liabilities		**192,533**	271,733	**162,805**	208,028
NET LIABILITIES		**(13,360)**	(21,157)	**(24,872)**	(36,771)
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	28	**108,329**	32,857	**108,329**	32,857
Share premium	28	**-**	71,529	**-**	71,529
Special reserve	29	**8,529**	8,529	**12,471**	12,471
Capital and other reserves	30	**(6,176)**	3,397	**-**	9,569
Accumulated losses	31	**(124,042)**	(137,469)	**(145,672)**	(163,197)
		(13,360)	(21,157)	**(24,872)**	(36,771)
Minority interests		**-**	-	**-**	-
TOTAL EQUITY		**(13,360)**	(21,157)	**(24,872)**	(36,771)
Service providers' cash held in a fiduciary capacity (a):					
Bank balances		**-**	5,846	**-**	-
Less: Amount payable to service providers		**-**	(5,846)	**-**	-
		-	-	**-**	-

(a) Arises out of the operations of AXS InfoComm Pte Ltd, a wholly owned subsidiary of Primefield Company Pte Ltd which the Company disposed on 30 September 2006.

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2006

	← Attributable to equity holders of the Company →							
	Share capital $'000	Share premium $'000	Preference shares $'000	Special reserve $'000	Capital and other reserves $'000	Accumulated losses $'000	Minority interest $'000	Total $'000
Balance at 1 January 2006	**32,857**	**71,529**	**-**	**8,529**	**3,397**	**(137,469)**	**-**	**(21,157)**
Currency translation differences	**-**	**-**	**-**	**-**	**(731)**	**-**	**-**	**(731)**
Transfer of exchange translation reserve to income statement arising from disposal of an associated company	**-**	**-**	**-**	**-**	**11,098**	**-**	**-**	**11,098**
Transfer of revaluation surplus to income statement arising from disposal of an investment property and an associated company	**-**	**-**	**-**	**-**	**(17,766)**	**-**	**-**	**(17,766)**
Gain on dilution of investment / premium attributable to minority interest arising from dilution of interest in AXS InfoComm Pte Ltd ("AXS") due to issue of performance shares	**-**	**-**	**-**	**-**	**-**	**2,093**	**(2,093)**	**-**
Adjustment arising from disposal of equity in Primefield Company Pte Ltd	**-**	**-**	**-**	**-**	**(81)**	**-**	**-**	**(81)**
Net (losses)/gains recognised directly in equity	**-**	**-**	**-**	**-**	**(7,480)**	**2,093**	**(2,093)**	**(7,480)**
Net profit for the financial year	**-**	**-**	**-**	**-**	**-**	**11,334**	**-**	**11,334**
Total recognised (losses) / gains for the financial year	**-**	**-**	**-**	**-**	**(7,480)**	**13,427**	**(2,093)**	**3,854**
Transfer of share premium to share capital (see Note 28 (a))	**71,529**	**(71,529)**	**-**	**-**	**-**	**-**	**-**	**-**
Adjustment arising from the issue of performance shares by AXS	**-**	**-**	**-**	**-**	**(2,093)**	**-**	**2,093**	**-**
Issuance of non-redeemable convertible cumulative preference shares ("NCCPS")	**-**	**-**	**3,943**	**-**	**-**	**-**	**-**	**3,943**
Conversion of NCCPS	**3,926**	**-**	**(3,926)**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2006	**108,312**	**-**	**17**	**8,529**	**(6,176)**	**(124,042)**	**-**	**(13,360)**

Movements in each category within "Capital and other reserves" are presented in Note 30 to the financial statements.

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

Consolidated Statement of Changes in Equity (continued)

For the financial year ended 31 December 2006

	Attributable to equity holders of the Company							
	Share capital $'000	Share premium $'000	Preference shares $'000	Special reserve $'000	Capital and other reserves $'000	Accumulated losses $'000	Minority interest $'000	Total $'000
Balance at 1 January 2005	46,000	8,230	-	8,529	1,685	(176,664)	-	(112,220)
Currency translation differences	-	-	-	-	(10)	-	-	(10)
Revaluation gain on investment properties	-	-	-	-	1,760	-	-	1,760
Gain on dilution of investment / premium attributable to minority interest arising from debt restructuring exercise	-	-	-	-	-	2,828	(2,828)	-
Net gains/(losses) recognised directly in equity	-	-	-	-	1,750	2,828	(2,828)	1,750
Net profit/(loss) for the financial year	-	-	-	-	-	1,868	(210)	1,658
Total recognised gains / (losses) for the financial year	-	-	-	-	1,750	4,696	(3,038)	3,408
Adjustment from capital reduction exercise (Note 28)	(34,499)	-	-	-	-	34,499	-	-
Adjustment arising from debt restructuring exercise (Note 30(b))	-	-	-	-	(38)	-	38	-
Shares issued to bondholders under debt restructuring exercise (Note 28)	21,356	63,299	-	-	-	-	3,000	87,655
Balance at 31 December 2005	32,857	71,529	-	8,529	3,397	(137,469)	-	(21,157)

Movements in each category within "Capital and other reserves" are presented in Note 30 to the financial statements.

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2006

	Notes	2006 $'000	2005 $'000
Cash flows from operating activities			
Profit after taxation and minority interest		**11,334**	1,658
Adjustments for:			
Allowance for anticipated losses on development properties	7	**-**	108
Amount recovered from a subsidiary / joint venture liquidated in prior years	5	**-**	(300)
Amount recovered from a subsidiary disposed in prior year	5	**-**	(290)
Depreciation of property, plant and equipment	23	**7,116**	7,348
Foreign exchange losses / (gains) – net		**2,449**	(4,339)
(Gain) / loss on disposal / liquidation of a subsidiary	7, 8	**(10,207)**	5
Gain on disposal of investment property (gross)	5	**(9,745)**	-
Impairment loss of property, plant and equipment	7	**11**	-
Income tax expense	10	**2,060**	1,998
Interest expense	6, 8	**6,795**	4,894
Interest income	5, 8	**(1,328)**	(774)
Loss / (gain) on disposal of property, plant and equipment	7	**170**	(20)
Loss on disposal of associated companies (net)	5	**1,277**	-
Property, plant and equipment written off	7	**8**	25
Provision for impairment/trade receivable written off	7	**258**	130
Share of results of associated companies	21	**24**	(299)
Write-down of inventory	7	**-**	5
Write-off of investment in an associate	7	**-**	30
Write back of provision for impairment of receivables	7	**(316)**	(84)
Write back of provision for warranty	8	**(70)**	-
Write back of trade and other payables	5	**(1,515)**	-
Operating cash flows before working capital changes		**8,321**	10,095
Changes in operating assets and liabilities			
Construction contract work-in-progress		**-**	108
Development properties		**1,395**	1,269
Inventories		**132**	(53)
Trade and other receivables		**(336)**	(2,776)
Trade and other payables		**542**	4,598
Cash generated from operations		**10,054**	13,241
Income tax paid	10(b)	**(2,768)**	(1,739)
Interest paid		**(4,413)**	(4,177)
Net cash generated from operating activities		**2,873**	7,325

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

Consolidated Cash Flow Statement (continued)

For the financial year ended 31 December 2006

	Notes	2006 $'000	2005 $'000
Cash flows from investing activities			
Amount recovered from a subsidiary / joint venture liquidated in prior years		**-**	300
Amount recovered from a subsidiary disposed in prior years		**-**	290
Decrease / (increase) in fixed deposits pledged		**26**	(19)
Dividends received		**-**	258
Interest received		**1,328**	774
Legal fee and consultation fees in relation to the disposal of subsidiaries		**(462)**	-
Net cash disposed on sale / liquidation of a subsidiary	12	**4,482**	(7)
Proceeds from disposal of investment in associated companies		**16,909**	-
Proceeds from disposal of investment properties		**42,536**	-
Proceeds from disposal of property, plant and equipment		**11**	53
Proceeds from redemption of preference shares in an associated company		**584**	-
Purchase of property, plant and equipment		**(5,944)**	(4,385)
Net cash generated from / (used in) investing activities		**59,470**	(2,736)
Cash flows from financing activities			
Foreign exchange losses / (gains) - net		**-**	413
Proceeds from rights issue		**135,370**	-
Repayment of borrowings		**(183,887)**	(696)
Net cash used in financing activities		**(48,517)**	(283)
Net increase in cash and cash equivalents		**13,826**	4,306
Cash and cash equivalents at beginning of financial year	12	**22,869**	18,563
Cash and cash equivalents at end of financial year	12	**36,695**	22,869

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

Notes to the Financial Statements

For the financial year ended 31 December 2006

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

1. General

HLG Enterprise Limited (formerly known as LKN-Primefield Limited) (the "Company") is incorporated and domiciled in Singapore and is publicly traded on the Singapore Exchange. The address of its registered office is 11 Collyer Quay, The Arcade, #16-02, Singapore 049317. The Company changed its name on 29 September 2006.

The principal activity of the Company is the holding of investments. The principal activities of the Company's subsidiaries are set out in Note 33 to the financial statements.

The IT and computer operations business segment was discontinued during the financial year (Note 8).

2. Significant accounting policies

2.1 Basis of preparation

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

On 1 January 2006, the Group adopted the new or revised FRS and Interpretations to FRS (INT FRS) that are mandatory for application from that date. Changes to the Group's and Company'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 FRS and INT FRS that are relevant to the Group:

FRS 19 (Amendment)	Employee Benefits
FRS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates
FRS 32 (Amendment)	Financial Instruments: Disclosure and Presentation
FRS 39 (Amendment)	Financial Instruments: Recognition and Measurement
INT FRS 104	Determining whether an Arrangement contains a Lease

The adoption of the above FRS or INT FRS did not result in substantial changes to the Group's accounting policies.

2. Significant accounting policies (continued)

2.2 Going concern

The Group and the Company had deficits in shareholders' equity of $13,360,000 and $24,872,000 respectively as at 31 December 2006.

The Company had issued interest bearing secured bonds amounting to $339,041,000 under a debt restructuring agreement with the bankers and other financial lenders in 2001. The Company was not able to meet the scheduled bond redemption of $35 million which was due on 16 March 2003 and has re-negotiated the terms of redemption of the bonds with the Company's bondholders. The bondholders have approved the revised terms of redemption of the bonds ("the new debt restructuring agreement"). The new debt restructuring agreement was approved by the shareholders of the Company in a general meeting held on 22 December 2004, and was made effective on 17 March 2005.

In 2006, all secured bonds under the new debt restructuring agreement amounting to $171,903,000 was redeemed during the year by utilising the sales proceeds from the disposal of LKN Building and the equity shares in an associated company and proceeds from issuing zero coupon bonds. Please refer to Note 25(c) for further details.

The balance sheet of the Company and consolidated financial statements of the Group have been prepared on a going concern basis, which assumes the continuing financial support of the bondholders and bankers, and the Group's ability to generate sufficient cash from its operations or obtain funds from other sources to pay its debts as and when they fall due. In the event that the going concern assumption proves to be invalid, adjustments would have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are presently shown in the balance sheets. In addition, the Group and the Company may have to provide for further liabilities that may arise and to reclassify non-current assets and liabilities as current assets and liabilities.

2.3 Revenue recognition

Revenue for the Group 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, net of value-added tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sale of development properties

Revenue from property development is recognised on a percentage of completion basis only in respect of units sold, when construction of the property is at an advanced stage and aggregate sales proceeds and costs can be reasonably estimated. The accounting policy for sold development properties is disclosed in Note 2.6.

2. Significant accounting policies (continued)

2.3 Revenue recognition (continued)

(b) *Rendering of services*

Revenue from rendering of services relates to construction and project management contracts, commercial/home repair works and maintenance, hotel room and restaurant operations, and IT and computer operations.

Revenue is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed. The accounting policy for revenue from "Construction contracts" is disclosed in Note 2.9.

(c) *Rental income*

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

(d) *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 cashflow discounted at original effective interest rate of the instrument, and continues amortising the discount as interest income on the recoverable amount.

(e) *Dividend income*

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

2.4 Group accounting

(a) *Subsidiaries*

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half 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 by the Group. 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 date 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 any minority interest.

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.

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but 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 interests are that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value 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 losses applicable to the minority interests in a subsidiary exceed the minority interests in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority interests are attributed to the equity holders of the Company, unless the minority interests 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 minority interests share of losses previously absorbed by the equity holders of the Company have been recovered. Please refer to Note 2.11 for the Company's accounting policy on investments in subsidiaries.

(b) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding of 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 include goodwill (net of accumulated impairment loss) identified on acquisition, where applicable.

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 results 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 investment in the associated company including any other unsecured receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(b) Associated companies (continued)

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.

Please refer to Note 2.11 for the Company's accounting policy on investments in associated companies.

(c) Joint ventures

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 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 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 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.

Please refer to Note 2.11 for the Company's accounting policy on investments in joint ventures.

2.5 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (Note 2.12).

2. Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(a) *Measurement* (continued)

(ii) *Components of costs*

The cost of an item of property, plant and equipment 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. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

(b) *Depreciation*

Freehold land and capital work-in-progress are not depreciated. Depreciation charge will commence only when construction is completed and the property, plant and equipment is brought into use. Depreciation on other property, plant and equipment is calculated using the straight line method to allocate their depreciable amounts over their estimated useful lives as follows:

		Useful lives
Buildings and building improvements on freehold land	-	50 years
Leasehold land, buildings and improvements	-	50 years or period of lease, whichever is shorter
Plant and machinery	-	3 to 20 years
Furniture, fittings and office equipment	-	3 to 20 years
Motor vehicles	-	$3^1/_3$ to 6 years
Linen, china, glassware and silverware etc.	-	5 years
Software, hardware multimedia and NETS kiosks	-	5 years

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are included in the income statement for the financial year in which the changes arise.

(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 when it is probable that future economic benefits, associated with the item will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense in the income statement during the financial year in which it is incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

2. Significant accounting policies (continued)

2.6 Development properties

Development properties consist of properties being developed for resale.

(a) *Unsold development properties*

Development properties 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 development and selling expenses. Costs to complete development include cost of land and other direct and related development expenditure, including borrowing costs incurred in developing the properties (Note 2.8).

(b) *Sold development properties*

Revenue and cost on development properties that have been sold are recognised using the percentage of completion method. The stage of completion is measured by reference to the development costs incurred to date to the estimated total costs for the property. 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 development property that has been sold is 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 on development properties, under trade and other receivables. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on development properties, under trade and other payables.

2.7 Intangible assets

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 of the acquired subsidiaries, joint ventures or associated companies at the date of acquisition.

(i) *Acquisitions pre - 1 January 2001*

Goodwill on acquisitions was adjusted against retained earnings in the year of acquisition.

The Group also had acquisitions where the costs of acquisitions were less than fair value of the net identifiable assets acquired. Such differences ("negative goodwill") were adjusted against retained earnings in the year of acquisition.

On disposal of the subsidiaries, associated companies or joint ventures, such goodwill and negative goodwill previously adjusted against retained earnings are not recognised in the income statement.

2. Significant accounting policies (continued)

2.7 Intangible assets (continued)

(ii) Acquisitions post 1 January 2001

Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associated companies is included in the carrying amount of investments in associated companies.

Goodwill for acquisitions post 1 January 2005 is determined after deducting the Group's share of their identifiable net assets and contingent liabilities.

Goodwill recognised separately as intangible assets is tested at least annually for impairment and carried at cost less accumulated impairment losses.

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

2.8 Borrowing costs

Borrowing costs incurred to finance the development of properties are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised on a time-proportion basis in the income statement using the effective interest method.

The cost capitalised is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.

2.9 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

Contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date (percentage-of-completion method). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is only included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

2. Significant accounting policies (continued)

2.9 Construction contracts (continued)

The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the balance sheet date, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts, within "trade and other receivables". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

Progress billings not yet paid by customers and retentions are included within "trade and other receivables".

2.10 Investment properties

Investment properties of the Group, principally comprising office buildings, are held for long-term rental yields and capital appreciation and are not occupied by the Group. Investment properties are classified as non-current investments and are stated at their fair values based on valuations. An independent professional valuation is carried out at least once every three years. During the intervening period, the investment properties are valued by the directors of the Company. Investment properties are not subject to depreciation.

Increases in carrying amounts arising from revaluation are credited to the asset revaluation reserve, unless they offset previous decreases in the carrying amount of the same investment which have been charged to the income statement, in which case, they are credited to the income statement. Decreases in carrying amounts are charged to the income statement unless they offset previous increases of the same investment asset that have been credited to the asset revaluation reserve.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes. A property that is being constructed or developed for future use as an investment property is classified as "development property" until construction or development is completed, at which time it is reclassified and accounted for as investment property.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is taken to the income statement; any amount outstanding in the asset revaluation reserve relating to that investment property is also transferred to the income statement.

2. Significant accounting policies (continued)

2.11 Investments in subsidiaries, joint ventures and associated companies

Investments in subsidiaries, joint ventures and associated companies are stated at cost less accumulated impairment losses (Note 2.12) in the Company's balance sheet.

On disposal of investments in subsidiaries, joint ventures and associated companies, the difference between net disposal proceeds and the carrying amount of the investment is taken to the income statement.

2.12 Impairment of non-financial assets

Intangible assets, property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, 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 cash generating units ("CGU") to which the asset belongs.

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 impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

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

2.13 Investments in financial assets

The Group classifies its investments in financial assets as 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 and re-evaluates this designation at every reporting date.

2. Significant accounting policies (continued)

2.13 Investments in financial assets (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the balance sheet, which are classified as non-current assets. Loan and receivables are classified within "trade and other receivables" and "cash and cash equivalents" on the balance sheet.

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.

Loans and receivables are recognised initially at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method less allowance for impairment.

An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

2.14 Borrowings

(a) Borrowings

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

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings in the balance sheet.

(b) Redeemable preference shares

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are taken to the income statement as finance expense.

2. Significant accounting policies (continued)

2.15 Trade and other payables

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

2.16 Fair value estimation

The carrying amount of current financial assets and liabilities, carried at amortised cost are assumed to approximate their fair values.

The fair value of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rate that are available to the Group for similar financial liabilities.

2.17 Leases

(a) When a group company is the lessee:

The Group leases certain property, plant and equipment from third parties.

Finance leases

Leases of property, plant and equipment where the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively at the inception of the leases at the lower of the fair values of the leased assets and the present values of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the reduction of the outstanding lease liability. The finance charge is recognised in the income statement and allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability.

Operating leases

Leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2006

2. Significant accounting policies (continued)

2.17 Leases (continued)

(b) *When a group company is the lessor:*

The Group leases out certain investment properties to third parties.

Operating leases

Assets leased out under operating leases are included in investment properties.

Rental income from operating leases (net of any incentives given to 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 an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the income statement over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in the income statement in the financial year in which they are earned.

2.18 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.19 Income taxes

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax assets/liabilities are recognised for all deductible taxable 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 assets/liabilities arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss.

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.

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

2. Significant accounting policies (continued)

2.19 Income taxes (continued)

Deferred income tax assets and liabilities are measured at:

(i) 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 substantially enacted by the balance sheet date; and

(ii) 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 tax are recognised as income or expenses in the income statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax on temporary differences arising from the revaluation gains and losses on land and buildings, are charged or credited directly to equity in the same period the temporary differences arise. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.20 Provisions

Provisions for asset dismantlement, removal or restoration, warranty, restructuring costs and legal claims 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. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on past historical experience of the level of repairs and replacements.

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement as interest expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the income statement for the period the changes in estimates arise except for asset dismantlement, removal and restoration costs, which are adjusted against the cost of the related property, plant and equipment unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

2. Significant accounting policies (continued)

2.21 Employee compensation

(a) *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.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statement, with a corresponding adjustment to the share option reserve over the remaining vesting period.

(d) *Termination benefits*

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

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 Dollars, which is the Company's functional currency.

2. Significant accounting policies (continued)

2.22 Currency translation (continued)

(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 prevailing at the dates of the transactions. Currency translation gains and losses resulting 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, except for currency translation differences on the net investment in foreign operations, borrowings in foreign currencies and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the currency translation reserve within equity in the consolidated financial statements (Note 2.22(d)).

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items, whereby the gains or losses are recognised in the income statement, such as equity investments held at fair value through profit or loss, are reported as part of the fair value gains or losses in "other gains/losses - net". Currency translation differences on non-monetary items whereby the gains or losses are recognised directly in equity, such as equity investments classified as available-for-sale financial assets, investment properties and property, plant and equipment are included in the fair value reserve and asset revaluation reserve respectively.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this 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 at the dates of the transactions); and

(iii) All resulting exchange differences are taken to the currency translation reserve within equity.

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

2. Significant accounting policies (continued)

2.22 Currency translation (continued)

(d) Consolidation adjustments

On consolidation, currency translation differences arising from the net investment in foreign operations and borrowings in foreign currencies and other currency instruments designated as hedges of such investments are taken to the currency translation reserve. When a foreign operation is sold, such currency translation differences recorded in the currency translation reserve are recognised in the income statement as part of the gain or loss on disposal.

2.23 Segment reporting

A business segment is a distinguishable 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 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with financial institutions and bank overdrafts. Bank overdrafts are included under borrowings in current liabilities on the balance sheet.

2.25 Share capital

Ordinary shares and non-redeemable convertible preference shares are both classified as equity. Mandatorily redeemable convertible preference shares are classified as liabilities (Note 2.14(b)).

Incremental costs directly attributable to the issuance of new equity instruments are deducted against the share capital account.

2.26 Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by the shareholders.

2. Significant accounting policies (continued)

2.27 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Any impairment loss on initial classification and subsequent measurement is recognised in the income statement. Subsequent increases in fair value less costs to sell up (not exceeding the accumulated impairment loss that has been previously recognised) are recognised in the income statement.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and

(i) represents a separate major line of business or geographical area of operations; or

(ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(iii) is a subsidiary acquired exclusively with a view to resale.

Results, cash flows and segment information attributable to a discontinued operation (including comparative figures) are presented or disclosed separately from the continuing operations.

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.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment 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 recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

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

(ii) Construction contracts

The Group uses the percentage-of-completion method in accounting for its contract revenue where it is probable that contract costs are recoverable. The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract.

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the variation works and claims that are recoverable from the customers. In making the judgement, the Group has relied on past experience and the work of specialists.

4. Revenue

	The Group	
	2006	**2005**
	$'000	**$'000**
Revenue from construction, project management contracts and commercial/home maintenance	**19**	3,879
Revenue from sale of development properties	**1,534**	1,653
Revenue from hotel and restaurant operations	**33,483**	33,731
Rental income	**406**	1,634
Others	**1**	6
Total sales	**35,443**	40,903

5. Other gains (net)

	The Group	
	2006	**2005**
	$'000	**$'000**
Sundry income	**329**	297
Amount recovered from a subsidiary/joint venture liquidated in prior years	**-**	300
Gain on disposal of an investment property (net)	**9,578**	-
Amount recovered from a subsidiary disposed in prior year	**-**	290
Net loss on disposal of associated companies	**(1,277)**	-
Write back of provision for impairment of receivables	**316**	84
Write back of trade and other payables	**1,515**	-
Interest income	**1,258**	761
	11,719	1,732

The gain on disposal of an investment property is net of the loss on disposal of $167,000 in connection with the plant and equipment related to the investment property.

6. Finance expense – net

	The Group	
	2006	**2005**
	$'000	**$'000**
Interest expense:		
- bank borrowings	**(1,242)**	(1,433)
- secured / unsecured bonds	**(4,781)**	(2,617)
- finance lease liabilities	**(1)**	(18)
	(6,024)	(4,068)
Currency exchange (loss) / gain – net	**(4,046)**	4,302
	(10,070)	234

7. Profit from operations

The following items have been included in arriving at profit from operations:

	The Group	
	2006	**2005**
	$'000	**$'000**
Charging / (Crediting):		
Allowance for anticipated losses on development properties (Note 15)	**-**	108
Depreciation of property, plant and equipment (Note 23):		
- freehold buildings and apartments	**181**	184
- leasehold land, buildings and improvements	**3,302**	3,077
- plant and machinery	**1,340**	1,282
- furniture, fittings and office equipment	**1,125**	1,075
- motor vehicles	**86**	97
- linen, china, glassware and silverware, etc	**9**	11
- software, hardware multimedia and NETS kiosks	**-**	2
Employee benefits (Note 9)	**9,378**	9,979
Impairment loss of property, plant and equipment	**11**	-
Inventories		
- cost of inventories recognised as an expense (included in 'cost of sales') (Note 16)	**3,758**	4,091
- write down of inventory	**-**	5
Loss on liquidation of a subsidiary	**-**	5
Loss / (gain) on disposal of property, plant and equipment	**170**	(20)
Professional fees incurred for debt restructuring exercise	**158**	760
Property, plant and equipment written off	**8**	25
Provision for impairment of receivables:		
- trade	**14**	13
- other receivables (non-trade)	**200**	110

7. Profit from operations (continued)

	The Group	
	2006	**2005**
	$'000	**$'000**
Remuneration of:		
Auditors of the Company		
- audit fees for current financial year	**108**	100
- under provision of audit fees in previous financial year	**1**	(8)
- other fees	**159**	115
Other auditors		
- audit fees for current financial year	**77**	77
- under provision of audit fees in previous financial year	**6**	4
- other fees	**41**	15
Rental expense - operating leases	**150**	35
Write-off of investment in an associate	**-**	30
Write-off of trade receivables	**44**	7
Write back of provision for impairment of receivables:		
- trade	**-**	(84)
- due from an associated company	**(316)**	-

8. Discontinued operations

Following the completion of the disposal of Primefield Company Pte Ltd and AXS InfoComm Pte Ltd ("Primefield group") to a third party on 30 September 2006, the Group has divested its IT and computer operations business. The results of Primefield group and the net gain on the said disposal are presented separately in the income statement as "Discontinued operations". An analysis of the results of the Discontinued operations is as follows:

	The Group	
	2006	**2005**
	$'000	**$'000**
Sales	**7,257**	5,249
Cost of sales	**(3,929)**	(2,799)
Gross profit	**3,328**	2,450
Other gains (net)	**95**	25
Expenses		
- Selling and marketing	**(84)**	(82)
- Administrative	**(83)**	(62)
- Finance (net)	**(771)**	(682)
- Others (net)	**(3,095)**	(4,225)
Loss before tax from discontinued operations	**(610)**	(2,576)
Income tax expense	**(758)**	-
Loss after tax from discontinued operations	**(1,368)**	(2,576)
Gain on disposal	**10,207**	-
	8,839	(2,576)

8. Discontinued operations (continued)

The following items have been included in arriving at the gain/(loss) from discontinued operations:

	The Group	
	2006	**2005**
	$'000	**$'000**
Charging/(crediting):		
Auditors' remuneration	**15**	13
Depreciation of property, plant and equipment		
- Leasehold buildings	**515**	685
- Furniture and fittings	**34**	81
- Motor vehicles	**10**	17
- Computers and software	**514**	837
Property, plant and equipment written off	**-**	5
Rental expenses - Operating leases	**178**	305
Employee benefits		
- Wages and salaries	**1,177**	1,325
- Employer's contribution to Central Provident Fund	**139**	163
- Other benefits	**7**	14
Write back provision for warranty	**(70)**	-
Interest income	**70**	13
Interest expense	**771**	826
Currency exchange gain	**-**	(144)

The impact of the discontinued operations on the cash inflows/(outflows) of the Group is as follows:

	The Group	
	2006	**2005**
	$'000	**$'000**
Operating cash flows	**905**	1,179
Investing cash flows	**(339)**	(1,037)
Total cash flows	**566**	142

9. Employee benefits

	The Group	
	2006	**2005**
	$'000	**$'000**
Wages and salaries	**6,203**	6,828
Employer's contribution to defined contribution plans including Central Provident Fund and pension fund in China	**2,184**	2,218
Employee benefits	**991**	933
	9,378	9,979

Key management remuneration is disclosed in Note 32.

10. Income taxes

(a) Income tax expense

	The Group 2006 $'000	The Group 2005 $'000
Tax expense attributed to results is made up of:		
From continuing operations		
Current income tax		
- Singapore	**75**	200
- Foreign	**1,548**	2,167
	1,623	2,367
Deferred income tax (Note 27)	**(19)**	(25)
	1,604	2,342
From continuing operations		
Under / (Over) provision in preceding financial years		
- Current income tax	**158**	(314)
- Deferred income tax (Note 27)	**(460)**	(30)
	(302)	(344)
	1,302	1,998
From discontinuing operations		
Under provision in preceding financial year		
- Singapore	**758**	-

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

	The Group 2006 $'000	The Group 2005 $'000
Profit/(loss) before income tax from:		
Continuing operations	**3,797**	6,232
Discontinued operations (Note 8)	**9,597**	(2,576)
	13,394	3,656
Tax expense calculated at tax rate of 20% (2005: 20%)	**2,679**	731
Effects of		
- Different tax rates in other countries	**341**	670
- Expenses not deductible for tax purposes	**6,568**	1,129
- Income not subject to tax	**(8,027)**	(531)
- Utilisation of previously unrecognised tax losses	**(594)**	(38)
- Tax benefits not recognised	**637**	381
Tax charge	**1,604**	2,342

10. Income taxes (continued)

(b) Movements in current income tax liabilities

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of the financial year	**3,056**	2,735	**200**	-
Income tax paid	**(2,768)**	(1,739)	**(362)**	(116)
Tax expense on results (Note 10(a))				
- Current financial year	**1,623**	2,367	**257**	316
- Under / (over) provision in prior years	**158**	(314)	**(20)**	-
Disposal of subsidiaries	**(277)**	-	**-**	-
Currency translation differences	**(7)**	7	**-**	-
Balance at end of the financial year	**1,785**	3,056	**75**	200

11. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

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

	Continuing operations		Discontinued operations		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Net profit/(loss) attributable to equity holders of the Company ($'000)	**2,495**	4,234	**8,839**	(2,366)	**11,334**	1,868
Weighted average number of ordinary shares in issue during the year ('000)	**678,657**	569,369	**678,657**	569,369	**678,657**	569,369
Basic earnings/(loss) per share (cents)	**0.37**	0.74	**1.30**	(0.41)	**1.67**	0.33

(b) Diluted earnings/(loss) per share

For the purpose of calculating diluted earnings/(loss) per share, profit/(loss) attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: redeemable convertible preference shares and non-redeemable convertible cumulative preference shares.

The preference shares are assumed to have been converted into ordinary shares.

11. Earnings/(loss) per share (continued)

(b) Diluted earnings/(loss) per share (continued)

Diluted earnings per share for continuing operations and discontinued operations attributable to equity holders of the Company is calculated based on the following data:

	Continuing operations		Discontinued operations		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Net profit/(loss) attributable to equity holders of the Company ($'000)	**2,495**	4,234	**8,839**	(2,366)	**11,334**	1,868
Weighted average number of ordinary shares in issue during the year ('000)	**678,657**	569,369	**678,657**	569,369	**678,657**	569,369
Adjustments for assumed conversion of preference shares to ordinary shares	**196,945**	99,449	**196,945**	99,449	**196,945**	99,449
	875,602	668,818	**875,602**	668,818	**875,602**	668,818
Diluted earnings/(loss) per share (cents)	**0.28**	0.63	**1.01**	(0.35)	**1.29**	0.28

12. Cash and cash equivalents

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and on hand	**12,006**	16,701	**708**	1,077
Short-term bank deposits	**24,722**	11,722	**20,257**	2,096
	36,728	28,423	**20,965**	3,173

Included under cash and cash equivalents of the Group are RM75,000 (equivalent to $32,640) (2005 : RM134,500 (equivalent to $59,180)) of fixed deposits of a subsidiary that are pledged to a bank for guarantee facilities.

At the balance sheet date, the carrying amounts of cash and cash equivalents approximate their fair values.

12. Cash and cash equivalents (continued)

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Singapore Dollar	**22,136**	8,853	**20,933**	2,852
United States Dollar	**640**	593	**32**	321
Renminbi	**12,450**	15,946	**-**	-
Malaysia Ringgit	**1,402**	2,875	**-**	-
Others	**100**	156	**-**	-
	36,728	28,423	**20,965**	3,173

Short-term bank deposits at the balance sheet date have an average maturity of 1 month (2005: 1 month) from the end of the financial year with the following weighted average effective interest rates:

	The Group	
	2006	2005
	%	%
Singapore Dollar	**3.004**	2.761
Renminbi	**2.070**	1.890
Malaysia Ringgit	**2.700**	2.370

The exposure of cash and cash equivalents to interest rate risks is disclosed in Note 38.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	The Group	
	2006	2005
	$'000	$'000
Cash and bank balances (as above)	**36,728**	28,423
Less: Bank overdrafts (Note 25)	**-**	(5,495)
Fixed deposits pledged	**(33)**	(59)
Cash and cash equivalents per consolidated cash flow statement	**36,695**	22,869

Disposal of subsidiaries

On 30 September 2006, the Company disposed of its interest in Primefield Company Pte Ltd for a cash consideration of S$1.00.

12. Cash and cash equivalents (continued)

The aggregate effect of the disposal of Primefield group on the cash flows of the Group were as follows:

	The Group	
	2006	**2005**
	$'000	**$'000**
Identifiable assets and liabilities:		
Property, plant and equipment	**15,560**	-
Other receivables and prepayments	**408**	-
Trade and other receivables	**955**	-
(Bank overdrafts)/cash and bank balances	**(4,482)**	7
Inventories	**170**	-
Bank borrowings	**(13,274)**	-
Trade and other payables	**(10,405)**	(2)
Net (liabilities)/assets disposed	**(11,068)**	5
Foreign currency translation reserve transferred from shareholders' equity	**(12)**	(106)
Adjusted net liabilities disposed	**(11,080)**	(101)
Gain/(loss) on disposal of subsidiaries (net)	**10,231**	(5)
Add: bad debts written off arising from the disposal of Primefield group	**411**	-
Add: legal and consultation fees in relation to the disposal of Primefield group	**438**	-
Foreign currency translation reserves brought to exchange difference	**-**	106
	11,080	101
Cash proceeds received	**-***	-
Less: Bank overdrafts/(cash and bank balances) in subsidiaries disposed	**4,482**	(7)
Net cash inflow/(outflow) on sale of subsidiaries	**4,482**	(7)

* Less than $1,000

13. Trade and other receivables - current

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Trade receivables				
- Joint ventures	**1,089**	1,250	**-**	-
- Third parties	**1,333**	9,045	**-**	55
	2,422	10,295	**-**	55
Less: Provision for impairment of receivables - Third parties	**(194)**	(5,954)	**-**	-
Trade receivables – net	**2,228**	4,341	**-**	55
Due from associated companies (non-trade)	**-**	89	**-**	-
Due from subsidiaries (non-trade)	**-**	-	**5,836**	277,630
Less: Provision for impairment of receivables from subsidiaries	**-**	-	**(1,762)**	(203,519)
	-	89	**4,074**	74,111
Receivable from a subsidiary under liquidation (non-trade)	**4,835**	4,844	**-**	-
Less: Provision for impairment of receivables due from a subsidiary under liquidation	**(4,835)**	(4,844)	**-**	-
	-	-	**-**	-
Other receivables	**7,705**	5,541	**4,857**	4,177
Less: Provision for impairment of other receivables	**(686)**	(813)	**-**	-
	7,019	4,728	**4,857**	4,177
	9,247	9,158	**8,931**	78,343

At the balance sheet date, the carrying amounts of trade and other receivables approximate their fair values.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers, who are internationally dispersed. Accordingly, Management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and Company's trade receivables.

The non-trade amounts due from associated companies, subsidiaries and a subsidiary under liquidation are unsecured, interest-free and are repayable on demand.

14. Construction contract work-in-progress

	The Group 2006 $'000	The Group 2005 $'000
Balance at beginning of financial year	**-**	108
Contract costs incurred during financial year	**20**	2,482
Contract expenses recognised during financial year	**(20)**	(2,549)
Contract work-in-progress written-off during financial year	**-**	(41)
Balance at end of financial year	**-**	-

15. Development properties

	The Group 2006 $'000	The Group 2005 $'000
Properties held for sale:		
Freehold land at cost	**5,536**	5,617
Leasehold land at cost	**475**	475
Development costs	**35,700**	37,232
Overhead expenditure capitalised	**5,006**	5,332
	46,717	48,656
Less: Allowance for anticipated losses	**(28,877)**	(29,659)
	17,840	18,997

(a) Movements in the allowance for anticipated losses are as follows:

	The Group 2006 $'000	The Group 2005 $'000
At beginning of the financial year	**29,659**	29,544
Allowance made during the financial year	**-**	108
Allowance utilised during the financial year	**(546)**	(481)
Currency translation differences	**(236)**	488
At end of the financial year	**28,877**	29,659

(b) Included in the Group's development properties are certain completed properties with carrying value amounting to $740,000 (2005: $740,000) which were previously mortgaged to the secured bondholders (Note 25(a)). The mortgage of these development properties was fully discharged on 23 January 2007.

15. Development properties (continued)

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

Location	Percentage of completion at 31.12.2006/ expected date of completion	Tenure/ group's effective interest in Property (%)	Land area (m^2)	Gross floor area (m^2)	Type of development	Balance of unsold units
970 Geylang Road, Singapore *	Completed in 1998	99-year lease/ (100%)	2,676	2,652	4-storey shops	2 units
Lots 92,151pt, 152pt Mukim of Ulu Telom, District of Cameron Highlands, Malaysia	Phase I completed in 1997 Phase II completed in 1998	Lot 151pt, 152pt Freehold; Lot 92 99-year lease / (100%)	41,532 936	47,497 -	Resort development comprising 240 units low-rise and 40 units high-rise apartments and commercial building	84 units low-rise and 23 units high-rise apartments and commercial building
Geran No. 861 Lot 981 KBVII Daerah Melaka, Tengah Malaysia	Work on the project has been suspended at the end of 1998	Freehold/ (52%)	4,229	41,740	Shops and offices	-

* On 4 December 2006, the Company's indirect wholly-owned subsidiary, Joo Chiat Holding Pte Ltd has granted an option to a third party to purchase the two adjoining shop units located at 970 Geylang Road, #02-01 and #02-02, Singapore for a cash consideration of S$430,000 each.

On 18 December 2006, the purchasers have exercised their option to purchase the two shop units. Subject to the satisfactory fulfillment of the terms and conditions in the options, the completion of the disposal will take place on 12 March 2007.

16. Inventories

	The Group	
	2006	**2005**
	$'000	**$'000**
At cost		
Hotel supplies	**490**	618
At net realisable value		
Raw materials	**-**	174
	490	792

The cost of inventories recognised as expense and included in "cost of sales" amounted to $3,758,000 (2005: $4,091,000).

17. Other current assets

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Deposits	**164**	343	**60**	127
Prepayments	**207**	351	**2**	2
	371	694	**62**	129

At the balance sheet date, the carrying amounts of deposits approximate their fair value.

18. Investment properties

(a) Movements in investment properties (non-current) during the financial year are as follows:

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Balance at beginning of the financial year	**7,210**	47,646	**-**	40,600
Net surplus on revaluation charged to capital reserves (Note 30(b))	**-**	1,760	**-**	1,760
Transfer to investment property held for sale (Note 18(b))	**-**	(42,360)	**-**	(42,360)
Currency translation differences	**(79)**	164	**-**	-
Balance at end of the financial year	**7,131**	7,210	**-**	-

Details of investment property (non-current) as at 31 December 2006 are as follows:

Location	Description	Tenure	Land area (m^2)	Floor area (m^2)	Owned by
45 Jalan Wong Ah Fook, Johor Bahru, Malaysia (Wisma LKN)	18-storey office block	Freehold	1,133.1	6,948.02	LKN Development Pte Ltd

Wisma LKN was valued at $7,131,000 (2005: $7,210,000) by the directors after taking into account of its open market value by an independent professional valuer and other factors on 31 December 2006.

The bonds issued by the Company (Note 25(a)) was previously secured against Wisma LKN. Upon redemption of the secured bonds, the Group is currently in the process of discharging the legal documents of this investment property.

18. Investment properties (continued)

(b) Investment property classified as held for sale (current):

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Investment property classified as held for sale	**-**	42,360	**-**	42,360

The Company completed the sale of investment property classified as held for sale in January 2006.

19. Trade and other receivables – non-current

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	**-**	14,300	**-**	-
Less: Provision for impairment of receivables	**-**	(14,300)	**-**	-
	-	-	**-**	-
Due from associated companies (non-trade)	**-**	3,416	**-**	-
Less: Provision for impairment of receivables	**-**	(3,416)	**-**	-
	-	-	**-**	-
Due from joint venture partners (non-trade)	**11,062**	10,119	**-**	-
Due from joint venture of a subsidiary (non-trade)	**-**	-	**21,266**	22,949
	11,062	10,119	**21,266**	22,949

At the balance sheet date, the carrying amounts of trade receivables - non current approximate their fair values.

The non-trade amounts due from associated companies at 31 December 2005 were unsecured, interest-free and were not expected to be repaid within 12 months from the balance sheet date.

The non-trade amounts due from joint venture partners and due from joint venture of a subsidiary are unsecured and not expected to be repaid within 12 months from the financial year end. The effective interest rate as at balance sheet date is 6.77% (2005: 5.78%) per annum.

19. Trade and other receivables – non-current (continued)

Trade and other receivables (current (Note 13) and non-current) are denominated in the following currencies:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Singapore Dollar	**7,640**	6,180	**2,507**	60,672
United States Dollar	**7,886**	11,377	**27,690**	40,620
Renminbi	**2,865**	1,200	**-**	-
Malaysia Ringgit	**1,833**	429	**-**	-
Others	**85**	91	**-**	-
	20,309	19,277	**30,197**	101,292

20. Other investments

	The Group	
	2006	**2005**
	$'000	**$'000**
Club memberships	**301**	301
Less: Provision for impairment	**(151)**	(151)
	150	150

Investments are classified as non-current assets, unless they are expected to be realised within 12 months from the balance sheet date or unless they need to be sold to raise operating capital.

21. Investments in associated companies

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Unquoted equity shares at cost	**4,679**	7,508	**-**	2,093
Share of post acquisition capital reserves	**-**	8,197	**-**	-
Share of post acquisition retained earnings	**3,454**	20,296	**-**	-
Currency translation differences	**(914)**	(12,984)	**-**	-
	7,219	23,017	**-**	2,093
Less: Provision for impairment	**-**	-	**-**	(450)
	7,219	23,017	**-**	1,643

21. Investments in associated companies (continued)

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

	The Group	
	2006	**2005**
	$'000	**$'000**
Balance at beginning of the financial year	**20,296**	20,255
Share of results after tax	**(24)**	299
Dividend received, net of tax	**-**	(258)
Disposal of investment in an associated company	**(16,818)**	-
Balance at end of the financial year	**3,454**	20,296
The summarised financial information of associated companies are as follows:		
- Assets	**7,521**	26,620
- Liabilities	**302**	3,603
- Revenues	**530**	3,273
- Net (loss)/profit	**(24)**	299
Share of associated companies contingent liabilities incurred jointly with other investors	**-**	-
Contingent liabilities in which the Group is severally liable	**-**	-

Further details of the Group's associated companies are set out in Note 34 to the financial statements.

22. Investments in subsidiaries

	The Company	
	2006	**2005**
	$'000	**$'000**
Unquoted equity/preference shares at cost	**331,181**	88,370
Less: Provision for impairment	**(244,497)**	(65,919)
	86,684	22,451
Provision for impairment		
Balance at beginning of financial year	**65,919**	65,919
Impairment charge	**178,578**	-
Balance at end of financial year	**244,497**	65,919

Further details of subsidiaries are set out in Note 33 to the financial statements.

23. Property, plant and equipment

The Group	Freehold land $'000	Freehold buildings and apartments $'000	Leasehold land, buildings and improvements $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Linen, china, glassware and silverware, etc $'000	Capital work-in-progress $'000	Software, hardware multimedia and NETS kiosks $'000	Total $'000
Cost										
At 1 January 2006	409	9,186	142,802	37,587	27,453	1,801	613	3,015	6,263	229,129
Additions	-	-	3,025	132	2,047	56	-	383	301	5,944
Disposals	-	-	(28)	(2,976)	(1,282)	(399)	-	-	(1)	(4,686)
Disposals (discontinued operations - Note 8)	-	-	(33,203)	-	(2,660)	(106)	-	-	(6,563)	(42,532)
Reclassified to held for sale	-	-	(25,211)	(393)	(1,516)	-	(26)	-	-	(27,146)
Transfer	-	-	584	-	-	-	-	(584)	-	-
Currency translation differences	(4)	(101)	(4,195)	(1,485)	(918)	(51)	(24)	(152)	-	(6,930)
At 31 December 2006	405	9,085	83,774	32,865	23,124	1,301	563	2,662	-	153,779
Accumulated depreciation and accumulated impairment losses										
At 1 January 2006	(132)	(5,188)	(64,561)	(18,257)	(22,956)	(1,451)	(609)	(1,674)	(4,645)	(119,473)
Disposals	-	-	28	2,806	1,270	392	-	-	1	4,497
Depreciation charge										
- Continuing operations	-	(181)	(3,302)	(1,340)	(1,125)	(86)	(9)	-	-	(6,043)
- Discontinued operations	-	-	(515)	-	(34)	(10)	-	-	(514)	(1,073)
Disposals (discontinued operations - Note 8)	-	-	19,391	-	2,346	77	-	-	5,158	26,972
Reclassified to held for sale	-	-	12,063	193	1,468	-	26	-	-	13,750
Provision for impairment	-	-	-	(11)	-	-	-	-	-	(11)
Currency translation differences	1	20	1,657	570	826	37	30	-	-	3,141
At 31 December 2006	(131)	(5,349)	(35,239)	(16,039)	(18,205)	(1,041)	(562)	(1,674)	-	(78,240)
Net book value at 31 December 2006	274	3,736	48,535	16,826	4,919	260	1	988	-	75,539

23. Property, plant and equipment (continued)

The Group	Freehold land $'000	Freehold buildings and apartments $'000	Leasehold land, buildings and improvements $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Linen, china, glassware and silverware, etc $'000	Capital work-in-progress $'000	Software, hardware multimedia and NETS kiosks $'000	Total $'000
Cost										
At 1 January 2005	400	8,977	138,922	34,613	26,254	1,850	591	2,305	5,499	219,411
Additions	-	-	421	1,819	667	72	-	604	802	4,385
Disposals	-	-	(5)	(149)	(291)	(166)	-	-	(38)	(649)
Currency translation differences	9	209	3,464	1,304	823	45	22	106	-	5,982
At 31 December 2005	409	9,186	142,802	37,587	27,453	1,801	613	3,015	6,263	229,129
Accumulated depreciation and accumulated impairment losses										
At 1 January 2005	(129)	(4,975)	(59,457)	(16,565)	(21,422)	(1,441)	(577)	(1,670)	(3,842)	(110,078)
Depreciation charge										
- Continuing operations	-	(184)	(3,077)	(1,282)	(1,075)	(97)	(11)	-	(2)	(5,728)
- Discontinued operations	-	-	(685)	-	(81)	(17)	-	-	(837)	(1,620)
Disposals	-	-	-	137	280	138	-	-	36	591
Currency translation differences	(3)	(29)	(1,342)	(547)	(658)	(34)	(21)	(4)	-	(2,638)
At 31 December 2005	(132)	(5,188)	(64,561)	(18,257)	(22,956)	(1,451)	(609)	(1,674)	(4,645)	(119,473)
Net book value at 31 December 2005	**277**	**3,998**	**78,241**	**19,330**	**4,497**	**350**	**4**	**1,341**	**1,618**	**109,656**

23. Property, plant and equipment (continued)

	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
The Company				
Cost				
At 1 January 2006	**2,964**	**1,152**	**519**	**4,635**
Additions	**-**	**21**	**5**	**26**
Disposals / write off	**(2,964)**	**(1,131)**	**(326)**	**(4,421)**
At 31 December 2006	**-**	**42**	**198**	**240**
Accumulated depreciation				
At 1 January 2006	**(2,797)**	**(1,142)**	**(487)**	**(4,426)**
Depreciation charge	**-**	**(10)**	**(33)**	**(43)**
Disposals / write off	**2,797**	**1,131**	**326**	**4,254**
At 31 December 2006	**-**	**(21)**	**(194)**	**(215)**
Net book value at 31 December 2006	**-**	**21**	**4**	**25**
The Company				
Cost				
At 1 January 2005	2,964	1,139	519	4,622
Additions	-	13	-	13
At 31 December 2005	2,964	1,152	519	4,635
Accumulated depreciation				
At 1 January 2005	(2,764)	(1,133)	(454)	(4,351)
Depreciation charge	(33)	(9)	(33)	(75)
At 31 December 2005	(2,797)	(1,142)	(487)	(4,426)
Net book value at 31 December 2005	167	10	32	209

Included in the Group's property, plant and equipment are certain assets with net book value of approximately $31,950,000 (2005: $33,822,000) which were previously assigned and mortgaged to the holders of secured bonds (Note 25(a)). Upon redemption of the secured bonds, the assignment and mortgage are no longer required. As at year end, the Group is in the process of discharging the legal documents of these assets.

Included in the Group's property, plant and equipment are certain assets of a joint venture of net book value amounting to $5.8 million (2005: $6.6 million) which are mortgaged for bank borrowings (Note 25(b)) granted to the joint venture.

The net book value of the Group's property, plant and equipment under finance lease arrangements amounted to $11,000 (2005: $51,000) (Note 25).

23. Property, plant and equipment (continued)

The net book value of capital work-in-progress amounting to $843,000 (2005: $726,000) at 31 December 2006 relates to construction costs incurred in respect of a commercial development in Qingdao, People's Republic of China. The project has been suspended since previous financial years.

On 4 December 2006, the Company's indirect wholly-owned subsidiary, Joo Chiat Holding Pte Ltd has granted an option to a third party to purchase the hotel known as "Tristar Inn" located at 970 Geylang Road, #01-01, Singapore ("Tristar Inn") for a cash consideration of S$18,300,000. On 18 December 2006, the purchaser has exercised its option to purchase Tristar Inn. Subject to the satisfactory fulfillment of the terms and conditions in the options, the completion of the disposal will take place on 12 March 2007.

24. Trade and other payables

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Trade payables to third parties	**4,830**	7,674	**101**	296
Due to directors (non-trade)	**-**	1,029	**-**	-
Due to associated companies (non-trade)	**-**	552	**-**	-
Other payables	**7,306**	6,934	**153**	247
Deposits from tenants	**410**	1,526	**-**	284
Deposit from sale of investment property/property, plant and equipment/development properties	**1,916**	4,300	**-**	4,300
Accrued expenses	**2,170**	3,495	**388**	468
Provision for employee welfare	**1,804**	1,011	**307**	-
Accrued interest payable	**-**	1,589	**-**	1,474
	18,436	28,110	**949**	7,069

At the balance sheet date, the carrying amounts of trade and other payables approximate their fair values.

The amounts due to directors of the Company (non-trade) and associated companies (non-trade) are unsecured, interest-free and are repayable upon demand.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Singapore Dollar	**3,087**	11,869	**949**	7,069
Renminbi	**5,026**	7,062	**-**	-
Malaysia Ringgit	**10,090**	8,934	**-**	-
Others	**233**	245	**-**	-
	18,436	28,110	**949**	7,069

25. Borrowings

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Current				
Bank overdrafts				
- secured	**-**	3,263	**-**	-
- unsecured	**-**	2,232	**-**	-
	-	5,495	**-**	-
Bank borrowings				
- secured (Note 25(b))	**196**	22,349	**-**	-
- unsecured	**2,045**	4,458	**-**	-
	2,241	26,807	**-**	-
Finance lease liabilities (Note 26)	**3**	19	**-**	-
	2,244	32,321	**-**	-
Non-current				
Finance lease liabilities (Note 26)	**4**	41	**-**	-
Secured bonds (Note 25(a))	**-**	171,903	**-**	171,903
Unsecured bonds (Note 25(c))	**135,337**	-	**135,337**	-
Secured bank borrowings (Note 25(b))	**7,865**	6,549	**-**	-
Redeemable convertible preference shares (Note 25(d))				
- Series A	**9,835**	10,835	**9,835**	10,835
- Series B	**16,609**	18,021	**16,609**	18,021
	169,650	207,349	**161,781**	200,759
Total borrowings	**171,894**	239,670	**161,781**	200,759

25. Borrowings (continued)

(a) Secured bonds

	The Group and The Company		
	Secured redeemable convertible bonds $'000	**Secured redeemable non- convertible bonds $'000**	**Total $'000**
Issued on 16 March 2001	48,034	266,251	314,285
Issued on 3 August 2001	3,828	20,928	24,756
Total bonds issued	51,862	287,179	339,041
Redeemed during 2001	(6,520)	(36,126)	(42,646)
Balance at 31 December 2001	45,342	251,053	296,395
Redeemed during 2002	(3,466)	(19,128)	(22,594)
Balance at 31 December 2002	41,876	231,925	273,801
Redeemed during 2003	(128)	(695)	(823)
Balance at 31 December 2003	41,748	231,230	272,978
Redeemed during 2004	(1,886)	(10,307)	(12,193)
Balance at 31 December 2004	39,862	220,923	260,785
Redeemed during 2005			(24)
Accrued interest payable on bonds			27,653
			288,414
Conversion pursuant to the new debt restructuring agreement:			
- to new ordinary shares of the Company (Note 28)			(84,655)
- to Series A preference shares of the Company (Note 25(d))			(10,835)
- to Series B preference shares of the Company (Note 25 (d))			(18,021)
- to new ordinary shares of a subsidiary, AXS InfoComm Pte Ltd			(3,000)
Balance at 31 December 2005			171,903
Redeemed during 2006			(171,903)
Balance at 31 December 2006			-

On 16 March 2001 ("Effective Date"), pursuant to the terms of a debt restructuring agreement ("DRA") entered into by the Company and certain of its subsidiaries with certain of their bankers and other financial lenders, the Company issued bonds with an aggregate face value of $314,285,000, comprising secured redeemable convertible bonds ("SRCB") of $48,034,000 and secured redeemable non-convertible bonds ("SRNCB") of $266,251,000, to certain of the Group's bankers and other financial lenders. On 3 August 2001, the Company issued additional bonds with a face value of $24,756,000, comprising SRCB of $3,828,000 and SRNCB of $20,928,000 to certain financial lenders.

25. Borrowings (continued)

(a) Secured bonds (continued)

Under the DRA, the Company has the right to redeem the bonds from time to time but is committed to redeem at least $100,000,000 in value of bonds by the end of each of the second and the fourth anniversary of the Effective Date. The Company was not able to meet the scheduled bond redemption of $35 million which was due on 16 March 2003 and has re-negotiated the terms of redemption of the bonds with the Company's bondholders. The bondholders have approved the revised terms of redemption ("the new debt restructuring agreement"), which was approved by the shareholders of the Company in a general meeting held on 22 December 2004, and was made effective on 17 March 2005.

In 2006, all secured bonds under the new debt restructuring agreement of $171,903,000 was redeemed during the financial year by utilising the sale proceeds from the disposal of LKN Building and equity shares in an associated company and the proceeds from issuing zero coupon unsecured bonds. Please refer to Note 25(c) for further details.

(b) Secured bank borrowings

The Group's secured bank borrowings are all interest bearing with different repayment periods, the earliest of which is 1 September 1994 and the latest falling due on 1 December 2017. These facilities were secured on a joint venture's freehold land and building of net book value of $5.8 million (2005: $6.6 million) (Note 23).

(c) Unsecured bonds

The Company issued $131,427,461 in principal amount of zero coupon unsecured non-convertible bonds due 2009 ("Unsecured Bonds") in July 2006. A trust deed dated 7 June 2006 was executed between the Company and DBS Trustee Limited as trustee for the holders of Unsecured Bonds, constituting the Unsecured Bonds and containing, inter alia, provisions for the protection of the rights and interests of the holders of Unsecured Bonds. The Unsecured Bonds are zero coupon bonds and will not bear any interest, except if on any date when the zero coupon Bonds or any of them become due to be redeemed or repaid, payment is improperly withheld or refused or if default is otherwise made in respect of such payment, interest will accrue (both before and after judgment) on the amount so unpaid at the rate of 12% per annum from the due date up to but excluding the date on which payment in full of all sums due in respect of such Unsecured Bonds is made in accordance with the provisions of the Trust Deed.

Unless previously redeemed or purchased and cancelled, the Company will redeem each New Bond at 119.405% of its outstanding principal amount (representing a gross redemption yield of 6% per annum on its principal amount compounded on a semi-annual basis) on the third anniversary of the date of issue of the Unsecured Bonds.

The Unsecured Bonds may be redeemed at the option of the Company at their applicable amount on the date fixed for redemption in whole or in part, at any time and from time to time prior to but excluding the Maturity Date.

25. **Borrowings** (continued)

(d) Series A and Series B preference shares

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

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

(ii) The Company shall redeem all or part of the Series A preference shares upon the occurrence of any of the relevant redemption events as defined in the new DRA;

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

(iv) The Company shall redeem all the outstanding Series A preference shares on the tenth anniversary of the issue date of the Series A preference shares.

The Series B preference shares issued have the following key terms and conditions:

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

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

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

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

25. Borrowings (continued)

(e) Maturity of borrowings

The current borrowings have maturity of within 12 months from the end of the financial year. The non-current borrowings (excluding finance lease liabilities) (Note 26) have the following maturity:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Later than one year but not later than five years	**169,646**	207,308	**161,781**	200,759

(f) Currency risks

The carrying amounts of borrowings are denominated in the following currencies:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Singapore Dollar	**161,785**	219,553	**161,781**	200,759
United States Dollar	**1,103**	2,245	**-**	-
Renminbi	**942**	2,213	**-**	-
Malaysia Ringgit	**8,064**	15,659	**-**	-
Total borrowings	**171,894**	239,670	**161,781**	200,759

(g) Interest rates risks

The weighted average interest rates per annum of the borrowings at the balance sheet date are as follows:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	%	**%**	**%**	**%**
Zero coupon unsecured bonds	**6.00**	-	**6.00**	-
Bank overdrafts	**-**	5.37	**-**	-
Unsecured bank borrowings	**8.22**	6.46	**-**	-
Secured bonds	**1.01**	1.52	**1.01**	1.52
Secured bank borrowings	**5.50**	5.33	**-**	-
Finance lease liabilities	**4.31**	3.77	**-**	-

(h) Carrying amounts and fair values

The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate which the directors expect would be available to the Group at the balance sheet date. The carrying amounts of the bank overdraft, short term bank borrowings (secured and unsecured), finance lease liabilities, long term secured bank borrowings approximate to their fair values.

25. Borrowings (continued)

(h) Carrying amounts and fair values (continued)

The fair values of the long term bonds (secured and unsecured) and redeemable convertible preference shares are not disclosed as the terms of redemption cannot be reasonably determined. Accordingly, it is not practicable to determine their fair values with sufficient reliability.

26. Finance lease liabilities

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Minimum lease payments due:				
- Not later than one year	**1**	23	**-**	-
- Later than one year but not later than five years	**6**	43	**-**	-
- Later than five years	**1**	8	**-**	-
	8	74	**-**	-
Less: Future finance charges	**(1)**	(14)	**-**	-
Present value of finance lease liabilities	**7**	60	**-**	-

The present value of finance lease liabilities may be analysed as follows:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Not later than one year (Note 25)	**3**	19	**-**	-
Later than one year but not later than five years (Note 25)	**4**	41	**-**	-
	7	60	**-**	-

27. Deferred income tax liabilities

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

	The Group	
	2006	**2005**
	$'000	**$'000**
Deferred income tax liabilities:		
- to be settled within 12 months	**45**	25
- to be settled after more than 12 months	**373**	872
	418	897

27. Deferred income tax liabilities (continued)

The movements in the deferred income tax account are as follows:

	The Group	
	2006	**2005**
	$'000	**$'000**
Balance at beginning of the financial year	**897**	951
Tax credited to income statement (Note 10(a))	**(19)**	(25)
Adjustments in respect of prior financial year (Note 10(a))	**(460)**	(30)
Currency translation differences	**-**	1
Balance at end of the financial year	**418**	897

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses and capital allowances of $79,554,000 and $7,401,000 (2005: $102,683,000 and $7,925,000) respectively 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 dates except for amounts of $916,000 and $394,000 which will expire in 2007 and 2008 respectively.

The movements in the deferred income tax liabilities (prior to offsetting of balances within same tax jurisdiction) during the period are as follows:

The Group

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Unremitted earnings from overseas sourced income $'000	Expenditure currently deferred for tax purposes $'000	Total $'000
2006				
Balance at beginning of financial year	**443**	**148**	**306**	**897**
Credited to income statement	**(45)**	**(148)**	**(286)**	**(479)**
Balance at end of financial year	**398**	**-**	**20**	**418**
2005				
Balance at beginning of financial year	497	148	306	951
Credited to income statement	(55)	-	-	(55)
Currency translation differences	1	-	-	1
Balance at end of financial year	443	148	306	897

28. Share capital and share premium

(a) Movements in share capital and share premium of the Group and the Company are as follows:

	Authorised share capital	No. of shares issued	Share capital $'000	Share premium $'000	Ordinary share capital and share premium $'000	No. of NCCPS issued	Preference share capital $'000	Total share capital and share premium $'000
2006								
Balance at beginning of financial year	**6,125,169,011**	**657,137,309**	**32,857**	**71,529**	**104,386**	**-**	**-**	**104,386**
Effect of Companies (Amendment) Act 2005	**(6,125,169,011)**	**-**	**71,529**	**(71,529)**	**-**	**-**	**-**	**-**
Issue of NCCPS on 4 July 2006	**-**	**-**	**-**	**-**	**-**	**197,141,190**	**3,943**	**3,943**
Conversion of NCCPS	**-**	**-**	**-**	**-**	**-**	**(196,298,574)**	**(3,926)**	**(3,926)**
New ordinary shares issued arising from the conversion of NCCPS	**-**	**196,298,574**	**3,926**	**-**	**3,926**	**-**	**-**	**3,926**
Balance at end of financial year	**-**	**853,435,883**	**108,312**	**-**	**108,312**	**842,616**	**17**	**108,329**
2005								
Balance at beginning of financial year	6,125,169,011	229,998,058	46,000	8,230	54,230	-	-	54,230
Adjustment from capital reduction exercise (Note 31(b))	-	-	(34,499)	-	(34,499)	-	-	(34,499)
Shares issued to bondholders under debt restructuring exercise	-	427,139,251	21,356	63,299	84,655	-	-	84,655
Balance at end of financial year	6,125,169,011	657,137,309	32,857	71,529	104,386	-	-	104,386

28. Share capital and share premium (continued)

The Companies (Amendment) Act 2005 which came into effect on 30 January 2006 has abolished the concept of having par value for shares of a company. With the Companies (Amendment) Act 2005 coming into effect, all amounts standing to the share premium account of the Company have been transferred to share capital of the Company as at that date.

During the financial year, the Company issued 196,298,574 ordinary shares at $0.02 each arising from the conversion of NCCPS.

All issued shares are fully paid.

(b) Non-Redeemable Convertible Cumulative Preference Shares ("NCCPS")

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

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

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

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

The NCCPS are not listed and quoted on the Official List of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). However, the holders of the NCCPS are able to exercise their rights to convert the NCCPS into new ordinary shares at a 1 for 1 ratio, subject to the terms and conditions of the NCCPS. Such new ordinary shares will be listed and quoted on the Official List of the SGX-ST when issued.

(c) Share options

The Company has adopted a share option scheme known as HLG Enterprise share option scheme 2006 (the "scheme") for granting of options to eligible directors and employees of the Group, holding companies and associated companies. No options have been granted since the scheme was approved at the Extraordinary General Meeting of the Company held on 29 September 2006.

29. Special reserve

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

30. Capital and other reserves

	The Group 2006 $'000	The Group 2005 $'000	The Company 2006 $'000	The Company 2005 $'000
(a) Composition:				
Capital reserve	**951**	18,829	**-**	9,569
Performance share reserve	**-**	2,076	**-**	-
Currency translation reserve	**(7,127)**	(17,508)	**-**	-
	(6,176)	3,397	**-**	9,569
(b) Movements:				
Capital reserve				
Balance at beginning of the financial year	**18,829**	17,107	**9,569**	7,809
Revaluation gain on investment properties (Note 18(a))	**-**	1,760	**-**	1,760
Adjustment arising from debt restructuring exercise	**-**	(38)	**-**	-
Transfer of revaluation surplus to income statement arising from disposal of an investment property and an associated company	**(17,766)**	-	**(9,569)**	-
Adjustment arising from the issue of performance shares by AXS	**(17)**	-	**-**	-
Adjustment arising from disposal of equity in Primefield Company Pte Ltd	**(95)**	-	**-**	-
Balance at end of the financial year	**951**	18,829	**-**	9,569
Performance share reserve				
Balance at beginning of the financial year	**2,076**	2,076	**-**	-
Adjustment arising from the issue of performance shares by AXS	**(2,076)**	-	**-**	-
Balance at end of the financial year	**-**	2,076	**-**	-
Currency translation reserve				
Balance at beginning of the financial year	**(17,508)**	(17,498)	**-**	-
Currency translation difference	**(731)**	(10)	**-**	-
Transfer of currency translation reserve to income statement arising from disposal of an associated company	**11,098**	-	**-**	-
Adjustment arising from disposal of equity in Primefield Company Pte Ltd	**14**	-	**-**	-
Balance at end of the financial year	**(7,127)**	(17,508)	**-**	-

31. Accumulated losses

(a) The accumulated losses of the Group include the retained earnings of a joint venture established in People's Republic of China ("PRC"). Included in the retained earnings of the joint venture is a restricted reserve of $1,083,000 (2005: $986,000) which relates to appropriation of funds from the net profit of the joint venture as required by the PRC laws.

(b) Movements in accumulated losses are as follows:

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
At beginning of the financial year	**(137,469)**	(176,664)	**(163,197)**	(196,519)
Gain on dilution of investment or premium attributable to minority interest arising from debt restructuring exercise	**-**	2,828	**-**	-
Net profit/(loss) for the financial year	**11,334**	1,868	**17,525**	(1,177)
Adjustment from capital reduction exercise (Note 28)	**-**	34,499	**-**	34,499
Adjustment arising from the issue of performance shares by AXS	**2,093**	-	**-**	-
At end of the financial year	**(124,042)**	(137,469)	**(145,672)**	(163,197)

32. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties at terms agreed with such parties:

(a) Sales and purchases of goods and services

	The Group	
	2006 $'000	2005 $'000
Hotel management fees from joint ventures of a subsidiary	**279**	151
Rental income from a joint venture	**223**	223
Administrative fees from joint ventures of subsidiaries	**150**	164
Interest income from joint venture	**695**	507
Rental paid to related companies	**112**	-
Management and secretarial fees paid to related companies	**416**	-

Sales and purchases of goods and services to related corporations took place at arm's length and are based on terms agreed upon by parties concerned.

Outstanding balances at 31 December 2006, arising from sale/purchase of goods and services, are set out in Notes 13, 19 and 24.

32. Related party transactions (continued)

(a) Sales and purchases of goods and services (continued)

There are also the following material contracts/transactions in which a director of certain subsidiaries is deemed to be interested in:

(1) LKN Development Pte Ltd (a wholly-owned subsidiary of the Company) and Nirwana Properties Sdn Bhd (a wholly-owned subsidiary of LKN Development Pte Ltd) entered into a joint venture agreement on 11 August 1993 with Quatari (Malaysia) Sdn Bhd and Lim Kah Ngam (M) Sdn Bhd, to form a joint venture company named Scientex Park (M) Sdn Bhd (an associated company of the Group). This joint venture company was established to purchase land in Johore from Quatari (Malaysia) Sdn Bhd and to develop the said land. A director of certain subsidiaries is deemed to have an interest in the aforesaid agreement and in Scientex Park (M) Sdn Bhd through his shareholdings in Lim Kah Ngam (M) Sdn Bhd, which is one of the joint venture partners under the aforesaid agreement and a shareholder in Scientex Park (M) Sdn Bhd.

(2) On 23 March 1994, Augustland Sdn Bhd (a wholly-owned subsidiary of the Group) entered into a joint venture with AMDB Leisure Holdings Sdn Bhd (formerly known as Arab-Malaysian Leisure Holdings Sdn Bhd) and Hotel Equatorial (M) Sdn Bhd to develop and own a resort hotel in Cameron Highlands through a joint venture company Augustland Hotel Sdn Bhd in which the respective companies are now shareholders. A director of certain subsidiaries is deemed to have an interest in the joint venture through his shareholdings in Hotel Equatorial (M) Sdn Bhd.

(b) Key management's remuneration

The key management's remuneration includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group, and where the Group did not incur any costs, the value of the benefit. The key management's remuneration are as follows:

	The Group	
	2006	**2005**
	$'000	**$'000**
Key management of the Group:		
- Executive directors of the Company	**359**	939
- Non-executive directors of the Company	**132**	80
- Executive directors of subsidiaries who are not directors of the Company	**272**	472

The banding of directors' remuneration is disclosed in the Corporate Governance report.

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2006

33. Subsidiaries in the Group

The following are subsidiaries at 31 December 2006:

	Name	Country of incorporation and place of business #	Percentage of equity held by the Group		Principal activities
			2006 %	**2005 %**	
	Unquoted equity shares, unless otherwise indicated held by the Company:				
	LKN Construction Pte Ltd	Singapore	**100**	100	Building and civil engineering construction
	LKN Development Pte Ltd	Singapore # Singapore and Malaysia	**100**	100	Property development and investment, project and property management and investment in property for rental
	LKN Home Services Pte Ltd	Singapore	**100**	100	Dormant
	LKN Investment International Pte Ltd	Singapore # People's Republic of China	**100**	100	Foreign investment holding, building and design works
	Equatorial Hotel Management Pte Ltd	Singapore # People's Republic of China	**100**	100	Hotel management and consultancy
	Golden Phoenix Chao Zhou Garden Restaurant Pte Ltd	Singapore	**100**	100	Dormant
(a)	Equality Hotel Management Sdn Bhd	Malaysia	**100**	100	Hotel management and consultancy
(b)	Hotel Equatorial International Sales & Marketing Services (HK) Limited	Hong Kong	**100**	100	Hotel management and consultancy

33. Subsidiaries in the Group (continued)

	Name	Country of incorporation and place of business #	Percentage of equity held by the Group 2006 %	2005 %	Principal activities
	Unquoted equity shares, unless otherwise indicated held by the Company: (continued)				
	Primefield Company Pte Ltd	Singapore	**-**	100	Investment holding Please refer to note 8 for further details
@	Landmark Technologies Pte Ltd	Singapore	**100**	-	Dormant
@	WhiteBox Computer Pte Ltd	Singapore	**100**	-	Dormant
	Unquoted equity shares held by LKN Construction Pte Ltd:				
	LKN Management Services Pte Ltd	Singapore	**100**	100	Project management and consultancy
	MALKN Sdn Bhd	Malaysia	**100**	100	Under creditors' liquidation
(c)	LKN Construction Lanka (Private) Limited	Sri Lanka	**75**	75	Dormant
(d)	LKN (PNG) Ltd	Papua New Guinea	**100**	100	Inactive
	Unquoted equity shares held by LKN Development Pte Ltd:				
	Island Resort Development Pte Ltd	Singapore	**100**	100	Dormant
	Mallink Development Pte Ltd	Singapore	**100**	100	Dormant
	Mallink Realty Pte Ltd	Singapore	**100**	100	Dormant
	Joo Chiat Holding Pte Ltd	Singapore	**100**	100	Property development
	Sims Development Pte Ltd	Singapore	**100**	100	Dormant
(a)	Augustland Sdn Bhd	Malaysia	**100**	100	Property investment and development

33. Subsidiaries in the Group (continued)

	Name	Country of incorporation and place of business #	Percentage of equity held by the Group 2006 %	2005 %	Principal activities
	Unquoted equity shares held by LKN Development Pte Ltd: (continued)				
(a)	Nirwana Properties Sdn Bhd	Malaysia	**100**	100	Investment holding
(e)	Shanghai Yu Rong Real Estate Development Co., Ltd	People's Republic of China	**100**	100	Dormant
(a) ##	Victory Heights Sdn Bhd	Malaysia	**40**	40	Property investment and development
	Unquoted equity shares held by LKN Investment International Pte Ltd:				
(f)	Shanghai Hutai Real Estate Development Co., Ltd	People's Republic of China	**100**	100	Owns and operates a service apartment building in Shanghai, People's Republic of China
	Unquoted equity shares held by Primefield Company Pte Ltd:				
@	Landmark Technologies Pte Ltd	Singapore	**-**	100	Dormant
@	WhiteBox Computer Pte Ltd	Singapore	**-**	100	Dormant
	AXS InfoComm Pte Ltd	Singapore	**-**	63.43	Developing multimedia transactional payphone kiosks Please refer to note 8 for further details
	Beijing Primefield - AXS Technology Co., Ltd	People's Republic of China	**-**	70	Supply and maintenance of hardware and software for multimedia transactional kiosks Disposed in June 2006

33. Subsidiaries in the Group (continued)

	Name	Country of incorporation and place of business #	Percentage of equity held by the Group		Principal activities
			2006 %	2005 %	
	Unquoted equity shares held by Nirwana Properties Sdn Bhd:				
(a)	Victory Horizon Sdn Bhd	Malaysia	**100**	100	Dormant
(a) ##	Victory Heights Sdn Bhd	Malaysia	**12**	12	Property investment and development
	Unquoted equity shares held by WhiteBox Computer Pte Ltd:				
	Whitebox Computer VietSin Co., Ltd	Vietnam	**90**	90	Under voluntary dissolution

\# Where the place of business is not the same as the country of incorporation.

\## The total effective percentage equity held by the Group is 52% (2005: 52%) as 40% (2005: 40%) is held by LKN Development Pte Ltd and 12% (2005: 12%) is held by Nirwana Properties Sdn Bhd.

@ Primefield Company Pte Ltd transferred its 100% equity interest in Landmark Technologies Pte Ltd and WhiteBox Computer Pte Ltd to the Company during the financial year at a consideration of $1.00 each.

All the companies in the Group are audited by PricewaterhouseCoopers, Singapore except for the following:

(a) Audited by Shamsir Jasani Grant Thornton, Kuala Lumpur, Malaysia.
(b) Audited by Law & Partners CPA Limited, Hong Kong.
(c) Audited by Dayananda Samarawickrema & Co., Sri Lanka.
(d) Audited by Sinton Spence, Chartered Accountants, Papua New Guinea.
(e) Audited by Shanghai Zhong Hui Certified Public Accountants Co., Ltd.
(f) Audited by PricewaterhouseCoopers firm outside Singapore.

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2006

34. Associated companies in the Group

The following are associated companies at 31 December 2006:

	Name	Country of incorporation and place of business #	Percentage of equity held by the Group		Principal activities
			2006 **%**	**2005** **%**	
	Unquoted equity shares held by the Company:				
	Hotel Equatorial (M) Sdn Bhd	Malaysia	**-**	27	Owns, operates and invests in hotels
	Unquoted equity shares held by subsidiaries:				
	P.T. Taman Nongsa Indah Village	Indonesia	**-**	30	Property developer
(a)	Scientex Park (M) Sdn Bhd	Malaysia	**28**	28	Property management and development
(b)	Sinjori Sdn Bhd	Malaysia	**28**	28	Property investment and development

(a) Audited by Ernst and Young, Kuala Lumpur, Malaysia.
(b) Audited by Shamsir Jasani Grant Thornton, Kuala Lumpur, Malaysia.

35. Interests in joint ventures

The Group has interests in the following joint ventures:

	Name	Percentage of interest held		Principal activities
		2006 %	2005 %	
(a)	Shanghai International Equatorial Hotel Co., Ltd	**50**	50	Owns and operates a hotel and club in Shanghai, People's Republic of China
(b)	Augustland Hotel Sdn Bhd	**45**	45	Hotel development and operation
(c)	Hotel Equatorial Qingdao Co., Ltd	**60**	60	Owns and operates a hotel in Qingdao, People's Republic of China
	Dalat-Dankia Holdings Pte Ltd	**66.66**	66.66	In the process of striking off
	DD Management Services Pte Ltd	**66.66**	66.66	In the process of striking off
*	Shanghai Equatorial Hotel Management Co., Ltd	**49**	-	Hotel management and consultancy. Has not commenced business as at year end

All the companies above are audited by PricewaterhouseCoopers, Singapore except for the following:

(a) Audited by Shanghai Certified Public Accountants, People's Republic of China.
(b) Audited by Shamsir Jasani Grant Thornton, Kuala Lumpur, Malaysia.
(c) Audited by PricewaterhouseCoopers firm outside Singapore.

* This joint venture company ("JVC") was jointly incorporated by a wholly-owned subsidiary of the Company, LKN Investment International Pte Ltd ("LKNII") and Shanghai International Venture & Consulting Corporation during the financial year. The registered capital of this JVC is RMB3,500,000. However, there has been no share capital contribution made by the two shareholders as at 31 December 2006. The Group's capital contribution of RMB1,715,000 (equivalent to approximately S$337,000), constituting 49% of the registered capital of the JVC, is disclosed as capital commitments in Note 35(b).

35. Interests in joint ventures (continued)

(a) The Group has included in its consolidated balance sheet its share of assets employed and liabilities incurred by the joint ventures using line-by-line format of proportionate consolidation as follows:

	2006 $'000	2005 $'000
Non-current assets		
Property, plant and equipment	**57,268**	59,418
Current assets		
Cash and cash equivalents	**12,429**	15,931
Trade and other receivables	**1,312**	1,022
Inventories	**481**	608
Other current assets	**146**	321
	14,368	17,882
Current liabilities		
Trade and other payables	**7,034**	6,257
Borrowings (unsecured)	**2,047**	4,458
Borrowings (secured)	**196**	4,934
Current income tax liabilities	**557**	1,486
	9,834	17,135
Non-current liabilities		
Borrowings (unsecured)	**1**	3
Borrowings (secured)	**7,865**	3,465
	7,866	3,468

(b) The Group has included in its consolidated income statement its share of the results of the joint ventures using line-by-line format of proportionate consolidation as follows:

	2006 $'000	2005 $'000
Sales	**28,024**	28,864
Cost of sales	**(12,402)**	(12,572)
Gross profit	**15,622**	16,292
Other gains	**99**	235
Selling and marketing expense	**(802)**	(712)
Administrative expense	**(46)**	(41)
Finance cost	**(1,340)**	(991)
Other expenses	**(9,396)**	(9,651)
Profit before tax	**4,137**	5,132
Income tax expense	**(1,249)**	(1,647)
Net profit	**2,888**	3,485
Capital commitments in relation to interest in joint venture	**337**	-
Proportionate interest in joint venture's commitments	**4,509**	6,900

36. Operating lease commitments

(a) Operating lease commitments – where a group company is a lessee

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

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group	
	2006	**2005**
	$'000	**$'000**
Not later than one year	**164**	281
Later than one year but not later than five years	**76**	963
Later than five years	**-**	3,562
	240	4,806

(b) Operating lease commitments – where a group company is a lessor

The future aggregate 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	
	2006	**2005**
	$'000	**$'000**
Not later than one year	**287**	1,559
Later than one year but not later than five years	**268**	1,827
	555	3,386

37. Contingent liabilities

As at 31 December 2006, the Group and Company have the following contingent liabilities:

(a) For guarantees given by the Company to banks for banking facilities granted to the subsidiaries for performance tender, security bonds and letters of credit amounting to $ NIL (2005: $2,495,000).

(b) A claim of $155,000 (Sri Lanka Rupees 11.26 million) (2005: $217,000 (Sri Lanka Rupees 11.26 million)) by a director of a foreign subsidiary which is being disputed by management. The directors are of the view that no material losses are anticipated in respect of this claim.

38. Financial risk management

Financial risk factors

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

Risk management is carried out by the directors under policies approved by the Board of Directors. The Board, working in conjunction with the bondholders, provides guidance for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to Renminbi, Malaysia Ringgit and United States Dollars.

Group Finance, working in conjunction with the bondholders, is responsible for hedging the Group's exposure in its net foreign currency assets after taking into account prevailing market conditions.

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

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets. The Group's policy is to maintain significant portion of its borrowings in fixed rate instruments. At the year end, significant amount of the Group's borrowings were at fixed rates.

The table below set out the Group and the Company's exposure to interest rate risks. Included in the tables below are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Notes to the Financial Statements (continued)

For the financial year ended 31 December 2006

38. Financial risk management (continued)

Financial risk factors (continued)

(ii) Interest rate risk (continued)

The Group

	Variable rates				Fixed rates				
	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Non-interest bearing $'000	Total $'000
At 31 December 2006									
Assets									
Cash and cash equivalents	**8,414**	**-**	**-**	**-**	**24,458**	**54**	**-**	**3,802**	**36,728**
Trade and other receivables	**-**	**8,459**	**-**	**-**	**2,685**	**-**	**2,135**	**7,030**	**20,309**
Investment in associated companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,219**	**7,219**
Non-financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**114,917**	**114,917**
Total assets	**8,414**	**8,459**	**-**	**-**	**27,143**	**54**	**2,135**	**132,968**	**179,173**
Liabilities									
Borrowings	**-**	**-**	**3,917**	**3,949**	**-**	**2,244**	**131,430**	**30,354**	**171,894**
Other financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,436**	**18,436**
Non-financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,203**	**2,203**
Total liabilities	**-**	**-**	**3,917**	**3,949**	**-**	**2,244**	**131,430**	**50,993**	**192,533**
At 31 December 2005									
Assets									
Cash and cash equivalents	12,978	-	-	-	10,025	54	-	5,366	28,423
Trade and other receivables	-	9,179	-	-	-	-	-	10,098	19,277
Investment in associated companies	-	-	-	-	-	-	-	23,017	23,017
Non-financial assets	-	-	-	-	-	-	-	179,859	179,859
Total assets	12,978	9,179	-	-	10,025	54	-	218,340	250,576
Liabilities									
Borrowings	-	5,495	-	-	171,903	26,826	6,590	28,856	239,670
Other financial liabilities	-	-	-	-	-	-	-	28,110	28,110
Non-financial liabilities	-	-	-	-	-	-	-	3,953	3,953
Total liabilities	-	5,495	-	-	171,903	26,826	6,590	60,919	271,733

38. Financial risk management (continued)

Financial risk factors (continued)

(ii) Interest rate risk (continued)

The Company

	Variable rates		Fixed rates					
	Less than 6 months $'000	6 to 12 months $'000	Less than 6 months $'000	6 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
At 31 December 2006								
Assets								
Cash and cash equivalents	-	-	20,257	-	-	-	708	20,965
Trade and other receivables	-	25,340	2,685	-	2,135	-	37	30,197
Investment in associated companies, subsidiaries and joint ventures	-	-	-	-	-	-	86,684	86,684
Non-financial assets	-	-	-	-	-	-	87	87
Total assets	-	25,340	22,942	-	2,135	-	87,516	137,933
Liabilities								
Borrowings	-	-	-	-	131,427	-	30,354	161,781
Other financial liabilities	-	-	-	-	-	-	949	949
Non-financial liabilities	-	-	-	-	-	-	75	75
Total liabilities	-	-	-	-	131,427	-	31,378	162,805
At 31 December 2005								
Assets								
Cash and cash equivalents	-	-	2,096	-	-	-	1,077	3,173
Trade and other receivables	-	22,949	-	-	-	-	78,343	101,292
Investment in associated companies, subsidiaries and joint ventures	-	-	-	-	-	-	24,094	24,094
Non-financial assets	-	-	-	-	-	-	42,698	42,698
Total assets	-	22,949	2,096	-	-	-	146,212	171,257
Liabilities								
Borrowings	-	-	-	171,903	-	-	28,856	200,759
Other financial liabilities	-	-	-	-	-	-	7,069	7,069
Non-financial liabilities	-	-	-	-	-	-	200	200
Total liabilities	-	-	-	171,903	-	-	36,125	208,028

38. Financial risk management (continued)

Financial risk factors (continued)

(iii) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Finance aims at maintaining flexibility in funding by keeping committed credit lines available. However, the ability of the Group to manage its liquidity risk is dependent on the continuing financial support of the bondholders and bankers (Note 2.2).

39. Segment information

Primary reporting format - Industry segments

The Group operates principally in the hotel and restaurant, property and construction industries. Operations in the hotel and restaurant industry comprise operating and management of hotels and restaurants. Operations in the property industry comprise the development of properties for sale, property and development project management and investment in properties for rental. Operations in the construction industry comprise building and civil engineering works, construction project management and commercial/home maintenance. As disclosed in Note 8, the Company has divested its IT and Computer operations business following the completion of the disposal of Primefield group to a third party on 30 September 2006.

39. Segment information (continued)

The terms of inter-segment sales are established by negotiation between the parties concerned.

	Construction and related activities $'000	Hotel and restaurant operations $'000	Property development $'000	Investments $'000	Other $'000	Total for continuing operations $'000	Discontinued operations $'000
Financial year ended 31 December 2006							
SALES:							
- external sales	19	33,483	1,534	406	1	35,443	7,257
- inter-segment sales	-	-	183	-	-	183	156
	19	33,483	1,717	406	1	35,626	7,413
Elimination						(183)	(156)
						35,443	7,257
Segment result	(832)	5,595	(129)	(1,429)	(25)	3,180	66
Other gains - net						11,719	95
Unallocated costs						(1,008)	-
						13,891	161
Finance expenses - net						(10,070)	(771)
Share of results of associated companies	-	-	(24)	-	-	(24)	-
Profit /(loss) before income tax						3,797	(610)
Income tax expense						(1,302)	(758)
Net profit after income tax						2,495	(1,368)
Gain on disposal of subsidiary						-	10,207
Net profit						2,495	8,839
Other segment items							
Capital expenditure							
- property, plant and equipment	-	5,507	2	26	-	5,535	409
Depreciation	1	5,898	-	144	-	6,043	1,073

	Construction and related activities $'000	Hotel and restaurant operations $'000	Property development $'000	Investments $'000	Other $'000	Elimination $'000	Total Consolidated $'000
Segment assets	2,852	112,950	22,823	40,699	-	(7,370)	171,954
Associated companies	-	-	7,219	-	-	-	7,219
Consolidated total assets							179,173
Segment liabilities	(717)	(11,026)	(1,463)	(1,052)	(26)	(4,152)	(18,436)
Unallocated liabilities (Borrowings and income tax liabilities)							(174,097)
Consolidated total liabilities							(192,533)

39. Segment information (continued)

	Construction and related activities $'000	Hotel and restaurant operations $'000	Property development $'000	Investments $'000	Other $'000	Total for continuing operations $'000	Discontinued operations $'000
Financial year ended 31 December 2005							
SALES:							
- external sales	3,879	33,731	1,653	1,634	6	40,903	5,249
- inter-segment sales	-	-	183	44	-	227	374
	3,879	33,731	1,836	1,678	6	41,130	5,623
Elimination						(227)	(374)
						40,903	5,249
Segment result	565	5,370	(482)	(564)	(11)	4,878	(1,919)
Other gains - net						1,732	25
Unallocated costs						(911)	-
						5,699	(1,894)
Finance expenses - net						234	(682)
Share of results of associated companies	-	-	299	-	-	299	-
Profit before income tax						6,232	(2,576)
Income tax expense						(1,998)	-
Net profit after income tax						4,234	(2,576)
Minority interest						-	210
Net profit/(loss)						4,234	(2,366)
Other segment items							
Capital expenditure							
- property, plant and equipment	-	3,315	-	27	-	3,342	1,043
Depreciation	3	5,538	-	179	8	5,728	1,620
Allowance for anticipated loss on development properties	-	-	108	-	-	108	-

	Construction and related activities $'000	Hotel and restaurant operations $'000	Property development $'000	Investments $'000	Other $'000	Elimination $'000	Total Consolidated $'000
Segment assets	6,917	119,535	23,496	66,723	-	(6,565)	210,106
Associated companies	-	15,197	7,820	-	-	-	23,017
							233,123
Disposal group (note 8)							17,453
Consolidated total assets							250,576
Segment liabilities	(2,300)	(9,392)	(8,087)	(7,194)	(149)	2,109	(25,013)
Unallocated liabilities (Borrowings and income tax liabilities)							(224,552)
Liabilities associated with disposal group (note 8)							(22,168)
Consolidated total liabilities							(271,733)

39. Segment information (continued)

Secondary reporting format - geographical segments

	Revenue for continuing operations		Revenue for discontinued operations		Total Revenue	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Singapore	**3,060**	7,524	**7,256**	5,067	**10,316**	12,591
Malaysia	**5,102**	4,974	**-**	-	**5,102**	4,974
Hong Kong	**72**	70	**-**	-	**72**	70
People's Republic of China	**27,209**	28,335	**1**	182	**27,210**	28,517
Consolidated	**35,443**	40,903	**7,257**	5,249	**42,700**	46,152

	Total consolidated assets	
	2006 $'000	2005 $'000
Singapore	**43,836**	89,448
Malaysia	**33,708**	37,227
Hong Kong	**36**	71
Papua New Guinea	**121**	139
Sri Lanka	**39**	46
People's Republic of China	**94,214**	100,628
	171,954	227,559
Associated companies	**7,219**	23,017
Consolidated	**179,173**	250,576

	Capital expenditure for continuing operations		Capital expenditure for discontinued operations		Total consolidated capital expenditure	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Singapore	**49**	35	**349**	868	**398**	903
Malaysia	**219**	54	**-**	-	**219**	54
Hong Kong	**1**	1	**-**	-	**1**	1
People's Republic of China	**5,266**	3,252	**60**	175	**5,326**	3,427
Consolidated	**5,535**	3,342	**409**	1,043	**5,944**	4,385

The Group's revenue, total assets and capital expenditure are shown by the geographical area in which the companies operate.

40. Immediate and ultimate holding companies

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

41. New accounting standards and FRS interpretations

Certain new standards, amendments and interpretations to existing standards have been published and they are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods 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 40 - Investment Property*

The Group has adopted FRS 40 on 1 January 2007, which is the effective date of the Standard.

In 2006, the investment property was accounted for under FRS 25 *Investments* as set out in Note 2.10 in these financial statements. Under FRS 40, changes in fair values of investment properties are required to be included in the income statement for the period in which the changes arise.

The Group has accounted for the effects of adoption of FRS 40 prospectively from 1 January 2007 in accordance with the transitional provisions of FRS 40.

(b) *FRS 12 – Income Taxes*

Prior to 2007, deferred tax liability on the surplus arising from the revaluation of its investment property was not recognised. Upon adoption of FRS 40, the Group has re-evaluated the requirement to account for the deferred tax liability arising from the surplus arising from the revaluation of its investment property and will account for the deferred tax liability.

The effect of the above change will be accounted for prospectively from 1 January 2007 in the financial statements for the year ending 31 December 2007 as the effects to the financial statements prior to 2007 are immaterial.

The estimated effects of adoption of FRS 40 and the change in the accounting for deferred tax liability on surplus arising from revaluation of investment property on the consolidated balance sheet as at 1 January 2007 are as follows:

	Increase/ (decrease) $'000
Consolidated balance sheet at 1 January 2007	
Accumulated losses	(761)
Asset revaluation reserve	(951)
Deferred tax liability	190

42. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of directors of HLG Enterprise Limited on 6 March 2007.

Analysis of Shareholdings

As at 13 March 2007

Class of Shares	:	Ordinary Shares ("Shares")
Number of Ordinary Shares in issue	:	853,438,781
Number of Ordinary Shareholders	:	4,230
Voting Rights	:	One vote per ordinary share

Range of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 999	183	4.33	60,945	0.01
1,000 – 10,000	2,759	65.22	11,659,066	1.36
10,001 – 1,000,000	1,247	29.48	104,279,326	12.22
1,000,001 and above	41	0.97	737,439,444	86.41
	4,230	100.00	853,438,781	100.00

Based on the information available to the Company as at 13 March 2007, approximately 29.58% of the issued Shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Major Shareholders List – Top 20 as at 13 March 2007
(As shown in the Register of Members)

No.	Name	No. of Shares Held	%
1.	Grace Star Services Ltd.	387,614,839	45.42
2.	DBS Nominees (Private) Limited	143,063,945	16.76
3.	Florence Tay Eng Neo	37,223,923	4.36
4.	United Overseas Bank Nominees (Private) Limited	24,420,341	2.86
5	Lim Kong Chong	14,901,342	1.75
6.	Chew Tiong Sim	11,299,814	1.32
7.	ABN Amro Nominees Singapore Pte Ltd	11,148,082	1.31
8.	Leong Sin Kuen	10,173,296	1.19
9.	Leong Heng Keng	10,173,295	1.19
10.	Mayban Nominees (Singapore) Private Limited	8,356,751	0.98
11.	Zhang Haijie	8,006,000	0.94
12.	Lim Kong Yong	5,236,153	0.61
13.	Phillip Securities Pte Ltd	4,431,573	0.52
14.	Yap Lip Khoon	4,017,000	0.47
15.	KB Nominees Pte Ltd	4,012,333	0.47
16.	OCBC Nominees Singapore Private Limited	4,007,020	0.47
17.	UOB Nominees (2006) Private Limited	4,000,999	0.47
18.	Chew Ken Wee	4,000,000	0.47
19.	Yap Siok Lay	3,020,000	0.35
20.	Kevin Kwok Khien	2,800,000	0.33
		701,906,706	82.24

Analysis of Shareholdings (continued)

As at 13 March 2007

Substantial Shareholders
(As shown in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest		Total Interest	
Name	**No. of Shares**	**%[1]**	**No. of Shares**	**%[1]**	**No. of Shares**	**%[1]**
Grace Star Services Ltd.	387,614,839	45.42	-	-	387,614,839	45.42
Constellation Star Holdings Limited [2]	-	-	387,614,839	45.42	387,614,839	45.42
China Yuchai International Limited [2]	-	-	387,614,839	45.42	387,614,839	45.42
HL Technology Systems Pte Ltd [2]	-	-	387,614,839	45.42	387,614,839	45.42
Hong Leong (China) Limited [2]	-	-	387,614,839	45.42	387,614,839	45.42
Hong Leong Asia Ltd. [2]	-	-	387,614,839	45.42	387,614,839	45.42
Hong Leong Corporation Holdings Pte Ltd [2]	-	-	387,614,839	45.42	387,614,839	45.42
Hong Leong Enterprises Pte. Ltd. [2]	-	-	387,614,839	45.42	387,614,839	45.42
Hong Leong Investment Holdings Pte. Ltd. [2]	-	-	387,614,839	45.42	387,614,839	45.42
Davos Investment Holdings Private Limited [2]	-	-	387,614,839	45.42	387,614,839	45.42
Kwek Holdings Pte Ltd [2]	-	-	387,614,839	45.42	387,614,839	45.42
DBS Bank Ltd	115,454,252	13.53	2,106,029	0.24	117,560,281	13.77
DBS Group Holdings Ltd [3]	-	-	117,560,281	13.77	117,560,281	13.77
Temasek Holdings (Private) Limited [4]	-	-	117,647,854	13.79	117,647,854	13.79
Florence Tay Eng Neo	37,223,923	4.36	11,299,814 [5]	1.32	48,523,737	5.68

Notes:

(1) Based on 853,438,781 issued Shares as at 13 March 2007.

(2) Each of these companies is deemed under Section 7 of the Companies Act, Chapter 50 (the “Act”) to have an interest in the 387,614,839 Shares held directly by Grace Star Services Ltd. by reason of each of these companies being entitled, directly or indirectly, to exercise or control the exercise of not less than 20% of the votes attached to the voting shares thereof.

(3) DBS Group Holdings Ltd is deemed under Section 7 of the Act to have an interest in the 117,560,281 Shares held directly and indirectly by DBS Bank Ltd.

(4) Temasek Holdings (Private) Limited is deemed under Section 7 of the Act to have an interest in the 117,647,854 Shares held by its associated companies.

(5) Ms Florence Tay Eng Neo is deemed to have an interest in the 11,299,814 Shares held by her spouse.

Analysis of Shareholdings (continued)

As at 13 March 2007

Class of Shares	: Series A Redeemable Convertible Preference Shares ("Series A RCPS")
Number of Series A RCPS in issue	: 14,202,139
Number of Series A RCPS Holders	: 4
Voting Rights	: The holders of Series A RCPS shall not be entitled to attend and vote at general meetings of the Company. They shall be entitled to attend and vote at class meetings of the holders of the Series A RCPS. Every holder of a Series A RCPS shall be entitled to one vote per Series A RCPS.

Range of Holdings	**No. of Series A RCPS Holders**	**%**	**No. of Series A RCPS Held**	**%**
1 – 999	-	-	-	-
1,000 – 10,000	-	-	-	-
10,001 – 1,000,000	3	75	244,906	1.72
1,000,001 and above	1	25	13,957,233	98.28
	4	100	14,202,139	100.00

List of Holders of Series A RCPS

No.	**Name**	**No. of Series A RCPS Held**	**%**
1.	Grace Star Services Ltd.	13,957,233	98.28
2.	DBS Nominees (Private) Limited	162,353	1.14
3.	Bank of China Limited	60,607	0.43
4.	Agricultural Bank of China	21,946	0.15
		14,202,139	100.00

Analysis of Shareholdings (continued)

As at 13 March 2007

Class of Shares	: Series B Redeemable Convertible Preference Shares ("Series B RCPS")
Number of Series B RCPS in issue	: 100,942,644
Number of Series B RCPS Holders	: 4
Voting Rights	: The holders of Series B RCPS shall not be entitled to attend and vote at general meetings of the Company. They shall be entitled to attend and vote at class meetings of the holders of the Series B RCPS. Every holder of a Series B RCPS shall be entitled to one vote per Series B RCPS.

Range of Holdings	**No. of Series B RCPS Holders**	**%**	**No. of Series B RCPS Held**	**%**
1 – 999	-	-	-	-
1,000 – 10,000	-	-	-	-
10,001 – 1,000,000	2	50	586,756	0.58
1,000,001 and above	2	50	100,355,888	99.42
	4	100	100,942,644	100.00

List of Holders of Series B RCPS

No.	**Name**	**No. of Series B RCPS Held**	**%**
1.	Grace Star Services Ltd.	99,201,958	98.28
2.	DBS Nominees (Private) Limited	1,153,930	1.14
3.	Bank of China Limited	430,774	0.43
4.	Agricultural Bank of China	155,982	0.15
		100,942,644	100.00

Analysis of Shareholdings (continued)

As at 13 March 2007

Class of Shares	:	Non-Redeemable Convertible Cumulative Preference Shares ("NCCPS")
Number of NCCPS in issue	:	839,718
Number of NCCPS Holders	:	71
Voting Rights	:	The holders of NCCPS shall not be entitled to attend and vote at general meetings of the Company. They shall be entitled to attend and vote at class meetings of the holders of NCCPS. Every holder of a NCCPS shall be entitled to one vote per NCCPS.

Range of Holdings	No. of NCCPS Holders	%	No. of NCCPS Held	%
1 – 999	11	15.49	6,066	0.72
1,000 – 10,000	46	64.79	165,396	19.70
10,001 – 1,000,000	14	19.72	668,256	79.58
1,000,001 and above	-	-	-	-
	71	100.00	839,718	100.00

Major NCCPS Holders List – Top 20 as at 13 March 2007

No.	Name	No. of NCCPS Held	%
1.	Citibank Nominees Singapore Pte Ltd	131,358	15.64
2.	Ho Ai Lian	120,000	14.29
3.	Seet Cher Mei Karin	96,000	11.43
4.	Tan Khiok Kwee	84,000	10.00
5	Tan Ih Hian	60,000	7.15
6.	DBS Nominees (Private) Limited	29,400	3.50
7.	UOB Kay Hian Pte Ltd	25,098	2.99
8.	United Overseas Bank Nominees (Private) Limited	22,401	2.67
9.	Chan Yi Ping (Chen Yiping)	21,000	2.50
10.	Ma Siew Wai	21,000	2.50
11.	Malayan Banking Berhad	15,999	1.91
12.	Lou Han Song	15,000	1.79
13.	Wah Geok Sum	15,000	1.79
14.	Abdul Latiff Bin Shihabudeen	12,000	1.43
15.	Singapore Warehouse Company (Private) Ltd.	9,000	1.07
16.	Tey Peng Kee	9,000	1.07
17.	Yong Ser Hiong	9,000	1.07
18.	OCBC Nominees Singapore Private Limited	8,700	1.04
19.	Poh Teow Lum	6,000	0.71
20.	Tan Sok Tiang	6,000	0.71
		715,956	85.26

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Fourth Annual General Meeting (the "Meeting") of HLG ENTERPRISE LIMITED (formerly known as LKN-Primefield Limited) (the "Company") will be held at M Hotel Singapore, Meeting Room 1, Basement 1, 81 Anson Road, Singapore 079908, on Wednesday, 25 April 2007 at 10.30 a.m. for the following purposes:

A. Ordinary Business:

1. To receive and adopt the Audited Accounts and Reports of the Directors and Auditors for the year ended 31 December 2006.

2. To approve the Directors' Fees (including fees payable to the members of the Audit, Nominating and Remuneration Committees) of $158,197 for the year ended 31 December 2006 (2005: $115,000.00).

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

   (a) Ms Florence Tay Eng Neo (retiring under Article 99)
   (b) Mr Michael Yeo Chee Wee (retiring under Article 99)
   (c) Mr Kevin Hangchi (retiring under Article 103)

4. To appoint KPMG as Auditors of the Company in place of the retiring auditors, PricewaterhouseCoopers, and to authorise the Directors to fix their remuneration.

B. Special Business:

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

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

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

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

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

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

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

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

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

    (ii) any subsequent consolidation or subdivision of shares;

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

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next 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.

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

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

7. To consider and, if thought fit, to pass, with or without any modifications, the following resolution as a Special Resolution:

   Amendment to the Articles of Association

   That the Articles of Association of the Company be amended by inserting the following new Article as Article 105(3) immediately after the existing Article 105(2):

   105(3) The meetings of Directors may be conducted by means of telephone or video conference or other methods of simultaneous communication by electronic, telegraphic or other similar means by which all persons participating in the meeting are able to hear and be heard and, if applicable, see and be seen by all the other participants without the need for physical presence, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. The Directors participating in any such meeting shall be counted in the quorum for such meeting and, subject to there being a requisite quorum under these Articles, all resolutions agreed by the Directors in such meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the Directors duly convened and held. The minutes of such a meeting signed by the Chairman of the meeting shall be conclusive evidence of any resolution of any meeting so conducted. Such a meeting shall be deemed to be held at the place agreed upon by the Directors attending the meeting, provided that at least one of the Directors present at the meeting was at that place for the duration of the meeting.

C. To Transact Any Other Ordinary Business

BY ORDER OF THE BOARD

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

Singapore
2 April 2007

Notes:

1. A member of the Company entitled to attend and vote at the Meeting may appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 11 Collyer Quay, #16-02 The Arcade, Singapore 049317, not less than 48 hours before the time appointed for holding the Meeting.

2. With reference to item 3(b) above (under the heading "Ordinary Business"), Mr Michael Yeo Chee Wee will, upon re-election as a Director of the Company, remain as Chairman of the Audit, Remuneration and HLG Enterprise Share Option Scheme 2006 Committees, and a member of the Nominating Committee. Mr Yeo is an independent Director.

3. With reference to item 3(c) above (under the heading "Ordinary Business"), Mr Kevin Hangchi will, upon re-election as a Director of the Company, remain as a member of the Audit, Remuneration, Nominating and HLG Enterprise Share Option Scheme 2006 Committees. Mr Hangchi is not an independent Director.

4. With reference to item 4 above (under the heading "Ordinary Business"), KPMG will be appointed as the Company's Auditors for the finanical year ending 31 December 2007 in place of PricewaterhouseCoopers. The notice of nomination has been given by a shareholder and circulated by the Company pursuant to Section 205(11) and (12) of the Companies Act, Chapter 50. The proposed appointment of KPMG has been reviewed and recommended by the Audit Committee. The Directors have accepted the Audit Committee's recommendation, and in turn recommend that KPMG be appointed as Auditors of the Company.

5. The ordinary resolution set out in item 5 above (under the heading "Special Business"), if passed, will empower the Directors of the Company from the date of the Meeting until the next Annual General Meeting to issue shares whether by way of rights, bonus or otherwise and/or make or grant Instruments that might require shares to be issued up to and not exceeding 50% of the Company's issued shares, with a limit of 20% of the Company's issued shares for any issue of shares not made on a *pro rata* basis to shareholders. This authority will expire at the next Annual General Meeting of the Company, unless revoked or varied at a general meeting.

6. The ordinary resolution set out in item 6 above (under the heading "Special Business"), if passed, will empower the Directors to offer and grant options under the Scheme and to issue from time to time such number of shares in the capital of the Company pursuant to the exercise of such options under the Scheme subject to such limits or sub-limits as prescribed in the Scheme.

7. The special resolution set out in item 7 above (under the heading "Special Business") relates to the proposed insertion of new Article 105(3) to the Articles of Association of the Company. The new Article 105(3) allows the Directors to participate in meetings by means of a telephone or video conference or similar communications whereby all persons participating in the meeting can hear and, if applicable, see each other, without a Director having to be in the physical presence of the other Directors. Directors participating in meetings *via* telephone or video conference shall be counted in the quorum for the meeting.

HLG Enterprise Limited

Company Registration No. 196100131N
(Incorporated in the Republic of Singapore)

Proxy Form for Annual General Meeting

Important:

1. For investors who have used their CPF monies to buy the Company's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominee and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the 44th Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register with the Company Secretary of HLG Enterprise Limited.

I/We, ____ with NRIC/Passport No. ________________

of ____

being a * member/members of HLG ENTERPRISE LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the 44th Annual General Meeting of the Company ("AGM") to be held at M Hotel Singapore, Meeting Room 1, Basement 1, 81 Anson Road, Singapore 079908, on Wednesday, 25 April 2007 at 10.30 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated with an "X" in the spaces provided hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM.

No.	Resolutions		For	Against
	ORDINARY BUSINESS:			
1.	Adoption of Reports and Accounts			
2.	Approval of Directors' Fees			
3.	Re-election of Directors:	(a) Ms Florence Tay Eng Neo		
		(b) Mr Michael Yeo Chee Wee		
		(c) Mr Kevin Hangchi		
4.	Appointment of KPMG as Auditors in place of the retiring auditors, PricewaterhouseCoopers			
	SPECIAL BUSINESS:			
5.	Authority for Directors to issue shares and/or make or grant offers, agreements or options pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited			
6.	Authority for Directors to offer and grant options and to issue shares in accordance with the provisions of the HLG Enterprise Share Option Scheme 2006			
7.	Amendment to the Articles of Association			

Dated this _______ day of ____________________ 2007

Number of Shares Held

____
Signature of Member(s)/Common Seal

* Delete accordingly
NOTES: SEE OVERLEAF

NOTES:

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his/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 specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the AGM.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by you.
5. This instrument of a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a body corporate, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
6. A body corporate which is a member may also appoint by resolution of its directors or other governing body an authorised representative or representatives in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore to attend and vote for and on behalf of such body corporate.
7. This instrument appointing a proxy (together with the power of attorney, if any, under which it is signed or a certified copy thereof), must be deposited at the Registered Office of the Company at 11 Collyer Quay, #16-02 The Arcade, Singapore 049317, not less than 48 hours before the time fixed for holding the AGM.
8. The Company shall be entitled to reject an instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

Fold Here

PROXY FORM

Affix Postage Stamp

The Company Secretary
HLG ENTERPRISE LIMITED
11 Collyer Quay, #16-02 The Arcade
Singapore 049317

Fold Here

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HLG Enterprise Limited
Company Registration No. 196100131N

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