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 a set of internal guidelines on corporate governance ("Internal CG Guidelines") which took 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, and 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 2007.

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's Articles of Association 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 11. 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. Appropriate courses include programmes conducted by the Singapore Institute of Directors and Singapore Exchange Securities Trading Limited ("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 2007

Name of Directors	Board	AC	NC	RC
	Number of Meetings held: 4	**Number of Meetings held: 8**	**Number of Meetings held: 1**	**Number of Meetings held: 1**
	Meetings attended	**Meetings attended**	**Meetings attended**	**Meetings attended**
Gan Khai Choon *	1	N.A.	N.A.	N.A.
Sherman Kwek Eik Tse *	1	N.A.	N.A.	N.A.
Florence Tay Eng Neo	4	N.A.	N.A.	N.A.
Michael Yeo Chee Wee	4	8	1	1
Lee Kim Shin	4	8	1	1
Martha Tan Hui Keng *	1	3	0	0
Teo Tong Kooi * (Alternate: Philip Ting Sii Tien)	1	N.A.	N.A.	N.A.

* appointed on 21 September 2007

No meeting of the Scheme Committee was held in 2007.

CCDG Code Principle 2: Board Composition and Guidance

The Board currently comprises 7 members, one of whom is an executive Director. Of the 6 non-executive Directors, the Board considers 3 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 communities, 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 Gan Khai Choon who is a non-executive Director. The Chairman bears primary responsibility for the workings of the Board, by ensuring effectiveness in all aspects of its role, exercising control over the quality, quantity and timeliness of information flow between the Board and the management, ensuring effective communication with shareholders, facilitating the effective contribution of non-executive Directors, and overseeing the Group's corporate governance and conduct.

The Executive Director, Mr Sherman Kwek Eik Tse who is also a key management staff, bears executive responsibility for the overall management of the Group's operations and investments as well as helping to set the corporate strategy for the Group. The Executive Director is the nephew of 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 comprises 3 non-executive Directors, all of whom including the chairman of the NC, are independent. 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. The NC conducts an annual review of the independence of Directors.

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 carry 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 6 and 7 of this Annual Report 2007.

CCDG Code Principle 5: Board Performance

The Company has in place a formal process for 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 include 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 2007 ("FY 2007") 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, adequate and timely 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 ensure 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, all 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 and senior management 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 reviewing 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 reviewing remuneration packages, the RC, with the assistance of the Company's Senior Vice President (Finance/Administration), 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 is 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 2007 is set out below.

Remuneration of Directors and Key Executives for FY 2007

	Base Salary* %	Variable Bonuses/ Allowances* %	Board/Board Committee Fees** %	Other Benefits %	Total %
$250,000 and below					
Directors					
1. Gan Khai Choon	–	–	100	–	100
2. Sherman Kwek Eik Tse	74	19	7	–	100
3. Florence Tay Eng Neo	–	–	100	–	100
4. Michael Yeo Chee Wee	–	–	100	–	100
5. Lee Kim Shin	–	–	100	–	100
6. Martha Tan Hui Keng	–	–	100	–	100
7. Teo Tong Kooi	–	–	100	–	100
Key Executives					
8. Foo Yang Hym	78	21	–	1	100
9. Yam Kit Sung	38	10	–	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 2007, which are subject to approval by shareholders as a lump sum at the 2008 Annual General Meeting for FY 2007.

No options were granted by the Company to subscribe for unissued shares in the Company during FY 2007.

During FY 2007, 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 2007.

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 of the Group's performance.

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, all 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 to be 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 auditors, and to approve the remuneration and terms of engagement of the external auditors; and

– to review interested person transactions.

The AC held 8 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, each 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 2007, 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 re-appointment as external auditors.

HLGE has in place a whistle-blowing procedure where staff of the Company can raise in confidence concerns on possible improprieties 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 to be taken.

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 2007 (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 2007 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Hong Leong Investment Holdings Pte. Ltd. group of companies – Receipt of management services	$122,701.70	Not applicable *

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

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

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 in respect of the Group's material hotel assets in China and in Malaysia to Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Deloitte Enterprise Risk Services Sdn. Bhd. respectively. These professional consultants report 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 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 time frame.

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 2 weeks before the date of announcement of results for each of the first 3 quarters of the Company's financial year and one month before the date of announcement of the full year financial results.

17 March 2008

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

Directors

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

Gan Khai Choon	(appointed on 21 September 2007)
Sherman Kwek Eik Tse	(appointed on 21 September 2007)
Florence Tay Eng Neo	
Michael Yeo Chee Wee	
Lee Kim Shin	
Martha Tan Hui Keng	(appointed on 21 September 2007)
Teo Tong Kooi	(appointed on 21 September 2007)
Philip Ting Sii Tien – Alternate to Teo Tong Kooi	(appointed on 21 September 2007)

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

Directors' Interests in Shares or Debentures

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options and/or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interest of directors who held office at the end of the financial year (including those of their spouses and infant children) in shares, share options and/or debentures of the Company or its related corporations, are as follows:

	Holdings registered in the name of director		**Holdings in which director is deemed to have an interest**	
Name of director	**At 1.1.2007**	**At 31.12.2007**	**At 1.1.2007**	**At 31.12.2007**
The Company				
(ordinary shares)				
Florence Tay Eng Neo	37,223,923	37,223,923	11,299,814	11,299,814

The directors' interests in the ordinary shares of the Company as at 21 January 2008 were the same as at 31 December 2007.

Directors' Interests in Contracts

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

Share Options

The 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
Martha Tan Hui Keng (appointed on 21 September 2007)

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 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 Shares issued and issuable in respect of all options granted under the Scheme shall not exceed 15% of the total number of issued Shares excluding treasury shares, if any, 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 options granted by the Company or its subsidiaries to any person to take up unissued Shares in the Company or its subsidiaries; and

(ii) no Shares issued by virtue of any exercise of option to take up unissued Shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued Shares of the Company or its subsidiaries under option.

Audit Committee

The Audit Committee ("AC") comprises three independent non–executive members of the Board. The members of the AC at the date of this report are as follows:

Michael Yeo Chee Wee – Chairman
Lee Kim Shin
Martha Tan Hui Keng (appointed on 21 September 2007)

The AC has held seven meetings since the date of the last directors' report and carried out the functions of an audit committee as set out in the Act.

In carrying out 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 2007 as well as the auditors' reports thereon.

The AC has recommended to the Board of Directors that the auditors, KPMG, be nominated for re–appointment as auditors at the forthcoming Annual General Meeting of the Company.

Auditors

KPMG were appointed as auditors of the Company with effect from 25 April 2007. KPMG have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Gan Khai Choon
Director

Sherman Kwek Eik Tse
Director

17 March 2008

In our opinion:

(a) the financial statements set out on pages 24 to 84 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and of the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

On behalf of the Board of Directors

Gan Khai Choon
Director

Sherman Kwek Eik Tse
Director

17 March 2008

We have audited the accompanying financial statements of HLG Enterprise Limited (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2007 and the income statement, statement of changes in equity and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 24 to 84. The financial statements for the year ended 31 December 2006 were audited by another firm of certified public accountants, whose report dated 6 March 2007 expressed an unqualified opinion on those financial statements with an emphasis on the going concern basis of preparation.

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, Chapter 50 (the "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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007 and the results, changes in equity and cash flows of the Group for the year ended on that date; and

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

Without qualifying our opinion, we draw attention to note 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, redeemable convertible preference shareholders 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.

KPMG
Certified Public Accountants

Singapore
17 March 2008

BALANCE SHEETS

As at 31 December 2007

	Note	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Non–Current Assets					
Property, plant and equipment	4	**72,210**	75,539	**16**	25
Investment property	5	**8,483**	7,131	**–**	–
Subsidiaries	6	**–**	–	**91,944**	86,684
Associates	7	**7,313**	7,219	**–**	–
Other investments	9	**150**	150	**–**	–
Non–trade receivables	10	**8,191**	9,100	**13,013**	21,266
		96,347	99,139	**104,973**	107,975
Current Assets					
Property, plant and equipment classified as held for sale	4	**–**	13,396	**–**	–
Inventories	11	**480**	490	**–**	–
Development properties	12	**17,091**	17,840	**–**	–
Trade and other receivables	10	**4,366**	11,580	**3,833**	8,993
Cash and cash equivalents	13	**59,228**	36,728	**20,319**	20,965
		81,165	80,034	**24,152**	29,958
Total Assets		**177,512**	179,173	**129,125**	137,933
Equity Attributable to Equity Holders of the Company					
Share capital	14	**108,329**	108,329	**108,329**	108,329
Reserves	15	**(118,910)**	(121,689)	**(130,534)**	(133,201)
Total Equity		**(10,581)**	(13,360)	**(22,205)**	(24,872)
Non–Current Liabilities					
Financial liabilities	16	**167,887**	169,650	**150,318**	161,781
Deferred tax liabilities	17	**418**	418	**–**	–
		168,305	170,068	**150,318**	161,781
Current Liabilities					
Trade and other payables	18	**16,539**	18,436	**982**	949
Financial liabilities	16	**1,159**	2,244	**1**	–
Current tax payable		**2,090**	1,785	**29**	75
		19,788	22,465	**1,012**	1,024
Total Liabilities		**188,093**	192,533	**151,330**	162,805
Total Equity and Liabilities		**177,512**	179,173	**129,125**	137,933

The accompanying notes form an integral part of these financial statements

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2007

	Note	Group 2007 $'000	Group 2006 $'000
Revenue	19	**34,497**	35,443
Cost of sales		**(14,758)**	(15,996)
Gross profit		**19,739**	19,447
Other income	20	**13,999**	11,719
Selling and Marketing expenses		**(1,102)**	(1,001)
Administrative expenses		**(2,350)**	(1,621)
Finance expenses	21	**(8,766)**	(10,070)
Other operating expenses		**(14,101)**	(14,653)
Share of results of associates (net of tax)		**47**	(24)
Profit before income tax		**7,466**	3,797
Income tax expense	22	**(2,271)**	(1,302)
Profit from continuing operations		**5,195**	2,495
Profit from discontinued operations (net of tax)	23	**–**	8,839
Profit for the year	24	**5,195**	11,334
Attributable to			
- Equity holders of the Company		**5,195**	11,334
Continuing operations			
- Basic earnings per share (cents)	25	**0.61**	0.37
- Diluted earnings per share (cents)	25	**0.54**	0.31
Discontinued operations			
- Basic earnings per share (cents)	25	**–**	1.30
- Diluted earnings per share (cents)	25	**–**	1.11

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2007

Group	Share capital $'000	Share premium $'000	Preference shares $'000	Special reserve $'000	Capital reserve $'000	Currency translation reserve $'000	Accumulated losses $'000	Total attributable to equity holders of the Company $'000	Minority interests $'000	Total $'000
2007										
At 1 January 2007	**108,312**	**–**	**17**	**8,529**	**951**	**(7,127)**	**(124,042)**	**(13,360)**	**–**	**(13,360)**
Transfer of exchange translation loss and revaluation surplus to accumulated losses arising from the adoption of FRS 40	**–**	**–**	**–**	**–**	**(876)**	**4,697**	**(3,821)**	**–**	**–**	**–**
Balance at 1 January 2007, as restated	**108,312**	**–**	**17**	**8,529**	**75**	**(2,430)**	**(127,863)**	**(13,360)**	**–**	**(13,360)**
Translation differences relating to financial statements of foreign subsidiaries	**–**	**–**	**–**	**–**	**–**	**290**	**–**	**290**	**–**	**290**
Realisation of translation difference upon the disposal of an overseas subsidiary	**–**	**–**	**–**	**–**	**–**	**(2,706)**	**–**	**(2,706)**	**–**	**(2,706)**
Net losses recognised directly in equity	**–**	**–**	**–**	**–**	**–**	**(2,416)**	**–**	**(2,416)**	**–**	**(2,416)**
Net profit for the financial year	**–**	**–**	**–**	**–**	**–**	**–**	**5,195**	**5,195**	**–**	**5,195**
Total recognised gains/(losses) for the financial year	**–**	**–**	**–**	**–**	**–**	**(2,416)**	**5,195**	**2,779**	**–**	**2,779**
Conversion of non–redeemable convertible cumulative preference shares ("NCCPS")	**10**	**–**	**(10)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 31 December 2007	**108,322**	**–**	**7**	**8,529**	**75**	**(4,846)**	**(122,668)**	**(10,581)**	**–**	**(10,581)**

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2007

Group	Share capital $'000	Share premium $'000	Preference shares $'000	Special reserve $'000	Capital reserve $'000	Currency translation reserve $'000	Accumulated losses $'000	Total attributable to equity holders of the Company $'000	Minority interests $'000	Total $'000
2006										
At 1 January 2006	32,857	71,529	–	8,529	20,905	(17,508)	(137,469)	(21,157)	–	(21,157)
Translation differences relating to financial statements of foreign subsidiaries	–	–	–	–	–	(731)	–	(731)	–	(731)
Transfer of exchange translation reserve to income statement arising from disposal of an associate	–	–	–	–	–	11,098	–	11,098	–	11,098
Transfer of revaluation surplus to income statement arising from disposal of an investment property and an associate	–	–	–	–	(17,766)	–	–	(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	(2,093)	–
Adjustment arising from disposal of equity in Primefield Company Pte Ltd	–	–	–	–	(95)	14	–	(81)	–	(81)
Net gains/(losses) recognised directly in equity	–	–	–	–	(17,861)	10,381	2,093	(5,387)	(2,093)	(7,480)
Net profit for the financial year	–	–	–	–	–	–	11,334	11,334	–	11,334
Total recognised gains/(losses) for the financial year	–	–	–	–	(17,861)	10,381	13,427	5,947	(2,093)	3,854
Transfer of share premium to share capital	71,529	(71,529)	–	–	–	–	–	–	–	–
Adjustment arising from the issue of performance shares by AXS	–	–	–	–	(2,093)	–	–	(2,093)	2,093	–
Issuance of NCCPS	–	–	3,943	–	–	–	–	3,943	–	3,943
Conversion of NCCPS	3,926	–	(3,926)	–	–	–	–	–	–	–
At 31 December 2006	108,312	–	17	8,529	951	(7,127)	(124,042)	(13,360)	–	(13,360)

The accompanying notes form an integral part of these financial statements

	Group 2007 $'000	Group 2006 $'000
Operating Activities		
Profit from operations after tax	**5,195**	11,334
Adjustments for:		
Depreciation of property, plant and equipment	**6,008**	7,116
Foreign exchange losses – net	**590**	2,449
Gain on disposal of subsidiaries/liquidation of a subsidiary/novation of an intercompany debt	**(5,141)**	(10,207)
Gain on disposal of investment property (gross)	**–**	(9,745)
Gain on disposal of Tristar Inn Singapore	**(4,455)**	–
(Gain)/loss on disposal of property, plant and equipment	**(24)**	170
Impairment loss of property, plant and equipment	**–**	11
Income tax expense	**2,271**	2,060
Interest expense	**8,248**	6,795
Interest income	**(1,555)**	(1,328)
Loss on disposal of associates (net)	**–**	1,277
Property, plant and equipment written off	**700**	8
Provision for impairment/trade receivable written off	**27**	258
Share of results of associates	**(47)**	24
Surplus on revaluation of investment property	**(1,355)**	–
Tax refund on reinvestment of net foreign dividend	**(790)**	–
Write–back of provision for impairment of receivables	**(278)**	(316)
Write–back of provision for warranty	**–**	(70)
Write–back of trade and other payables	**(321)**	(1,515)
Operating profit before working capital changes	**9,073**	8,321
Changes in working capital:		
Development properties	**(136)**	1,395
Inventories	**10**	132
Trade and other receivables	**8,315**	(336)
Trade and other payables	**(1,570)**	542
Cash generated from operations	**15,692**	10,054
Income taxes paid	**(1,962)**	(2,768)
Interest paid	**(1,520)**	(4,413)
Cash flows from operating activities	**12,210**	2,873
Investing Activities		
(Increase)/decrease in fixed deposits pledged	**(9)**	26
Interest received	**1,555**	1,328
Legal fee and consultation fees in relation to the disposal of subsidiaries	**–**	(462)
Net cash received on disposal of subsidiaries (note 32)	**2,189**	4,482
Proceeds from disposal of investment in associates	**–**	16,909
Proceeds from disposal of investment property	**–**	42,536
Proceeds from disposal of property, plant and equipment	**94**	11
Proceeds from redemption of preference shares in an associate	**–**	584
Purchase of property, plant and equipment	**(3,115)**	(5,944)
Tax refund on reinvestment of net foreign dividend	**790**	–
Proceeds from disposal of Tristar Inn Singapore	**18,089**	–
Cash flows from investing activities	**19,593**	59,470

The accompanying notes form an integral part of these financial statements

	Group	
	2007	**2006**
	$'000	**$'000**
Financing Activities		
Proceeds from borrowings/rights issue	**10,963**	135,370
Repayment of borrowings	**(20,275)**	(183,887)
Cash flows from financing activities	**(9,312)**	(48,517)
Net increase in cash and cash equivalents	**22,491**	13,826
Cash and cash equivalents at beginning of the year	**36,695**	22,869
Cash and cash equivalents at end of the year	**59,186**	36,695
Comprising:		
Cash and cash equivalents (note 13)	**59,228**	36,728
Bank deposits pledged	**(42)**	(33)
	59,186	36,695

The accompanying notes form an integral part of these financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 17 March 2008.

1 General

HLG Enterprise Limited (the "Company") is incorporated in the Republic of Singapore and has its registered office at 11 Collyer Quay, #16-02 The Arcade, Singapore 049317.

The principal activity of the Company is the holding of investments. The principal activities of the subsidiaries are set out in note 6 to the financial statements.

As defined under Singapore Financial Reporting Standards ("FRS"), the Company's immediate holding company is Grace Star Services Ltd, a company incorporated in the British Virgin Islands and the ultimate holding company is Hong Leong Investment Holdings Pte Ltd, a company incorporated in the Republic of Singapore.

The consolidated financial statements relate to the Company and its subsidiaries (collectively referred to as the Group).

2 Going Concern

As at 31 December 2007, the Group and the Company had deficits in shareholders' equity of $10,581,000 and $22,205,000 respectively.

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, redeemable convertible preference shareholders 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.

3 Significant Accounting Policies

3.1 Basis of Preparation

The financial statements have been prepared in accordance with FRS.

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

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

The preparation of financial statements in conformity with FRS requires management to 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Actual results may differ from these estimates.

3 Significant Accounting Policies (cont'd)

3.1 Basis of Preparation (cont'd)

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described in the following notes:

- Note 4 – Estimates of useful lives and residual values of plant and equipment
- Note 10 – Allowance for trade receivables
- Note 17 and 22 – Estimates of tax provisions

During the year, the Company changed its accounting policy on the recognition of change in fair value of investment properties, as described in note 3.6.

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

3.2 Group Accounting

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.

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.

3 Significant Accounting Policies (cont'd)

3.2 Group Accounting (cont'd)

Associates

Associates 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 associates are accounted for in the consolidated financial statements using the equity method of accounting. Investments in associates in the consolidated balance sheet include goodwill (net of accumulated impairment loss) identified on acquisition, where applicable.

Investments in associates 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 associates' 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 associate equals or exceeds its investment in the associate including any other unsecured receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associate.

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

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.

3 Significant Accounting Policies (cont'd)

3.3 Foreign Currencies

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.

Foreign currency transactions

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

Foreign currency differences arising on translation are recognised in the income statement, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below) and available-for-sale equity instruments (see note 3.8).

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore Dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore Dollars at 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 transactions). 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. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

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

Net investment in a foreign operation

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

3 Significant Accounting Policies (cont'd)

3.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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.

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 basis method to allocate their depreciation 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.

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.

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.

3.5 Intangible Assets

Goodwill

Goodwill and negative goodwill arise on the acquisition of subsidiaries, associates and joint ventures.

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

3 Significant Accounting Policies (cont'd)

3.5 Intangible Assets (cont'd)

Goodwill (cont'd)

Goodwill arising on the acquisition of subsidiaries is presented in intangible assets. Goodwill arising on the acquisition of associates and joint ventures is presented together with investments in associates and joint ventures. Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in note 3.9.

Negative goodwill represents the excess of the Group's interest in the net fair value of the identifiable assets and liabilities of the acquiree over the cost of the acquisition. Negative goodwill is recognised immediately in the income statement.

3.6 Investment Property

Investment property of the Group, comprising principally an office building, is held for long-term rental yields and capital appreciation and is not occupied by the Group. It does not include properties for sale in the ordinary course of business, used in the production or supply of goods or services, or for administrative purposes.

Investment property is classified as a non-current asset and is stated at its fair value based on valuation. An independent professional valuation is carried out at least once every three years. During the intervening period, the investment property is valued by the directors of the Company. The change in fair value is recognised in the income statement.

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.

Change in accounting policy

The Group adopted FRS 40 Investment Property on 1 January 2007. Under FRS 40, the Group continues to state its investment property at fair value, but with changes in fair value recognised in the income statement. Before 1 January 2007, the increase in the fair value of the investment property was credited to the revaluation reserve unless it offset a previous decrease in value recognised in the income statement.

Under the transitional provisions of FRS 40, the Group reclassified the currency translation loss and revaluation surplus of $4,697,000 and $876,000 respectively in respect of its investment property to accumulated losses at 1 January 2007. The comparatives have not been restated.

3 Significant Accounting Policies (cont'd)

3.6 Investment Property (cont'd)

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

	Group and Company 2007 $'000
Balance sheet at 31 December	
Increase in investment property	**1,355**
Income statement for the year ended 31 December	
Increase in other income	**1,355**
Increase in profit from continuing operations	**1,355**
Earnings per share	
Increase in basic earnings per share (cents)	**0.16**
Increase in diluted earnings per share (cents)	**0.14**

3.7 Investments in Subsidiaries, Associates and Joint Ventures

Investments in subsidiaries, associates and joint ventures are stated in the Company's balance sheet at cost less accumulated impairment losses.

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

3.8 Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investment in equity securities, trade and other receivables, cash and cash equivalents, financial liabilities and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses except as disclosed below.

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

Cash and cash equivalents comprise cash balances and bank deposits.

3 Significant Accounting Policies (cont'd)

3.8 Financial Instruments (cont'd)

Available-for-sale financial assets

The Group's investment in equity securities are classified as available-for-sale financial assets if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses, and foreign exchange gains and losses on available-for-sale monetary items are recognised directly in equity. When an investment is recognised, the cumulative gain or loss in equity is transferred to the income statement.

The fair value of equity securities classified as available-for-sale is determined as the quoted bid price at the balance sheet date. Equity securities which do not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost less impairment losses which, in the opinion of the directors, is other than temporary.

Intra-group financial guarantees

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

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the income statement.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Preference shares

Preference shares are classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the income statement as interest expense.

Preference shares are classified as equity if it is non-redeemable or is redeemable but only at the option of the Company and the dividend payments are discretionary. Dividends thereon are recognised as distributions within equity.

3 Significant Accounting Policies (cont'd)

3.9 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

Intangible assets, property, plant and equipment and investments in subsidiaries, associates 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.

Impairment loss is recognised in the income statement.

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.

3 Significant Accounting Policies (cont'd)

3.10 Leases

When entities within the Group are lessees of a finance lease

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.

When entities within the Group are lessees of an operating lease

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.

When entities within the Group are lessors of an operating lease

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.

3.11 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3 Significant Accounting Policies (cont'd)

3.12 Non-Current Assets Held for Sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale and carried at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and investment properties, which continue to be measured under different rules in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

3.13 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.

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 profits (less recognised losses) on each contracts 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".

3 Significant Accounting Policies (cont'd)

3.14 Development Properties

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 3.15).

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.

3.15 Borrowings

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.

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 statements as finance expense.

3.16 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.

3 Significant Accounting Policies (cont'd)

3.16 Provisions (cont'd)

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.

3.17 Employee Compensation

Defined contribution plans

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

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.

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.

3 Significant Accounting Policies (cont'd)

3.17 Employee Compensation (cont'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.

3.18 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.

Rental income

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

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.

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 3.13.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income

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

3 Significant Accounting Policies (cont'd)

3.19 Discontinued Operations

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. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

3.20 Finance Income and Expenses

Finance income comprises interest income, dividend income and net foreign currency gains recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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

3.21 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.

3.22 Income Tax Expense

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

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

3 Significant Accounting Policies (cont'd)

3.22 Income Tax Expense (cont'd)

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

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

4 Property, Plant and Equipment

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										
- continuing operations	–	–	(28)	(2,976)	(1,282)	(399)	–	–	(1)	(4,686)
- discontinued operations	–	–	(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)	–	–
Translation adjustment	(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
Additions	**–**	**–**	**1,310**	**102**	**1,514**	**104**	**–**	**85**	**–**	**3,115**
Disposals	**–**	**–**	**–**	**–**	**(675)**	**(242)**	**–**	**–**	**–**	**(917)**
Transfer/write-offs	**–**	**–**	**(353)**	**(104)**	**(3,039)**	**(96)**	**–**	**(404)**	**–**	**(3,996)**
Translation adjustments	**1**	**(4)**	**553**	**112**	**109**	**4**	**2**	**10**	**–**	**787**
At 31 December 2007	**406**	**9,081**	**85,284**	**32,975**	**21,033**	**1,071**	**565**	**2,353**	**–**	**152,768**

4 Property, Plant and Equipment (cont'd)

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
Accumulated Depreciation										
At 1 January 2006	(132)	(5,188)	(64,561)	(18,257)	(22,956)	(1,451)	(609)	(1,674)	(4,645)	(119,473)
Disposals										
- continuing operations	–	–	28	2,806	1,270	392	–	–	1	4,497
- discontinued operations	–	–	19,391	–	2,346	77	–	–	5,158	26,972
Depreciation charge										
- continuing operations	–	(181)	(3,302)	(1,340)	(1,125)	(86)	(9)	–	–	(6,043)
- discontinued operations	–	–	(515)	–	(34)	(10)	–	–	(514)	(1,073)
Reclassified to held for sale	–	–	12,063	193	1,468	–	26	–	–	13,750
Impairment loss	–	–	–	(11)	–	–	–	–	–	(11)
Translation adjustment	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)
Depreciation charge for the year	**–**	**(182)**	**(3,337)**	**(1,202)**	**(1,231)**	**(55)**	**(1)**	**–**	**–**	**(6,008)**
Disposals	**–**	**–**	**–**	**–**	**615**	**240**	**–**	**–**	**–**	**855**
Write-offs	**–**	**–**	**102**	**80**	**2,998**	**86**	**–**	**–**	**–**	**3,266**
Impairment loss	**–**	**–**	**–**	**30**	**–**	**–**	**–**	**–**	**–**	**30**
Translation adjustment	**(1)**	**–**	**(338)**	**(38)**	**(82)**	**–**	**(2)**	**–**	**–**	**(461)**
At 31 December 2007	**(132)**	**(5,531)**	**(38,812)**	**(17,169)**	**(15,905)**	**(770)**	**(565)**	**(1,674)**	**–**	**(80,558)**
Carrying Amount										
At 1 January 2006	277	3,998	78,241	19,330	4,497	350	4	1,341	1,618	109,656
At 31 December 2006	274	3,736	48,535	16,826	4,919	260	1	988	–	75,539
At 31 December 2007	**274**	**3,550**	**46,472**	**15,806**	**5,128**	**301**	**–**	**679**	**–**	**72,210**

4 Property, Plant and Equipment (cont'd)

Company	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Cost				
At 1 January 2006	2,964	1,152	519	4,635
Additions	–	21	5	26
Disposals	(2,964)	(1,131)	(326)	(4,421)
At 31 December 2006	–	42	198	240
Additions	**–**	**4**	**–**	**4**
Disposals	**–**	**–**	**(193)**	**(193)**
At 31 December 2007	**–**	**46**	**5**	**51**
Accumulated Depreciation				
At 1 January 2006	(2,797)	(1,142)	(487)	(4,426)
Depreciation charge for the year	–	(10)	(33)	(43)
Disposals	2,797	1,131	326	4,254
At 31 December 2006	–	(21)	(194)	(215)
Depreciation charge for the year	**–**	**(12)**	**(1)**	**(13)**
Disposals	**–**	**–**	**193**	**193**
At 31 December 2007	**–**	**(33)**	**(2)**	**(35)**
Carrying Amount				
At 1 January 2006	167	10	32	209
At 31 December 2006	–	21	4	25
At 31 December 2007	**–**	**13**	**3**	**16**

At 31 December 2007, the Group's property, plant and equipment include:

(a) assets of joint ventures with carrying amount of $37.5 million (2006: $5.8 million) which are mortgaged to secure bank facilities extended to the joint ventures (note 16).

(b) assets under finance lease arrangements with a carrying amount of $6,000 (2006: $11,000) (note 16).

(c) capital work–in–progress amounting to $679,000 (2006: $843,000) representing construction costs incurred in respect of a commercial development in Qingdao, People's Republic of China. The project has been suspended since 1998.

On 4 December 2006, a subsidiary, Joo Chiat Holding Pte Ltd, granted an option to a third party to purchase the hotel known as "Tristar Inn" located at 1 Onan Road, Singapore 424780. The purchaser exercised the option on 18 December 2006 and the carrying amount of the property, plant and equipment to be disposed of $13,396,000 at 31 December 2006 was reclassified as property, plant and equipment held for sale. On 12 March 2007, the sale of Tristar Inn was completed and the gain on disposal of $4,455,000 was recognised in the income statement for the current financial year (note 20).

4 Property, Plant and Equipment (cont'd)

Source of Estimation Uncertainty

The costs of plant and equipment are depreciated on a straight–line basis over their useful lives. Management estimates the useful lives of these plant and equipment to be between 1 to 20 years. The Group reviews annually the estimated useful lives of plant and equipment based on factors that include asset utilisation, internal technical evaluation and technological changes. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in these factors. A reduction in the estimated useful lives of plant and equipment would increase depreciation expense and decrease non–current assets.

5 Investment Property

	Group	
	2007	**2006**
	$'000	**$'000**
At 1 January	**7,131**	7,210
Change in fair value recognised in income statement (note 20)	**1,355**	–
Translation adjustment	**(3)**	(79)
At 31 December	**8,483**	7,131

Details of the investment property (non–current) as at 31 December 2007 are as follows:

Location	**Description**	**Tenure**	**Land area (m²)**	**Floor area (m²)**	**Owned by**
49 Jalan Wong Ah Fook, Johor Bahru, Malaysia (Wisma LKN)	18–storey office block	Freehold	1,133.1	6,948.02	LKN Development Pte Ltd

The commercial property is leased to external customers. Each of the lease are for periods of one to two years. Subsequent renewals are negotiated with the lessee.

Investment property is stated at a valuation performed on 26 December 2007 by Henry Butcher Malaysia, a firm of independent professional valuers that has appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The fair value is based on market value, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

6 Subsidiaries

	Company 2007 $'000	Company 2006 $'000
Unquoted equity shares, at cost	**304,441**	302,181
Preference shares, at cost	**29,000**	29,000
Impairment loss	**(241,497)**	(244,497)
	91,944	86,684
Impairment loss		
At 1 January	**244,497**	65,919
Impairment loss recognised	**–**	178,578
Impairment loss written back	**(3,000)**	–
At 31 December	**241,497**	244,497

Details of the subsidiaries are as follows:

Name of Company	Principal Activities	Place of Incorporation/ Business	Group's Effective Equity Interest 2007 %	Group's Effective Equity Interest 2006 %
Held by the Company:				
LKN Construction Pte Ltd	Building and civil engineering construction	Singapore	**100**	100
LKN Development Pte Ltd	Property development and investment, project and property management and investment in property for rental	Singapore/ Malaysia	**100**	100
LKN Home Services Pte Ltd	Dormant	Singapore	**100**	100
LKN Investment International Pte Ltd	Foreign investment holding, building and design works	Singapore/ People's Republic of China	**100**	100
Equatorial Hotel Management Pte Ltd	Hotel management and consultancy	Singapore/ People's Republic of China	**100**	100
Golden Phoenix Chao Zhou Garden Restaurant Pte Ltd	Dormant	Singapore	**100**	100
Equality Hotel Management Sdn Bhd (1)	Hotel management and consultancy	Malaysia	**100**	100

6 Subsidiaries (cont'd)

Name of Company	Principal Activities	Place of Incorporation/ Business	Group's Effective Equity Interest 2007 %	2006 %
Held by the Company:				
Hotel Equatorial International Sales & Marketing Services (HK) Limited [(2)]	Hotel management and consultancy	Hong Kong	**100**	100
Landmark Technologies Pte Ltd	Dormant	Singapore	**100**	100
WhiteBox Computer Pte Ltd	Dormant	Singapore	**100**	100
Held by LKN Construction Pte Ltd:				
LKN Management Services Pte Ltd	Project management and consultancy	Singapore	**100**	100
MALKN Sdn Bhd	Under creditors' liquidation	Malaysia	**100**	100
LKN Construction Lanka (Private) Limited [(3)]	Dormant	Sri Lanka	**75**	75
LKN (PNG) Ltd [(4)] (Disposed on 3 May 2007)	Dormant	Papua New Guinea	**–**	100
Held by LKN Development Pte Ltd:				
Island Resort Development Pte Ltd	Dormant	Singapore	**100**	100
Mallink Development Pte Ltd	Dormant	Singapore	**100**	100
Mallink Realty Pte Ltd [(7)]	Dormant	Singapore	**100**	100
Joo Chiat Holding Pte Ltd	Property development	Singapore	**100**	100
Sims Development Pte Ltd [(7)]	Dormant	Singapore	**100**	100
Augustland Sdn Bhd [(1)]	Property investment and development	Malaysia	**100**	100
Nirwana Properties Sdn Bhd [(1)]	Investment holding	Malaysia	**100**	100
Shanghai Yurong Real Estate Development Co., Ltd [(5)]	Dormant	People's Republic of China	**100**	100
Victory Heights Sdn Bhd [(1)]	Property investment and development	Malaysia	**40***	40*

6 Subsidiaries (cont'd)

Name of Company	Principal Activities	Place of Incorporation/ Business	Group's Effective Equity Interest 2007	2006
			%	%
Held by LKN Investment International Pte Ltd:				
Shanghai Hutai Real Estate Development Co., Ltd (6)	Owns and operates a serviced apartment building in Shanghai, People's Republic of China	People's Republic of China	**100**	100
Held by Nirwana Properties Sdn Bhd:				
Victory Horizon Sdn Bhd (1)	Dormant	Malaysia	**100**	100
Victory Heights Sdn Bhd (1)	Property investment and development	Malaysia	**12***	12*
Held by WhiteBox Computer Pte Ltd:				
Whitebox Computer VietSin Co., Ltd	De-registered	Vietnam	**–**	90

* The total effective equity held by the Group is 52% (2006: 52%) as 40% (2006: 40%) is held by LKN Development Pte Ltd and 12% (2006: 12%) is held by Nirwana Properties Sdn Bhd.

KPMG Singapore is the auditor for all the companies above, except for the following:

(1) Audited by Shamsir Jasani Grant Thornton, Kuala Lumpur, Malaysia.
(2) Audited by Law & Partners CPA Limited, Hong Kong.
(3) Audited by Dayananda Samarawickrema & Co., Sri Lanka.
(4) Audited by Sinton Spence, Chartered Accountants, Papua New Guinea.
(5) Audited by Shanghai Zhong Hui Certified Public Accountants Co., Ltd., People's Republic of China.
(6) Audited by other member firms of KPMG International.
(7) Not required to be audited.

7 Associates

	Group 2007 $'000	2006 $'000
Unquoted equity shares, at cost	**4,229**	4,229
Share of post acquisition retained earnings	**3,951**	3,904
Translation adjustment	**(867)**	(914)
	7,313	7,219

7 Associates (cont'd)

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

	Group	
	2007	**2006**
	$'000	**$'000**
At 1 January	**3,904**	20,746
Share of results after tax	**47**	(24)
Disposal of investment in an associate	**–**	(16,818)
At 31 December	**3,951**	3,904

Details of the associates are as follows:

Name of Company	Principal Activities	Place of Incorporation/ Business	Group's Effective Equity Interest 2007 %	Group's Effective Equity Interest 2006 %
Held by subsidiaries:				
Scientex Park (M) Sdn Bhd [(1)]	Property management and development	Malaysia	**28**	28
Sinjori Sdn Bhd [(2)]	Property investment and development	Malaysia	**28**	28

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

The summarised financial information on the Group's share of the associates are as follows:

	Group	
	2007	**2006**
	$'000	**$'000**
Assets and liabilities		
Total assets	**7,634**	7,521
Total liabilities	**(321)**	(302)
Net assets	**7,313**	7,219
Results		
Revenue	**382**	530
Profit/(loss) after taxation	**47**	(24)
Contingent liabilities directly incurred by the Group	**–**	–

8 Joint Ventures

The Group has interests in the following joint ventures:

Name	Percentage of interest held 2007 %	Percentage of interest held 2006 %	Principal activities
Augustland Hotel Sdn Bhd [(1)]	**45**	45	Hotel development and operation
Dalat–Dankia Holdings Pte Ltd	**–**	66.66	De-registered in 2007
DD Management Services Pte Ltd	**–**	66.66	De-registered in 2007
Hotel Equatorial Qingdao Co., Ltd [(2)]	**60**	60	Owns and operates a hotel in Qingdao, People's Republic of China
Shanghai Equatorial Hotel Management Co., Ltd [(4)]	**49**	49	Hotel management and consultancy
Shanghai International Equatorial Hotel Co., Ltd [(3)]	**50**	50	Owns and operates a hotel and club in Shanghai, People's Republic of China

(1) Audited by Shamsir Jasani Grant Thornton, Kuala Lumpur, Malaysia.
(2) Audited by other member firms of KPMG International.
(3) Audited by Shanghai Certified Public Accountants, People's Republic of China.
(4) Not required to be audited.

The Group has included in its consolidated financial statements its share of assets employed and liabilities incurred by the joint ventures and its share of the results of the joint ventures using line–by–line format of proportionate consolidation as follows:

	Group 2007 $'000	Group 2006 $'000
Balance Sheet:		
Non–current assets		
Property, plant and equipment	**54,987**	57,268
Current assets		
Inventories	**470**	481
Trade and other receivables	**1,259**	1,458
Cash and cash equivalents	**11,569**	12,429
	13,298	14,368
Current liabilities		
Trade and other payables	**7,381**	7,034
Financial liabilities	**1,158**	2,243
Current tax payable	**905**	557
	9,444	9,834
Non–current liabilities		
Financial liabilities	**17,569**	7,866
Net assets	**41,272**	53,936

8 Joint Ventures (cont'd)

	Group	
	2007	2006
	$'000	$'000
Income Statement:		
Sales	**28,502**	28,024
Cost of sales	**(12,354)**	(12,402)
Gross profit	**16,148**	15,622
Other income	**138**	99
Selling and marketing expenses	**(859)**	(802)
Administrative expenses	**(95)**	(46)
Finance expenses	**(560)**	(1,340)
Other operating expenses	**(8,018)**	(9,396)
Profit before tax	**6,754**	4,137
Income tax expense	**(1,797)**	(1,249)
Net profit	**4,957**	2,888
Capital commitments in relation to interest in joint venture	**–**	337
Proportionate interest in joint venture's commitments	**2,016**	4,509

9 Other Investments

	Group	
	2007	2006
	$'000	$'000
Club memberships, at cost	**301**	301
Impairment loss	**(151)**	(151)
	150	150

10 Trade and Other Receivables

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Non–current				
Amounts due from				
– joint venture partners (non–trade)	**8,191**	9,100	**–**	–
– joint venture of a subsidiary (non–trade)	**–**	–	**13,013**	21,266
	8,191	9,100	**13,013**	21,266
Current				
Trade receivables				
– joint venture partners	**284**	1,089	**22**	–
– third parties	**1,116**	1,333	**–**	–
Impairment of doubtful receivables	**(56)**	(194)	**–**	–
	1,344	2,228	**22**	–
Other receivables				
– joint venture partner	**–**	1,962	**–**	–
– third parties	**2,940**	7,585	**2,189**	4,857
Impairment of doubtful receivables	**(409)**	(686)	**–**	–
	2,531	8,861	**2,189**	4,857
Amounts due from subsidiaries (non–trade)	**–**	–	**3,343**	5,836
Amounts due from a subsidiary under liquidation (non–trade)	**4,822**	4,835	**–**	–
Impairment of doubtful receivables	**(4,822)**	(4,835)	**(1,762)**	(1,762)
	–	–	**1,581**	4,074
Deposits	**235**	284	**33**	60
Prepayments	**256**	207	**8**	2
	4,366	11,580	**3,833**	8,993
Total trade and other receivables	**12,557**	20,680	**16,846**	30,259

The non–trade amounts due from joint venture partners and joint venture of a subsidiary are unsecured and are not expected to be repaid within 12 months from the financial year end. Amounts of $5,180,000 (2006: $8,459,000) due from joint venture partners and amounts of $13,013,000 (2006: $21,266,000) due from joint venture of a subsidiary bear interest at 7.153% (2006: 6.77%) per annum.

The non–trade amounts due from subsidiaries are unsecured, interest–free and repayable on demand.

Credit Risk

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

10 Trade and Other Receivables (cont'd)

Credit Risk (cont'd)

The maximum exposure to credit risk for current loans and receivables at the reporting date (by type of customer) is:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Corporate	**3,232**	7,733	**2,189**	4,857
Travel agent	**362**	353	**–**	–
Airlines	**70**	84	**–**	–
Credit cards	**128**	129	**–**	–
Subsidiary under liquidation	**4,822**	4,835	**–**	–
Joint venture partners	**284**	3,051	**22**	–
Subsidiaries	**–**	–	**3,343**	5,836
Others	**264**	619	**–**	–
	9,162	16,804	**5,554**	10,693

The ageing of loans and receivables at the reporting date is:

	2007		2006	
	Gross receivables	**Impairment loss**	**Gross receivables**	**Impairment loss**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Not past due	**2,437**	**–**	6,669	–
Past due 0 – 30 days	**488**	**–**	2,445	–
Past due 31 – 120 days	**331**	**–**	571	–
Past due 120 – one year	**129**	**(3)**	424	–
More than one year	**5,777**	**(5,284)**	6,695	(5,715)
	9,162	**(5,287)**	16,804	(5,715)
Company				
Not past due	**3,792**	**–**	8,931	–
Past due 0 – 30 days	**–**	**–**	–	–
Past due 31 – 120 days	**–**	**–**	–	–
More than one year	**1,762**	**(1,762)**	1,762	(1,762)
	5,554	**(1,762)**	10,693	(1,762)

10 Trade and Other Receivables (cont'd)

Impairment Loss

The changes in impairment loss in respect of trade receivables during the year are as follows:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables:				
At 1 January	**194**	5,954	**–**	–
Impairment loss recognised	**27**	14	**–**	–
Impairment loss utilised	**(165)**	(5,774)	**–**	–
At 31 December	**56**	194	**–**	–
Other receivables:				
At 1 January	**686**	813	**–**	–
Impairment loss recognised	**–**	200	**–**	–
Impairment loss written back	**(278)**	–	**–**	–
Impairment loss utilised	**–**	(325)	**–**	–
Translation adjustment	**1**	(2)	**–**	–
At 31 December	**409**	686	**–**	–
Amount due from a subsidiary:				
At 1 January	**–**	–	**1,762**	203,519
Impairment loss recognised	**–**	–	**–**	163
Impairment loss written back	**–**	–	**–**	(201,920)
At 31 December	**–**	–	**1,762**	1,762
Amount due from a subsidiary under liquidation:				
At 1 January	**4,835**	4,844	**–**	–
Translation adjustment	**(13)**	(9)	**–**	–
At 31 December	**4,822**	4,835	**–**	–

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

Source of Estimation Uncertainty

The Group maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with receivables, their payment behaviour and known market factors. The Group reviews the age and status of receivables, and identifies accounts which require allowance to be made on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgement or utilised different estimates. An increase in the Group's allowance for doubtful accounts would increase the Group's recorded operating expenses and decrease current assets.

11 Inventories

	Group	
	2007	2006
	$'000	$'000
Hotel supplies, at cost	**480**	490

The cost of inventories recognised as expense and included in "cost of sales" during the year amounted to $3,695,000 (2006: $3,758,000).

12 Development Properties

	Group	
	2007	2006
	$'000	$'000
Properties held for sale:		
Freehold land	**5,534**	5,536
Leasehold land	**–**	475
Development costs	**34,849**	35,700
Overhead expenditure capitalised	**4,819**	5,006
	45,202	46,717
Allowance for anticipated losses	**(28,111)**	(28,877)
	17,091	17,840

Movements in the allowance for anticipated losses are as follows:

	Group	
	2007	2006
	$'000	$'000
At 1 January	**28,877**	29,659
Allowance utilised during the financial year	**(755)**	(546)
Translation adjustment	**(11)**	(236)
At 31 December	**28,111**	28,877

12 Development Properties (cont'd)

Details of the development properties are as follows:

Type of development	Location	Percentage of completion at 31/12/2007/ expected date of completion	Tenure/ group's effective interest in property	Land area (m^2)	Gross floor area (m^2)	Balance of unsold units
Resort development comprising 240 units low–rise and 40 units high–rise apartments and commercial building	Lots 92,151pt, 152pt Mukim of Ulu Telom, District of Cameron Highlands, Malaysia	Phase I completed in 1997	Lot 151pt, 152pt	41,532	47,497	84 units low–rise and 23 units high–rise apartments and commercial building
		Phase II completed in 1998	Freehold; Lot 92 99–year lease/ (100%)	936	–	
Shops and offices	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	–

13 Cash and Cash Equivalents

	Group		Company	
	2007	2006	**2007**	2006
	\$'000	\$'000	**\$'000**	\$'000
Cash at bank and on hand	**12,893**	12,006	**1,050**	708
Short–term bank deposits	**46,335**	24,722	**19,269**	20,257
	59,228	36,728	**20,319**	20,965

Included under cash and cash equivalents of the Group are fixed deposits of a subsidiary amounting to RM95,000 equivalent to \$41,325 (2006: RM75,000 equivalent to \$32,640) pledged to a bank to secure guarantee facilities for the subsidiary.

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

13 Cash and Cash Equivalents (cont'd)

Short–term bank deposits at the balance sheet date have an average maturity of 1.5 months (2006: 1.8 months) from the end of the financial year with the following weighted average effective interest rates:

	Group	
	2007	**2006**
	%	**%**
Singapore Dollar	**1.696**	3.004
United States Dollar	**3.463**	–
China Renminbi	**3.288**	2.070
Malaysia Ringgit	**3.190**	2.700

14 Share Capital

	Ordinary Shares		Preference Shares		
	No. of shares	**Paid–up capital $'000**	**No. of NCCPS issued**	**Paid–up capital $'000**	**Total Paid–up capital $'000**
At 1 January 2006	657,137,309	32,857	–	–	32,857
Transfer of share premium to share capital	–	71,529	–	–	71,529
Issue of NCCPS	–	–	197,141,190	3,943	3,943
Conversion of NCCPS	196,298,574	3,926	(196,298,574)	(3,926)	–
At 31 December 2006	853,435,883	108,312	842,616	17	108,329
Conversion of NCCPS	**497,595**	**10**	**(497,595)**	**(10)**	**–**
At 31 December 2007	**853,933,478**	**108,322**	**345,021**	**7**	**108,329**

Ordinary Shares

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

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.

14 Share Capital (cont'd)

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.

Share Option

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 associates. Details of the Scheme are set out in the Directors' Report for the year ended 31 December 2007.

No options have been granted since the Scheme was approved at the Extraordinary General Meeting of the Company held on 29 September 2006.

15 Reserves

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Special reserve	**8,529**	8,529	**12,471**	12,471
Capital reserve	**75**	75	**–**	–
Currency translation reserve	**(4,846)**	(7,127)	**–**	–
Revaluation reserve	**–**	876	**–**	–
Accumulated losses	**(122,668)**	(124,042)	**(143,005)**	(145,672)
	(118,910)	(121,689)	**(130,534)**	(133,201)

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.

Currency Translation Reserve

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

Accumulated Losses

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 $1,202,000 (2006: $1,083,000) which relates to appropriation of funds from the net profit of the joint venture as required by the PRC laws.

16 Financial Liabilities

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Non–Current				
Secured bank borrowings	**17,568**	7,865	**–**	–
Unsecured bonds	**123,872**	135,337	**123,872**	135,337
Redeemable convertible preference shares				
– Series A	**9,835**	9,835	**9,835**	9,835
– Series B	**16,609**	16,609	**16,609**	16,609
Finance lease liabilities	**3**	4	**2**	–
	167,887	169,650	**150,318**	161,781
Current				
Secured bank borrowings	**1,157**	196	**–**	–
Unsecured bank borrowings	**–**	2,045	**–**	–
Finance lease liabilities	**2**	3	**1**	–
	1,159	2,244	**1**	–
Total financial liabilities	**169,046**	171,894	**150,319**	161,781

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 31 March 2017. These facilities are secured on joint ventures' freehold/leasehold land and building with a carrying amount at 31 December 2007 of $37.5 million (2006: $5.8 million) (note 4).

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 the Unsecured Bonds, constituting the Unsecured Bonds and containing, *inter alia*, provisions for the protection of the rights and interests of the holders of the Unsecured Bonds. The Unsecured Bonds are zero coupon bonds and will not bear any interest, except if on any date when the Unsecured 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.

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. Unless previously redeemed or purchased and cancelled, the Company will redeem each Unsecured 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.

16 Financial Liabilities (cont'd)

Redeemable Convertible Preference Shares ("RCPS")

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

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

(b) The Company shall redeem all or part of the Series A RCPS upon the occurrence of any of the relevant redemption events as defined in the debt restructuring agreement ("DRA") entered into by the Company and certain of its subsidiaries with certain of their bankers and other financial lenders on 16 March 2001;

(c) Upon the passing of a special resolution at a meeting of the holders of the Series A RCPS convened during the conversion period commencing from the date of issue of such Series A RCPS and expiring 10 years thereafter to approve the conversion of all outstanding Series A RCPS, the Company shall convert all (but not some only) of the outstanding Series A RCPS 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 DRA; and

(d) The Company shall redeem all the outstanding Series A RCPS on the tenth anniversary of the issue date of the Series A RCPS.

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

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

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

(c) Upon the passing of a special resolution at a meeting of the holders of the Series B RCPS 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 RCPS, the Company shall convert all (but not some only) of the outstanding Series B RCPS 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 DRA; and

(d) On the market day immediately following the fifth anniversary of the date of issue of the Series B RCPS, all Series B RCPS 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 DRA.

16 Financial Liabilities (cont'd)

Finance Lease Liabilities

At 31 December, the Group and the Company have obligations under finance leases that are payable as follows:

Group	Principal $'000	Interest $'000	Payments $'000
2007			
Payable within 1 year	2	*	2
Payable after 1 year but within 5 years	3	1	4
	5	1	6
2006			
Payable within 1 year	3	*	3
Payable after 1 year but within 5 years	4	1	5
	7	1	8
Company			
2007			
Payable within 1 year	1	*	1
Payable after 1 year but within 5 years	2	*	2
	3	*	3
2006			
Payable within 1 year	–	–	–
Payable after 1 year but within 5 years	–	–	–
	–	–	–

* Less than $1,000

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) have the following maturity:

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Later than one year but not later than five years	**153,907**	154,688	**140,481**	151,946
Later than five years	**13,977**	14,958	**9,835**	9,835
	167,884	169,646	**150,316**	161,781

16 Financial Liabilities (cont'd)

Terms and debt repayment schedule

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

	Nominal interest rate	Year of maturity	2007 Face value	2007 Carrying amount	2006 Face value	2006 Carrying amount
Group			**$'000**	**$'000**	**$'000**	**$'000**
RMB floating rate loan	90% of PBOC* base lending rate	2010	**3,191**	**3,191**	–	–
RMB fixed rate loan	7.605%	2007	**–**	**–**	940	940
US$ floating rate loan	LIBOR+0.825%	2010	**7,771**	**7,771**	–	–
US$ fixed rate loan	8.74%	2007	**–**	**–**	1,105	1,105
RM floating rate loan	Cost of funds+1.5%	2017	**7,763**	**7,763**	8,061	8,061
Unsecured Bonds	6%	2010	**113,427**	**123,872**	131,427	135,337
Series A RCPS		2015	**9,835**	**9,835**	9,835	9,835
Series B RCPS		2010	**16,609**	**16,609**	16,609	16,609
Finance lease liabilities	3.91%/4.31%	2008–2011	**5**	**5**	7	7
			158,601	**169,046**	167,984	171,894
Company						
Unsecured Bonds	6%	2010	**113,427**	**123,872**	131,427	135,337
Series A RCPS		2015	**9,835**	**9,835**	9,835	9,835
Series B RCPS		2010	**16,609**	**16,609**	16,609	16,609
Finance lease liabilities	3.5%	2011	**3**	**3**	–	–
			139,874	**150,319**	157,871	161,781

* People's Bank of China

16 Financial Liabilities (cont'd)

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

	Carrying amount	Cash flows			
		Contractual cash flows	Within 1 year	Within 2 to 5 years	More than 5 years
		$'000	$'000	$'000	$'000
Group					
2007					
Variable interest rate loans	**18,725**	**23,021**	**2,238**	**16,112**	**4,671**
Fixed interest rate loans	**123,872**	**135,438**	**–**	**135,438**	**–**
RCPS	**26,444**	**26,444**	**–**	**16,609**	**9,835**
Finance lease liabilities	**5**	**6**	**2**	**4**	**–**
Trade and other payables	**16,539**	**16,539**	**16,539**	**–**	**–**
	185,585	**201,448**	**18,779**	**168,163**	**14,506**
2006					
Variable interest rate loans	10,106	13,080	2,849	4,307	5,924
Fixed interest rate loans	135,337	156,931	–	156,931	–
RCPS	26,444	26,444	–	16,609	9,835
Finance lease liabilities	7	8	3	5	–
Trade and other payables	18,436	18,436	18,436	–	–
	190,330	214,899	21,288	177,852	15,759
Company					
2007					
Fixed interest rate loans	**123,872**	**139,513**	**–**	**139,513**	**–**
RCPS	**26,444**	**26,444**	**–**	**16,609**	**9,835**
Finance lease liabilities	**3**	**3**	**1**	**2**	**–**
Trade and other payables	**982**	**982**	**982**	**–**	**–**
	151,301	**166,942**	**983**	**156,124**	**9,835**
2006					
Fixed interest rate loans	135,337	156,931	–	156,931	–
RCPS	26,444	26,444	–	16,609	9,835
Finance lease liabilities	–	–	–	–	–
Trade and other payables	949	949	949	–	–
	162,730	184,324	949	173,540	9,835

16 **Financial Liabilities (cont'd)**

Carrying Amounts and Fair Values

The fair values of financial liabilities 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 borrowings (secured and unsecured) and finance lease liabilities approximate to their fair values.

The fair values of the unsecured bonds 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.

17 **Deferred Income Tax**

Deferred tax liabilities are offset when there is a legally enforceable right to set–off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting and movements during the year are as follows:

Group	At 1 January $'000	Recognised in income statement (note 22) $'000	At 31 December $'000
2007			
Deferred income tax liabilities			
Accelerated tax depreciation	**398**	–	**398**
Unremitted earnings from overseas sourced income	–	–	–
Expenditure currently deferred for tax purposes	**20**	–	**20**
Total	**418**	–	**418**
2006			
Deferred income tax liabilities			
Accelerated tax depreciation	443	(45)	398
Unremitted earnings from overseas sourced income	148	(148)	–
Expenditure currently deferred for tax purposes	306	(286)	20
Total	897	(479)	418

At 31 December, the following temporary differences have not been recognised:–

	Group 2007 $'000	Group 2006 $'000
Unabsorbed wear and tear allowances	**9,932**	7,401
Tax losses	**87,083**	79,554
	97,015	86,955

17 Deferred Income Tax (cont'd)

The tax losses and unabsorbed wear and tear allowances are subject to agreement by tax authorities and compliance with tax regulations in the respective countries in which the losses arose. The above temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of the above items in accordance with the Group's accounting policy as set out in note 3.22.

18 Trade and Other Payables

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables to third parties	**4,239**	4,830	111	101
Amount due to a subsidiary under liquidation	**6,429**	6,432	–	–
Other payables	**166**	874	229	153
Deposits from tenants	**980**	410	–	–
Deposit for sale of investment property/property, plant and equipment/development properties	**–**	1,916	–	–
Accrued expenses	**2,919**	2,170	569	388
Provision for employee welfare	**1,596**	1,804	73	307
Accrued interest payable	**210**	–	–	–
	16,539	18,436	982	949

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

19 Revenue

	Group	
	2007	**2006**
	$'000	**$'000**
Revenue from hotel and restaurant operations	**32,899**	33,483
Revenue from sale of development properties	**1,149**	1,534
Revenue from construction, project management contracts and commercial/home maintenance	**–**	19
Rental income	**449**	406
Others	**–**	1
	34,497	35,443

Transactions within the Group have been excluded in arriving at revenue for the Group.

20 Other Income

	Group	
	2007	**2006**
	$'000	**$'000**
Gain on disposal of an investment property (net)	**–**	9,578
Gain on disposal of property, plant and equipment	**24**	–
Gain on disposal of LKN (PNG) Ltd and novation of an intercompany debt	**5,141**	–
Gain on disposal of Tristar Inn Singapore (note 4)	**4,455**	–
Interest income	**1,555**	1,258
Net loss on disposal of associates	**–**	(1,277)
Sundry income	**80**	329
Surplus on revaluation of an investment property (note 5)	**1,355**	–
Tax refund on reinvestment of net foreign dividend	**790**	–
Write–back of impairment of receivables	**278**	316
Write–back of trade and other payables	**321**	1,515
	13,999	11,719

The gain on disposal of an investment property in 2006 is net of the loss of $167,000 on disposal of the plant and equipment related to the investment property.

21 Finance Expenses

	Group	
	2007	**2006**
	$'000	**$'000**
Interest expense:		
– bank borrowings	**970**	1,242
– secured/unsecured bonds	**7,277**	4,781
– finance lease liabilities	**1**	1
	8,248	6,024
Currency exchange loss (net)	**518**	4,046
	8,766	10,070

22 Income Tax Expense

	Group	
	2007	2006
	$'000	$'000
Tax Expense		
Current tax expense		
– Current year	**2,279**	1,623
– (Overprovided)/underprovided in prior years	**(8)**	158
	2,271	1,781
Deferred tax expense		
– Movements in temporary differences	**–**	(19)
– Overprovided in prior years	**–**	(460)
	–	(479)
Income tax expense for the year	**2,271**	1,302
Reconciliation of Effective Tax Rate		
Profit before tax	**7,466**	13,394
Income tax at 18% (2006: 20%)	**1,343**	2,679
Non–deductible expenses	**3,164**	6,568
Income not subject to tax	**(2,442)**	(8,027)
Effect of different tax rates in foreign jurisdictions	**580**	341
Utilisation of tax losses previously not recognised	**(369)**	(594)
Tax benefits not recognised	**3**	637
Overprovided in prior years	**(8)**	(302)
Income tax expense for the year	**2,271**	1,302

Source of Estimation Uncertainty

The Group has exposure to income taxes in several tax jurisdictions. Significant judgement is involved in determining the group–wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

23 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 the Primefield Group and the net gain on the said disposal were presented separately in the income statement for the year ended 31 December 2006 as "Discontinued Operations". An analysis of the results of the Discontinued Operations is as follows:

	Group 2006 $'000
Sales	7,257
Cost of sales	(3,929)
Gross profit	3,328
Other gains (net)	95
Expenses	
– Selling and marketing	(84)
– Administrative	(83)
– Finance (net)	(771)
– Others (net)	(3,095)
Loss before tax from discontinued operations	(610)
Income tax expense	(758)
Loss after tax from discontinued operations	(1,368)
Gain on disposal	10,207
Net profit from discontinued operations	8,839

The following items have been included in arriving at the net gain from discontinued operations:

	Group 2006 $'000
Charging/(crediting):	
Auditors' remuneration	15
Depreciation of property, plant and equipment	1,073
Rental expenses	178
Employee benefits	1,323
Write-back provision for warranty	(70)
Interest income	70
Interest expense	771

24 Profit for the Year

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

	Group	
	2007	**2006**
	$'000	**$'000**
Depreciation of property, plant and equipment (note 4)	**6,008**	6,043
Employee benefits		
– wages and salaries	**5,557**	6,203
– employer's contribution to defined contribution plans including Central Provident Fund and pension fund in China	**1,828**	2,184
– other benefits	**1,359**	991
Impairment loss of property, plant and equipment	**–**	11
Inventories		
– cost of inventories (note 11)	**3,695**	3,758
Loss on disposal of property, plant and equipment	**–**	170
Professional fees incurred for		
– debt restructuring exercise	**–**	158
– potential acquisition	**1,360***	–
Property, plant and equipment written off	**700**	8
Impairment of receivables		
– trade	**27**	14
– other receivables (non–trade)	**–**	200
Remuneration of:		
Auditors of the Company		
– audit fees for current financial year	**108**	108
– under provision of audit fees in previous financial year	**6**	1
– other fees	**142***	159
Other auditors		
– audit fees for current financial year	**81**	77
– under provision of audit fees in previous financial year	**–**	6
– other fees	**250**	41
Rental expense – operating leases	**155**	150
Write–off of trade receivables	**–**	44

* relates to a potential acquisition which did not materialise.

25 Earnings per Share

Basic Earnings

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

	Continuing operations		Discontinued operations		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Net profit attributable to equity holders of the Company ($'000)	**5,195**	2,495	**–**	8,839	**5,195**	11,334
Issued ordinary shares at beginning of the year ('000)	**853,436**	657,137	**–**	657,137	**853,436**	657,137
Conversion of NCCPS to new ordinary shares ('000)	**297**	21,520	**–**	21,520	**297**	21,520
Weighted average number of ordinary shares in issue during the year ('000)	**853,733**	678,657	**–**	678,657	**853,733**	678,657
Basic earnings per share (cents)	**0.61**	0.37	**–**	1.30	**0.61**	1.67

Diluted Earnings

For the purpose of calculating diluted earnings per share, the weighted average number of ordinary shares in issue 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.

25 Earnings per Share (cont'd)

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

	Continuing operations		Discontinued operations		Total	
	2007	2006	2007	2006	2007	2006
Net profit attributable to equity holders of the Company ($'000)	**5,195**	2,495	**–**	8,839	**5,195**	11,334
Weighted average number of ordinary shares in issue during the year ('000)	**853,733**	678,657	**–**	678,657	**853,733**	678,657
Adjustments for assumed conversion of preference shares to ordinary shares ('000)	**115,490**	115,563	**–**	115,563	**115,490**	115,563
Weighted average number of ordinary in issue and potential shares assuming full conversion ('000)	**969,223**	794,220	**–**	794,220	**969,223**	794,220
Diluted earnings per share (cents)	**0.54**	0.31	**–**	1.11	**0.54**	1.42

26 Business Segments (Group)

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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

Inter–segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest–earning assets and related revenue, interest in associate, interest–bearing loans, borrowings and related expenses, income tax assets and liabilities and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

26 Business Segments (Group) (cont'd)

The main business segments of the Group are the following:–

Segments	Principal Activities
Hotel and restaurant	Operating and management of hotels and restaurants.
Property development	Development of properties for sale, property and development project management and investment in properties for rental.
Construction and related services	Building and civil engineering works, construction project management and commercial/home maintenance.

	Construction and related activities	Hotel and restaurant operations	Property development	Investments	Other	Total for continuing operations	Discontinued Operations
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2007							
Sales							
– external sales	–	32,899	1,149	449	–	34,497	–
– inter–segment sales	–	–	177	–	–	177	–
	–	32,899	1,326	449	–	34,674	–
Elimination						(177)	–
						34,497	–
Segment results	(389)	4,942	39	(745)	(9)	3,838	–
Other gains – net						13,999	–
Unallocated costs						(1,652)	–
						16,185	–
Finance expenses – net						(8,766)	–
Share of results of associates	–	–	47	–	–	47	–
Profit before income tax						7,466	–
Income tax expense						(2,271)	–
Net profit						5,195	–
Other segment items							
Capital expenditure							
– property, plant and equipment	–	3,087	5	23	–	3,115	–
Depreciation	–	5,978	–	30	–	6,008	–
Segment assets	4,116	94,240	35,526	36,317	–	170,199	–
Associates	–	–	7,313	–	–	7,313	–
Consolidated total assets						177,512	–
Segment liabilities	(887)	(28,781)	(6,908)	(1,181)	(20)	(37,777)	–
Unallocated liabilities						(150,316)	–
Consolidated total liabilities						(188,093)	–

26 Business Segments (Group) (cont'd)

	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
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 results	(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 associates	–	–	(24)	–	–	(24)	–
Profit/(loss) before income tax						3,797	(610)
Income tax expense						(1,302)	(758)
Net profit / (loss) 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
Segment assets	1,176	110,232	19,032	41,514	–	171,954	–
Associates	–	–	7,219	–	–	7,219	–
Consolidated total assets						179,173	–
Segment liabilities	(1,229)	(21,410)	(7,330)	(757)	(26)	(30,752)	–
Unallocated liabilities						(161,781)	–
Consolidated total liabilities						(192,533)	–

27 Geographical Segments (Group)

The Group operates principally in Singapore, Hong Kong, Malaysia and People's Republic of China. In presenting information on the basis of geographic segments, segment revenue is based on the geographic location of operations. Segment assets are based on the geographic location of the assets.

	Revenue for continuing operations		Revenue for discontinued operations		Total consolidated revenue	
	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	**1,851**	3,060	**–**	7,256	**1,851**	10,316
Malaysia	**4,330**	5,102	**–**	–	**4,330**	5,102
Hong Kong	**12**	72	**–**	–	**12**	72
People's Republic of China	**28,304**	27,209	**–**	1	**28,304**	27,210
Consolidated	**34,497**	35,443	**–**	7,257	**34,497**	42,700

	Total consolidated assets	
	2007	2006
	$'000	$'000
Singapore	**43,612**	43,836
Malaysia	**34,457**	33,708
Hong Kong	**113**	36
People's Republic of China	**91,983**	94,214
Others	**34**	160
	170,199	171,954
Associates	**7,313**	7,219
Consolidated	**177,512**	179,173

	Capital expenditure for continuing operations		Capital expenditure for discontinued operations		Total consolidated capital expenditure	
	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	**–**	49	**–**	349	**–**	398
Malaysia	**101**	219	**–**	–	**101**	219
Hong Kong	**–**	1	**–**	–	**–**	1
People's Republic of China	**3,014**	5,266	**–**	60	**3,014**	5,326
Consolidated	**3,115**	5,535	**–**	409	**3,115**	5,944

28 Financial Instruments

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 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.

Foreign Exchange Risk

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

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.

The Group's and Company's exposures to the various currencies are as follows:

	Singapore Dollar $'000	US Dollar $'000	China Renminbi $'000	Malaysia Ringgit $'000	Others $'000	Total Outstanding $'000
Group						
2007						
Trade and other receivables	**2,504**	**7,811**	**1,345**	**796**	**101**	**12,557**
Cash and cash equivalents	**32,997**	**9,515**	**14,575**	**2,095**	**46**	**59,228**
Financial liabilities	**(150,319)**	**(7,771)**	**(3,191)**	**(7,765)**	**–**	**(169,046)**
Trade and other payables	**(6,459)**	**–**	**(6,691)**	**(3,375)**	**(14)**	**(16,539)**
	(121,277)	**9,555**	**6,038**	**(8,249)**	**133**	**(113,800)**
2006						
Trade and other receivables	7,725	7,886	3,046	1,927	96	20,680
Cash and cash equivalents	22,136	640	12,450	1,402	100	36,728
Financial liabilities	(161,785)	(1,103)	(942)	(8,064)	–	(171,894)
Trade and other payables	(3,087)	–	(5,026)	(10,090)	(233)	(18,436)
	(135,011)	7,423	9,528	(14,825)	(37)	(132,922)

28 Financial Instruments (cont'd)

	Singapore Dollar $'000	US Dollar $'000	China Renminbi $'000	Malaysia Ringgit $'000	Others $'000	Total Outstanding $'000
Company						
2007						
Trade and other receivables	**41**	**16,805**	**–**	**–**	**–**	**16,846**
Cash and cash equivalents	**12,480**	**7,839**	**–**	**–**	**–**	**20,319**
Financial liabilities	**(150,319)**	**–**	**–**	**–**	**–**	**(150,319)**
Trade and other payables	**(982)**	**–**	**–**	**–**	**–**	**(982)**
	(138,780)	**24,644**	**–**	**–**	**–**	**(114,136)**
2006						
Trade and other receivables	2,569	27,690	–	–	–	30,259
Cash and cash equivalents	20,933	32	–	–	–	20,965
Financial liabilities	(161,781)	–	–	–	–	(161,781)
Trade and other payables	(949)	–	–	–	–	(949)
	(139,228)	27,722	–	–	–	(111,506)

Sensitivity analysis

A 10% strengthening of Singapore Dollar against the following currencies at the reporting date would increase/(decrease) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	Equity $'000	Profit or loss $'000	Equity $'000	Profit or loss $'000
31 December 2007				
US Dollar	**–**	**(956)**	**–**	**(2,464)**
China Renminbi	**(604)**	**–**	**–**	**–**
Malaysia Ringgit	**825**	**–**	**–**	**–**
	221	**(956)**	**–**	**(2,464)**
31 December 2006				
US Dollar	–	(742)	–	(2,772)
China Renminbi	(953)	–	–	–
Malaysia Ringgit	1,483	–	–	–
	530	(742)	–	(2,772)

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

Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group's significant interest–bearing assets and liabilities are at fixed rates. An increase of 100 basic points in interest rate at the reporting date would decrease the Group's profit for the year by an estimated $29,000.

28 Financial Instruments (cont'd)

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.

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, redeemable convertible preference shareholders and bankers (note 2).

29 Commitments

Where the Group is Lessee

The Group leases office buildings and premises 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:

	Group	
	2007	**2006**
	$'000	**$'000**
Payable:		
Not later than one year	**82**	164
Later than one year but not later than five years	**20**	76
	102	240

Where the Group is Lessor

The Group leases out its investment property. 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:

	Group	
	2007	**2006**
	$'000	**$'000**
Receivable:		
Not later than one year	**281**	287
Later than one year but not later than five years	**149**	268
	430	555

30 Contingent Liabilities (Unsecured)

As at 31 December 2007, the Group has an outstanding claim of $155,000 equivalent to Sri Lanka Rupees 12.02 million (2006: $155,000 equivalent to Sri Lanka Rupees 11.26 million) made 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.

31 Related Party Transactions

Transactions with Directors and Other Key Management Personnel

Key management personnel compensation comprises remuneration of directors and other key management personnel as follows:

	Group	
	2007	**2006**
	$'000	**$'000**
Short-term employee benefits	**672**	763

Other Related Party Transactions

During the financial year, there were the following significant transactions with related parties, based on terms agreed by the parties:–

	Group	
	2007	**2006**
	$'000	**$'000**
Sales and purchase of goods and services		
Hotel management fees from joint venture of a subsidiary	**280**	279
Rental income from a joint venture	**216**	223
Administrative fees from joint venture of a subsidiary	**186**	150
Interest income from joint ventures	**534**	695
Rental paid to related companies	**85**	112
Management and secretarial fees paid to related companies	**458**	416

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

Outstanding balances at 31 December 2007, arising from sale/purchase of goods and services, are set out in note 10 and note 18.

32 Disposal of Subsidiaries

On 30 September 2006, the Company disposed of its interest in Primefield Company Pte Ltd for a cash consideration of $1.00. On 3 May 2007, the Group disposed of its interest in LKN (PNG) Ltd and novation of an intercompany debt for a cash consideration of $2,242,000. The aggregate effect of the disposal of the Primefield Group and LKN (PNG) Ltd on the cash flows of the Group were as follows:

	Group	
	2007	**2006**
	$'000	**$'000**
Identifiable assets/(liabilities):		
Property, plant and equipment	**–**	15,560
Inventories	**–**	170
Other receivables and prepayments	**1**	408
Trade and other receivables	**58**	955
Cash and bank balances/(bank overdrafts)	**53**	(4,482)
Bank borrowings	**–**	(13,274)
Trade and other payables	**(199)**	(10,405)
Net liabilities disposed	**(87)**	(11,068)
Foreign currency translation reserve transferred from shareholders' equity	**(2,812)**	(12)
Adjusted net liabilities disposed	**(2,899)**	(11,080)
Gain on disposal of subsidiaries (net)	**5,141**	10,207
Bad debts written off arising from the disposal of Primefield Group	**–**	411
Legal and consultation fees in relation to the disposal of Primefield Group	**–**	462
Cash proceeds received	**2,242**	–*
Less: (cash and bank balances)/bank overdrafts in subsidiaries disposed	**(53)**	4,482
Net cash inflow on disposal of subsidiaries	**2,189**	4,482

* Less than $1,000

33 New Accounting Standards and Interpretations Not Yet Adopted

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

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

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

33 New Accounting Standards and Interpretations Not Yet Adopted (Cont'd)

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

The initial application of the above standards (and its consequential amendments) and interpretations is not expected to have any material impact on the Group's financial statements.

The Group has not considered the impact of accounting standards issued after the balance sheet date.

34 Comparative Information

The prior year comparative figures were audited by another audit firm of certified public accountants.

The following comparative figures in the financial statements have been reclassified to reflect the economic substance of the Group and to be consistent with the current year presentation:

(i) Other assets of $120,000 were reclassified from "Other receivables" account to "Deposits" as these assets were related to deposits.

(ii) Amounts due from a joint venture partner of $1,962,000 was reclassified from non-current "amounts due from joint venture partners (non-trade)" to current "other receivables – joint venture partner".

	Group	
	As restated	As previously stated
	$'000	$'000
Balance Sheet		
Non-current		
– Amounts due from joint venture partners	9,100	11,062
Current		
– Deposits	284	164
– Other receivables	8,861	7,019

Class of Shares	:	Ordinary Shares ("Shares")
Number of Ordinary Shares in issue	:	853,936,478
Number of Ordinary Shareholders	:	6,493
Voting Rights	:	One vote per ordinary share

Range of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1 – 999	177	2.73	60,047	0.01
1,000 – 10,000	3,267	50.31	17,724,752	2.07
10,001 – 1,000,000	3,022	46.54	173,768,180	20.35
1,000,001 and above	27	0.42	662,383,499	77.57
	6,493	100.00	853,936,478	100.00

Based on the information available to the Company as at 6 March 2008, approximately 34.83% 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 6 March 2008
(As shown in the Register of Members)

No.	Name	No. of Shares Held	%
1.	Grace Star Services Ltd.	387,614,839	45.39
2.	DBS Nominees (Private) Limited	128,688,732	15.07
3.	Raffles Nominees (Pte.) Limited	25,430,000	2.98
4.	Florence Tay Eng Neo	23,523,737	2.75
5.	Citibank Nominees Singapore Pte Ltd	14,736,000	1.73
6.	Leong Heng Keng	10,754,295	1.26
7.	United Overseas Bank Nominees (Private) Limited	10,243,871	1.20
8.	Leong Sin Kuen	10,173,296	1.19
9.	Syn Loong Mun	9,550,000	1.12
10.	OCBC Nominees Singapore Private Limited	5,353,353	0.63
11.	Kim Eng Securities Pte. Ltd.	4,496,666	0.53
12.	UOB Nominees (2006) Private Limited	4,000,999	0.47
13.	Chew Ken Wee	4,000,000	0.47
14.	Phillip Securities Pte Ltd	3,518,153	0.41
15.	Leung Kai Fook Medical Co Pte Ltd	2,679,000	0.31
16.	OCBC Securities Private Limited	2,314,000	0.27
17.	HSBC (Singapore) Nominees Pte Ltd	2,227,813	0.26
18.	Shell Singapore Trustees Pte Ltd	1,755,025	0.21
19.	DMG & Partners Securities Pte Ltd	1,550,000	0.18
20.	Hay Peng Chye	1,501,000	0.18
		654,110,779	76.61

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	45.39	–	–	387,614,839	45.39
Constellation Star Holdings Limited (2)	–	–	387,614,839	45.39	387,614,839	45.39
China Yuchai International Limited (2)	–	–	387,614,839	45.39	387,614,839	45.39
HL Technology Systems Pte Ltd (2)	–	–	387,614,839	45.39	387,614,839	45.39
Hong Leong (China) Limited (2)	–	–	387,614,839	45.39	387,614,839	45.39
Hong Leong Asia Ltd. (2)	–	–	387,614,839	45.39	387,614,839	45.39
Hong Leong Corporation Holdings Pte Ltd (2)	–	–	387,614,839	45.39	387,614,839	45.39
Hong Leong Enterprises Pte. Ltd. (2)	–	–	387,614,839	45.39	387,614,839	45.39
Hong Leong Investment Holdings Pte. Ltd. (2)	–	–	387,614,839	45.39	387,614,839	45.39
Davos Investment Holdings Private Limited (2)	–	–	387,614,839	45.39	387,614,839	45.39
Kwek Holdings Pte Ltd (2)	–	–	387,614,839	45.39	387,614,839	45.39
DBS Bank Ltd.	115,454,252	13.52	350,117	0.04	115,804,369	13.56
DBS Group Holdings Ltd (3)	–	–	115,804,369	13.56	115,804,369	13.56
Temasek Holdings (Private) Limited (4)	–	–	115,804,369	13.56	115,804,369	13.56
Florence Tay Eng Neo	37,223,923	4.36	11,299,814 (5)	1.32	48,523,737	5.68

Notes:

(1) Based on 853,936,478 issued Shares as at 6 March 2008.

(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 115,804,369 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 115,804,369 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.

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	75.00	244,906	1.72
1,000,001 and above	1	25.00	13,957,233	98.28
	4	100.00	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

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	50.00	586,756	0.58
1,000,001 and above	2	50.00	100,355,888	99.42
	4	100.00	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

Class of Shares	:	Non-Redeemable Convertible Cumulative Preference Shares ("NCCPS")
Number of NCCPS in issue	:	342,021
Number of NCCPS Holders	:	34
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 the 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	6	17.65	3,567	1.04
1,000 – 10,000	20	58.82	75,096	21.96
10,001 – 1,000,000	8	23.53	263,358	77.00
1,000,001 and above	–	–	–	–
	34	100.00	342,021	100.00

Major NCCPS Holders List – Top 20 as at 6 March 2008

No.	Name	No. of NCCPS Held	%
1.	Citibank Nominees Singapore Pte Ltd	131,358	38.41
2.	DBS Nominees (Private) Limited	29,400	8.60
3.	Chan Yi Ping (Chen YiPing)	21,000	6.14
4.	Ma Siew Wai	21,000	6.14
5.	United Overseas Bank Nominees (Private) Limited	17,601	5.15
6.	Malayan Banking Berhad	15,999	4.68
7.	Wah Geok Sum	15,000	4.38
8.	Abdul Latiff Bin Shihabudeen	12,000	3.51
9.	Singapore Warehouse Company (Private) Ltd.	9,000	2.63
10.	Tey Peng Kee	9,000	2.63
11.	Tan Sok Tiang	6,000	1.75
12.	Teo Guat Khim	6,000	1.75
13.	Wong Leng Wah	6,000	1.75
14.	Yee Kit Hong	6,000	1.75
15.	Giam Li Chin	3,900	1.14
16.	Kwek Puay Swan	3,198	0.93
17.	Kiong Boon Tat	3,000	0.88
18.	Tan Yok Kua	3,000	0.88
19.	Teo Phu Puay	3,000	0.88
20.	Teo Sok Joo @ Teo Chiang Chin	3,000	0.88
		324,456	94.86

HLG ENTERPRISE LIMITED

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

NOTICE IS HEREBY GIVEN that the Forty-Fifth Annual General Meeting (the "Meeting") of HLG ENTERPRISE LIMITED (the "Company") will be held at M Hotel Singapore, Shenton Room, Basement 1, 81 Anson Road, Singapore 079908, on Wednesday, 23 April 2008 at 3.00 p.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 2007.

2. To approve Directors' Fees (including fees payable to the members of the Audit, Nominating and Remuneration Committees) of $203,768 for the year ended 31 December 2007 (year 2006: $158,197).

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) Mr Lee Kim Shin (retiring under Article 99)

   (b) Mr Gan Khai Choon (retiring under Article 103)

   (c) Mr Sherman Kwek Eik Tse (retiring under Article 103)

   (d) Ms Martha Tan Hui Keng (retiring under Article 103)

   (e) Mr Teo Tong Kooi (retiring under Article 103)

4. To re-appoint Mr Michael Yeo Chee Wee, as a Director of the Company pursuant to Section 153(6) of the Companies Act, Chapter 50, to hold office from the date of this Meeting until the next Annual General Meeting.

5. To re-appoint KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration.

B. Special Business:

6. 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 total number of issued shares excluding treasury shares, if any, 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 total number of issued shares excluding treasury shares, if any, 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 ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares, if any, in the capital of the Company shall be based on the total number of issued shares excluding treasury shares, if any, 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 bonus issue, 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.

7. 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 excluding treasury shares, if any, 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.

C. To Transact Any Other Ordinary Business

BY ORDER OF THE BOARD

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

Singapore
31 March 2008

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(a) above (under the heading "Ordinary Business"), Mr Lee Kim Shin will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee as well as a member of the Audit, Remuneration and HLG Enterprise Share Option Scheme 2006 Committees. Mr Lee is an independent Director.

3. With reference to item 3(d) above (under the heading "Ordinary Business"), Ms Martha Tan Hui Keng will, upon re-election as a Director of the Company, remain as a member of the Audit, Nominating, Remuneration and HLG Enterprise Share Option Scheme 2006 Committees. Ms Tan is an independent Director.

4. With reference to item 4 above (under the heading "Ordinary Business"), Mr Michael Yeo Chee Wee will, upon re-appointment as a Director of the Company, remain as Chairman of the Audit, Remuneration and HLG Enterprise Share Option Scheme 2006 Committees, and as a member of the Nominating Committee. Mr Yeo is an independent Director.

5. The ordinary resolution set out in item 6 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 total number of issued shares excluding treasury shares, if any, with a limit of 20% of the Company's total number of issued shares excluding treasury shares, if any, 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 7 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.

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 45th 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 45th Annual General Meeting of the Company (the "AGM") to be held at M Hotel Singapore, Shenton Room, Basement 1, 81 Anson Road, Singapore 079908, on Wednesday, 23 April 2008 at 3.00 p.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) Mr Lee Kim Shin		
		(b) Mr Gan Khai Choon		
		(c) Mr Sherman Kwek Eik Tse		
		(d) Ms Martha Tan Hui Keng		
		(e) Mr Teo Tong Kooi		
4.	Re-appointment of Mr Michael Yeo Chee Wee as Director under Section 153(6) of the Companies Act, Chapter 50			
5.	Re-appointment of KPMG as Auditors			
	SPECIAL BUSINESS:			
6.	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			
7.	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			

Dated this __________ day of ____________________ 2008

Total No. 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 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 of proxy shall not preclude a member from attending and voting at 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 proxy must be signed by the appointor or his attorney duly authorised in writing. Where this instrument of proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

6. A corporation being a member of the Company may authorise, by resolution of its directors or other governing body, a 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 a corporation.

7. This instrument of 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 this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument of 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.

9. Agent Banks acting on the request of CPF Investors who wish to attend the AGM as Observers are required to submit in writing, a list with details of the investor's name, NRIC/Passport Number, addresses and number of shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Company Secretary, at the Registered Office at 11 Collyer Quay, #16-02 The Arcade, Singapore 049317, not less than 48 hours before the time fixed for holding the AGM.

Fold Here

PROXY FORM

Affix
Postage
Stamp
Here

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

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