HLH GROUP LIMITED
逢来發集团有限公司
Listed in SGX Mainboard (H27.SI)

EMERGING GROWTH AND SUSTAINABILITY

2016 ANNUAL REPORT

CORPORATE **PROFILE**

Listed on the Mainboard of the Singapore Exchange, HLH Group Limited is a growing property developer and agriculture company with a total of 25 residential, commercial and industrial projects successfully completed in Singapore as well as operating a 10,000 hectares cassava plantation farm with starch production facilities in Cambodia.

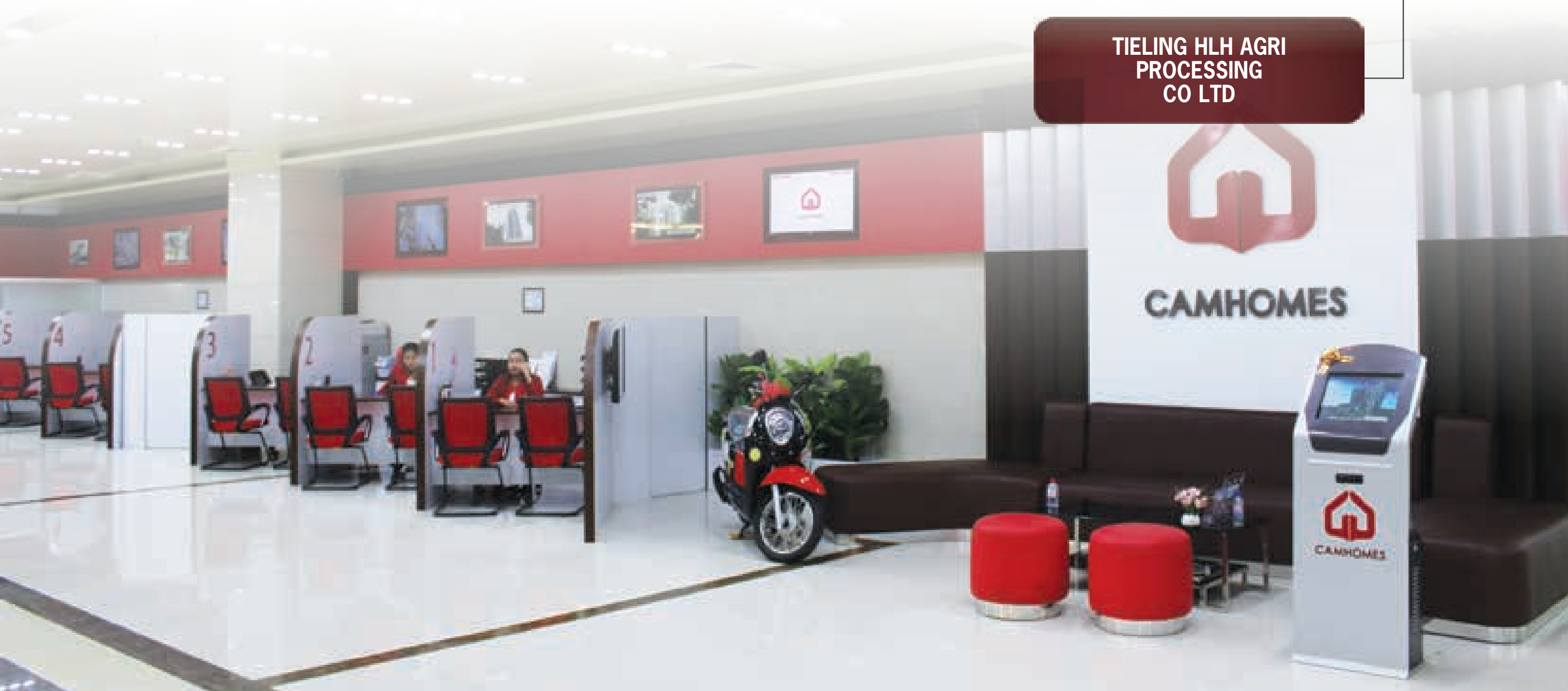
In 2015, the company launched its official residential brand 'CAMHOMES' in Cambodia and also unveiled its first freehold mixed development project, known as D'Seaview, a 737 residential units and 64 commercial units project which includes office buildings, commercial retail and a 10 storey hotel. Going forward, 'CAMHOMES' will be launching more high quality projects in all major provinces of Cambodia.

In 2017, the company re-launched its global commodity trading team in Singapore as one of its key business in its Agriculture Division to trade products such as cassava (tapioca) starch and also dry cassava (tapioca) chips to buyers in Europe and South East Asia.

ORGANISATION STRUCTURE

HLH GROUP LIMITED
逢来發集团有限公司
Listed in SGX Mainboard (H27.SI)

- HONG LAI HUAT INTERNATIONAL PTE LTD
  - PUBLIC HOUSING DEVELOPMENT (CAMBODIA) LIMITED
  - PH ONE DEVELOPMENT (CAMBODIA) LIMITED
  - PH TWO DEVELOPMENT (CAMBODIA) LIMITED
  - NEW BUILDING PRODUCTS (CAMBODIA) LIMITED
- HLH DEVELOPMENT PTE LTD
  - HONG LAI HUAT DEVELOPMENT (CAMBODIA) LTD
- HLH AGRI INTERNATIONAL PTE LTD
  - HLH AGRICULTURE (CAMBODIA) CO., LTD
  - HLHI (CAMBODIA) COMPANY LIMITED
  - HLH GLOBAL TRADING PTE LTD
  - HLH AGRI R&D PTE LTD
    - TIELING HLH AGRI PROCESSING CO LTD



MESSAGE TO SHAREHOLDERS

The initiatives that the Group undertook in 2016 are bearing positive results. We will continue to focus on strengthening these strategic thrusts in both our agriculture and property development divisions in 2017, to lay the foundation for sustainable growth.

CAMHOMES

DEAR SHAREHOLDERS,

KEY MILESTONES ACHIEVED FOR FY 2016.

The Group has successfully commissioned the new Cassava Starch factory with the capacity to produce 36,000 tons of products annually. We have also achieved close to 40% sales of our D'Seaview Mixed Development project which encompasses a 737 residential units and 64 commercial units as well as a 98 room hotel tower.

Revenue increased to $6.9 million in FY2016 from $5.7 million in FY 2015, as the Group attained higher cooperation income from Cambodia and management agreement income in Singapore.

The higher revenue drove the increase in our gross profit from $4.4 million in FY 2015 to $6.0 million in FY 2016.

Nonetheless, the Group recorded a slight decrease in net profit to $4.6 million in FY 2016 from $5.3 million in FY 2015 as the higher gross profit achieved through the cooperation and management agreements and the absence of impairment and obsolescence were more than offsetted by lower fair value gain on investment properties.

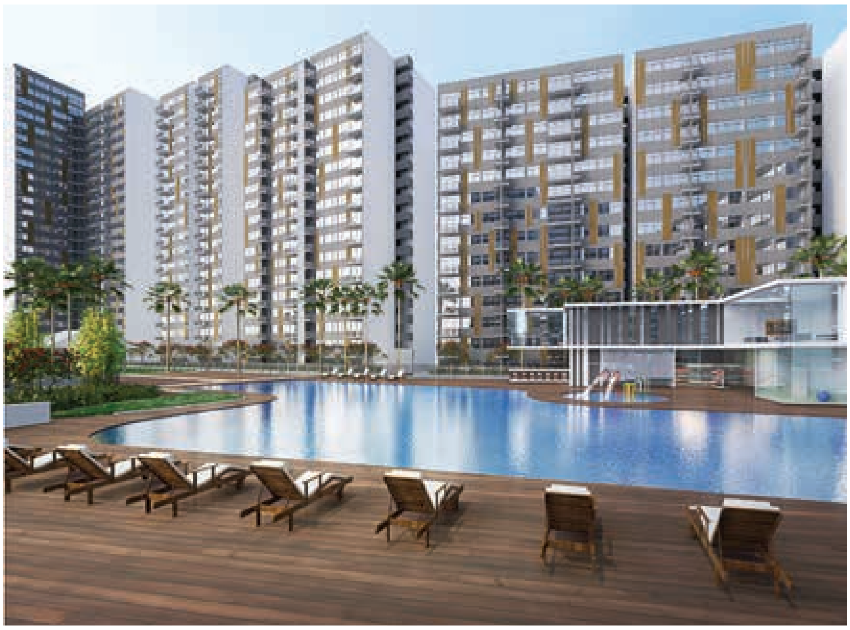
The group's fair value gain from the revaluation of its investment properties reduced from $10.0 million in FY2015 to $5.3 million in FY2016.

STRATEGIC DEVELOPMENTS IN THE YEAR

AGRICULTURE DIVISION

The agriculture division registered an increase in revenue in 2016 as the cooperation contract generated US$3.7 Mil in FY 2016 against US$3 Mil in FY 2015.

MESSAGE TO SHAREHOLDERS



To further increase the yield, 2,400 hectares from the original 7,500 hectares of farmable area under the cooperation agreement has been relocated to be directly cultivated by the Agriculture Division from 1 October 2016.

Noteworthy is that the cassava starch factory which has been commissioned in the last quarter of FY2016 will be fully operational for FY2017.

The Group has also benefited from the lease of its D'Kranji Farm Resort in Singapore to a company with the expertise in resort and hospitality management to manage the entire farm resort. This arrangement will give the Group regular income stream for our Singapore operation.

In addition, the Group will continue discussions with interested parties to source for agriculture land parcels in Cambodia, and to develop and operate on these land parcels through collaboration with new cooperation partners.

PROPERTY DEVELOPMENT DIVISION

The D'Seaview project is currently under construction and the sales generated from this project has been recorded in the balance sheet for FY 2016.

The Group is very encouraged with the outcome from this project, and intends to launch a second project at an opportune time.

GOING FORWARD

The progress that the Group has made in 2016 are bearing positive results. We will continue to focus on strengthening these strategic thrusts in both our agriculture and property development divisions in 2017, to lay the foundation for sustainable growth.

APPRECIATION

On behalf of the Board, we wish to express our sincere appreciation to the Management and staff of HLH Group for their continued dedication and support. We also would like to take the opportunity to thank our valued institutional and individual shareholders, bankers, the government authorities, business associates and all external parties for their confidence and belief in the Group as we move ahead together towards a better 2017.

Dr. Wang Kai Yuen
Chairman

Dato' Dr. Ong Bee Huat, Johnny
Deputy Chairman and
Chief Executive Officer

BOARD OF DIRECTORS

DR. WANG KAI YUEN
Chairman/Non-Executive Independent Director

Dr. Wang was appointed as Director on 1 May 2006. He is also the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. He retired as the Managing Director of Fuji Xerox Singapore Software Centre, Fuji Xerox Asia Pacific in December 2009. He also holds directorships of other public listed companies viz ComfortDelGro Corporation Ltd, COSCO Corporation (Singapore) Ltd, Ezion Holdings Limited, Emas Offshore Limited, and China Aviation Oil (Singapore) Corporation Ltd. Dr. Wang was Member of Parliament for the Bukit Timah Constituency from December 1984 to April 2006. He was the Chairman of Feedback Unit established by the Ministry of Community Development from 2002 till April 2006.

DATO' DR. ONG BEE HUAT
Deputy Chairman and Chief Executive Officer

Dato' Dr. Ong is the founder of our organization. Currently, as Deputy Chairman and Chief Executive Officer, he is responsible for our group's strategic direction and planning as well as business development. Dato' Dr. Ong is an outstanding entrepreneur. He was conferred the title "Dato" by the Sultan of Pahang, Malaysia on 15 January 2000. He was also awarded The Doctor of Business Administration in 2001 by Wisconsin International University of the United States.

PROF. WONG WEN-YOUNG, WINSTON
Vice Chairman/Non-Executive Director

Prof. Wong, who holds a PhD (Physics) and Doctor of Science honoris causa from Imperial College of Science & Technology, University of London, joined the Board on 27 February 2007. Conferred as an Officer of the Most Excellent Order of the British Empire (OBE), Prof. Wong is a well-known Taiwanese entrepreneur and is the Founder and Chief Executive Officer of renowned Taiwanese electronics and plastics conglomerate Grace T.H.W Group. He is also the Founder and Director of Grace Semiconductor Manufacturing Corp, China; and the Founder and Director of Trust-Mart Co., Ltd. Prof. Wong has with him a wealth of experience and expertise in petrol-chemical products which adds value to the Group's agri-business expansion plan.

MR. ONG JIA MING, RYAN
Executive Director

Mr. Ong was appointed as Director on 25 October 2016. He is also the Director of the group's several key subsidiaries and is responsible for project management and business development for the Group's operations. Ryan was instrumental in securing numerous awards like Singapore Brands Award 2014, Singapore Successful Brands Award 2015 as well as Midas Touch Award 2016.

BOARD OF DIRECTORS

DR. CHEN SEOW PHUN, JOHN
Non-Executive Independent Director

Dr. Chen was appointed as Director on 11 August 2006. He is currently the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. Dr. Chen is the Executive Chairman of Pavillon Holdings Ltd (f.n.a. Thai Village Holdings Ltd), and the Chairman of SAC Capital Private Limited, Matex International Limited, Fu Yu Corporation Limited, Deputy Chairman of Hanwell Holdings Ltd, Tat Seng Packaging Group Ltd, and a director of OKP Holdings Limited and Hiap Seng Engineering Ltd. Dr. Chen was a Member of Parliament from September 1988 to April 2006 and a Minister of State from March 1997 to November 2001.

DR. LEE KUO CHUEN, DAVID
Non-Executive Independent Director

Dr. Lee was appointed as Director on 30 April 2012. He is currently a Professor at the SIM University and Vice President of The Economic Society of Singapore. He was the Group Managing Director of Auric Pacific Group Limited and Overseas Union Enterprise Limited. He was also the Director for Sim Kee Boon Institute for Finance Economics. He is also an Independent Director for SHS Limited.

MR. JOE HSIANG, LIN
Non-Executive Director

Mr. Lin was appointed as Director on 13 December 2016. Mr. Lin is the founding partner of Bridge Roots Capital, a Taiwan based opportunity or situation driven private equity fund targeting growth or Merger and Acquisition opportunities in Greater China and South East Asia. Prior to Bridge Roots Capital, he was the Vice President in Concord Venture Capital and completed several Merger and Acquisition projects and Initial Public Offers in Taiwan and China. Mr. Lin was awarded his master degree by the National Taipei University and he is also the director of several listed companies in Taiwan.

OPERATIONS REVIEW

CAMFARM

REVIEW OF INCOME STATEMENTS

REVENUE

The Group's revenue increased from $5.7 million in FY 2015 to $6.9 million in FY2016 due to the increase in cooperation income from Cambodia and management agreement income in Singapore.

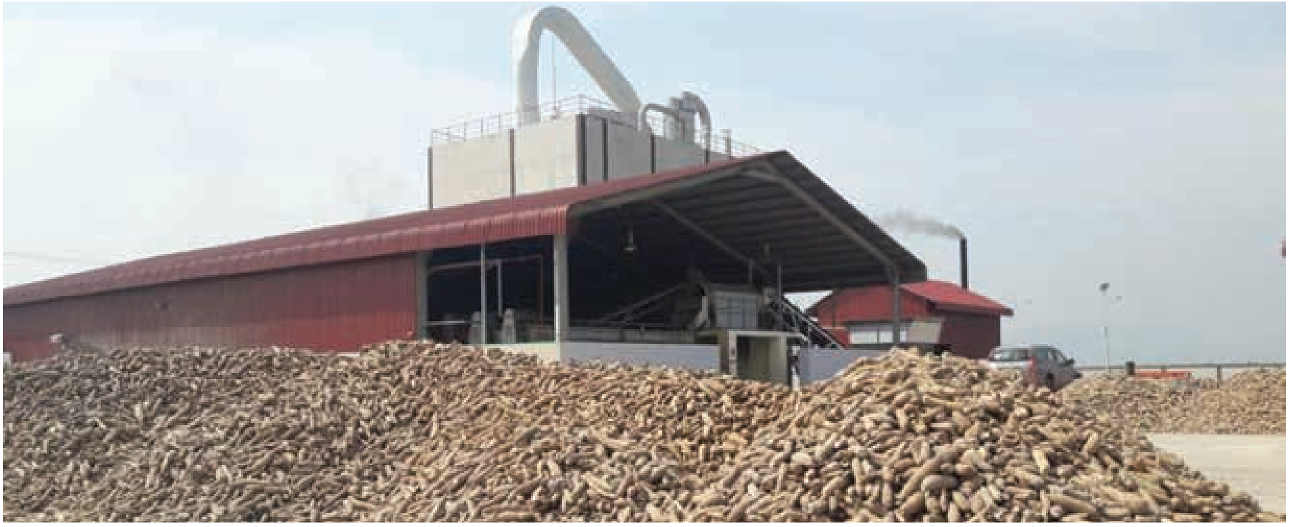
GROSS PROFIT

The Group's gross profit increased from $4.4 million in FY 2015 to $6.0 million in FY 2016 due to higher revenue achieved. In addition, the direct operating costs of D'Kranji resort are taken over by the management firm for which the Group receive a fixed monthly management agreement income.

OTHER INCOME

The Group's other income decreased from $12.8 million in FY 2015 to $7.5 million in FY 2016 due mainly to the lower fair value gain of the investment properties. The fair value gain decrease from $10 million in FY 2015 to $5 million in FY 2016.

OPERATIONS REVIEW



SELLING & ADMINISTRATIVE EXPENSES

The Group's distribution and selling expenses increased from $0.6 million in FY 2015 to $1.4 million in FY2016, primarily due to the marketing expenses related to the Group's property project in Cambodia.

Administrative expenses of the Group was stable at $6 million.

OTHER EXPENSES

The decrease in other expenses from $2.52 million in FY 2015 to $0.05 million in FY 2016 was due to the absence of impairment and obsolescence.

FINANCE COSTS

The Group's finance cost in FY 2016 was $0.6 million from $0.3 million as the loans were drawn down during the year in 2015.

INCOME TAX EXPENSES

The Group's income tax expenses for FY2016 decreased to $0.5 million from $2.0 million in FY2015 primarily due to the lower provision of deferred income tax expense in relation to the reduction in fair value gain in the investment properties.

The Group recorded a decrease in net profit to $4.6 million in FY 2016 from $5.3 million in FY 2015.

The higher gross profit achieved through the cooperation and management agreements and the absence of impairment and obsolescence were more than offsetted by the lower fair value gain on the investment properties.

REVIEW OF FINANCIAL POSITION

The Group's investment properties decreased from $102 million as at end FY 2015 to $89 million in FY 2016 substantially due to the transfer to property, plant and equipment as the group took over 2,400 hectare from the cooperation arrangement for direct cultivation.

The Group's development properties increased from $14 million as at end FY 2015 to $19 million in FY2016 due to the work done for the D'Seaview project.

Inventories as at end FY 2016 increased marginally due to the starch production.

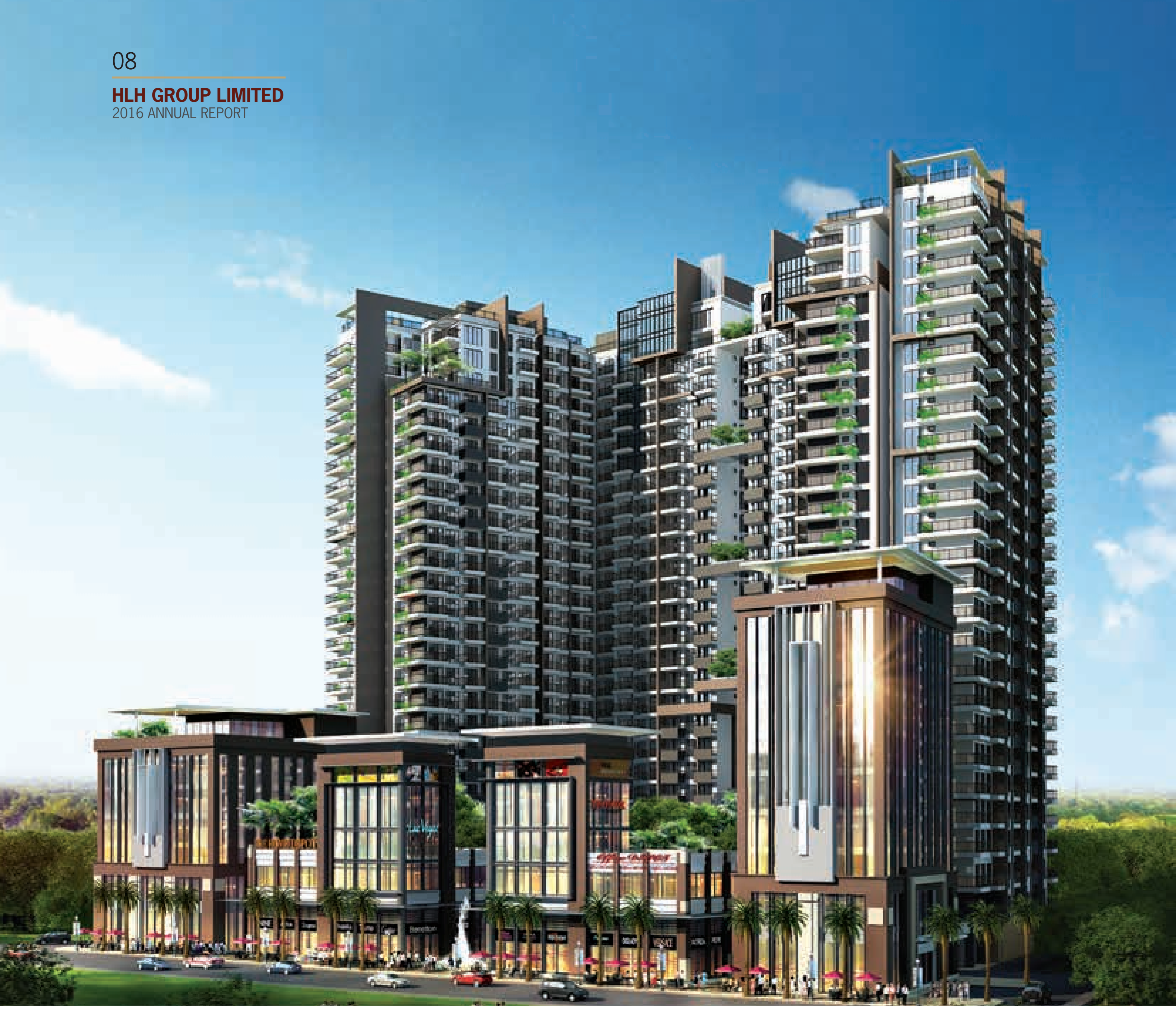
Trade debtors increased from $4.7 million as at end FY 2015 to $7.8 million for FY 2016 due to the receivables from the cooperation partner.

Trade creditors reduced from $3.4 million as at end FY 2015 to $1.4 million for FY 2016 as a result of the payment to suppliers.

Other payables and accruals increase from $4.8 million at the end of FY 2015 to $8.9 million for FY 2016 because of the increase in customer payments classified as unearned revenue for the property development project.

Loans and borrowings for the Group decreased from $9.5 million as at end FY 2015 to $6.3 million in FY 2016 as a result of loan repayments.

The company paid-up share capital increased to $94.6 million due to the issuance of 1,600,857,253 right shares and the placement of 1,100,000,000 placement shares giving the proceeds of $9.6 million and $8.1 million respectively.



The net assets of the Group increased from $106 million as at end FY 2015 to $129 million mainly attributable to the rights and placement shares issuances and the net profit of $4.6 million attained for FY 2016.

REVIEW OF CASH FLOW STATEMENT

Net cash flows used in operating activities reduced from $10.0 million for FY 2015 to $5.9 million in FY 2016 as a result of lower property development costs incurred. Land bank acquisitions worth $14 million were made in FY 2015. The increase in trade receivables was higher at $4.5 million in FY 2016 due to the increase in billings under the cooperation agreement.

Net cash flows used in investing activities reduced from $3.4 million for FY 2015 to $0.1 million in FY 2016 as the proceeds of the sale of property, plant and equipment was higher than in FY 2015 while the increase in plant and equipment was substantially lower than in FY 2015.

Net cash flows from financing activities reduced from $11.4 million in FY 2015 to $9.4 million

OPERATIONS REVIEW

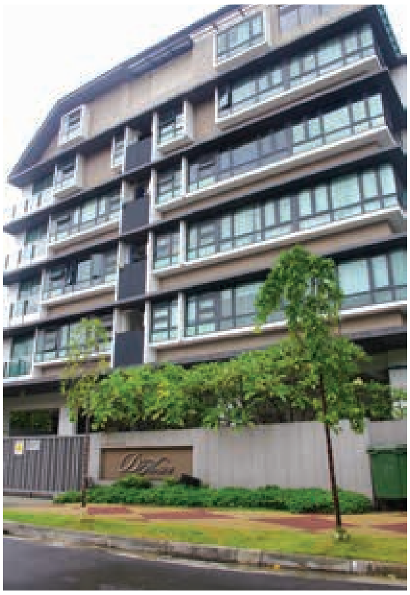
as substantial loans and borrowings were secured in FY 2015 which were partially repaid in 2016. While funding in FY 2016 was largely through equity from the issuance of rights and placement shares.

USE OF PROCEEDS

On 18 April 2016, the Company raised \$9.6 million by issuing and allotting 1,600,857,253 Shares pursuant to a renounceable rights issue. \$5.7 million of the proceeds has been utilised to fully repay the land financing advance and \$0.3 million of the proceeds has been deducted as professional expenses. The balance proceeds from the rights issue have also been utilised for selling, distribution and administrative expenses as part of the general working capital expenditures for the property development business in Cambodia.

On 27 September 2016, the Company raised \$3.6 million by issuing and allotting 600,000,000 shares pursuant to a placement. The proceeds have been fully utilised for administrative expenses as part of the general working capital.

Overall, cash and cash equivalents of the Group stood at \$6.7 million as at 31 December 2016.



CORPORATE INFORMATION

DIRECTORS

Dato Dr. Ong Bee Huat, Johnny
(Executive Director)
Mr Ong Jia Ming
(Executive Director)
Dr. Wang Kai Yuen
(Independent Director)
Dr. Chen Seow Phun, John
(Independent Director)
Dr. Lee Kuo Chuen, David
(Independent Director)
Prof. Wong Wen-Young, Winston
(Non-Executive Director)
Dr. Wong Jr. Winston
(Alternate Director to Dr. Wong Wen-Young, Winston)
Mr Joe Hsiang, Lin
(Non-Executive Director)

SECRETARY

Helen Campos

SHARE REGISTRAR & SHARE TRANSFER OFFICE

B.A.C.S Private Limited
8 Robinson Road
#03-00 Aso Building
Singapore 048544
Tel: 6593 4848
Fax: 6593 4847

REGISTERED OFFICE

10 Neo Tiew Lane 2
D' Kranji Farm Resort #01-05
Singapore 718813

BANKERS

United Overseas Bank Limited
Hong Leong Finance Limited
Malayan Banking Berhad
DBS Bank Limited
Asean Finance Corporation Limited
Canadia Bank PLC
Industrial and Commercial Bank of China Ltd
CIMB Bank PLC
Bank of China
Mekong Bank PLC
Phnom Penh Commercial Bank

AUDITORS

Ernst & Young LLP
One Raffles Quay North Tower, Level 18
Singapore 048583
Engagement partner: Low Bek Teng
(since financial year ended 31 December 2016)

REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the "Board") of HLH Group Limited (the "Company", and together with its subsidiaries, collectively the "Group") believes that good and well-defined corporate governance establishes and improves internal control, risk management and governance in our organisation and focuses on shareholder value and its creation. In a broader aspect, the Code of Corporate Governance 2012 (the "Code") will assist to reinforce the Singapore Government's policy to create a regulatory framework that strengthens our capital markets, including rules impacting corporate reporting. The Company has adhered to the principles and guidelines of the Code as it serves as a practical guide defining Directors' duties and responsibilities.

Principle 1: The Board's Conduct of Affairs

Currently, the Board comprises seven Directors – two executive Directors, three Independent Non-executive Directors and two Non-executive Directors. The Board is supported by various sub-committees, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") (collectively "Board Committees"). Each Board Committee has its own specific Terms of Reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

The Board comprises expertise and competencies from varied fields to complement and reinforce its effectiveness in both the aspect of leading and control as well as bringing valuable experience and advice to contribute to the Group's operations. The Board is of the opinion that, given the scope and nature of the Group's operations, the present size of the Board is appropriate for effective decision making. The profile of each of the Directors is disclosed in this Annual Report.

The Board has adopted a set of explicit guidelines on matters that require its approval. Matters requiring the Board's approval include all matters of strategic importance including approval of material contracts entered into, approval of business plans, appointment of Board of Directors and key managerial personnel, operating and capital expenditure budgets, and approval and monitoring of major acquisition/investment and disposal and strategic commitments.

The Company permits Directors to attend meetings by way of telephonic and videoconference meetings under its Articles of Association.

The primary function of the Board is to protect and enhance shareholders' value. In addition to its statutory duties, the Board's principal functions are to:–

a. provide entrepreneurial leadership, set strategic objectives and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

b. establish a framework of prudent and effective controls which enables risk to be assessed and managed;

REPORT ON CORPORATE GOVERNANCE

c. review the Management performance; and

d. set the Company's values and standards and ensure that obligations to shareholders and other stakeholders are understood and met.

To fulfill its role, the Board would carry out the following activities regularly:–

a. reviewing and approving corporate strategies, financial plans including any investments and divestments;

b. monitoring and reviewing the performance of the business and annual budgets;

c. approving the release of the financial results and annual reports of the Group to shareholders;

d. providing guidance in the overall management of the business and affairs of the Group;

e. reviewing and approving the recommended remuneration framework and packages for the Board and key executives;

f. ensuring the Group's Compliance to laws, regulations, policies, directives, guidelines and internal code of conduct; and

g. approving the nominations to the Board of Directors by NC.

The Board conducts regular scheduled meetings on a quarterly basis to coincide with the announcements of the Group's quarterly results. Ad-hoc meetings will be convened regularly to discuss and update on matters including the development of major investments, strategic plans, evaluating the adequacy of internal controls, risk management and brainstorm on strategic decisions. Directors are also invited to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations.

Directors are required to act in good faith and in the interests of the Company. All new Directors appointed to the Board are briefed on the Group's business activities, its strategic direction and policies as well as their statutory and other duties and responsibilities as Directors.

A new director as well as existing directors will be briefed by the Chief Executive Officer ("CEO") on a regular basis on the development and performance of the Company.

REPORT ON
CORPORATE GOVERNANCE

The number of Directors' and Board Committees' meetings and the record of attendance of each Director during the financial year ended 31 December 2016 ("FY2016") are as follows:

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Dr. Wang Kai Yuen	4	4	4	4	1	1	1	1
Prof. Wong Wen-Young, Winston (or his alternate, Dr. Wong Jr. Winston)	4	4	NA	NA	NA	NA	NA	NA
Dato' Dr. Ong Bee Huat, Johnny	4	4	NA	NA	1	1	1	1
Mr. Ong Jia Ming	1	1	NA	NA	NA	NA	NA	NA
Dr. Chen Seow Phun, John	4	4	4	4	1	1	1	1
Dr. Lee Kuo Chuen, David	4	4	4	4	1	1	1	1

Principle 2: Board Composition and Guidance

Currently, the Board comprises three Independent Non-executive Directors. They are Dr. Wang Kai Yuen who is the Chairman of the Board, Dr. Chen Seow Phun, John and Dr. Lee Kuo Chuen, David. The Independent Directors are not associated in any way with any of the substantial shareholders of the Company.

It is the Group's policy that prior to all material corporate decisions being made, a proposal has to be submitted to the relevant committees for their deliberation and consideration before taken to the Board for approval. The review procedure is to enable the independent exercise of objective judgment on corporate affairs of the Group as well as to ensure that due diligence and care are taken in the best interest of the Company and its shareholders without conflicting with the applicable laws and regulations of the relevant authorities.

The Board is of the view that all Independent Non-executive Directors are independent and is grateful for the contribution and independent advice and guidance that they have been giving to the Board for their participation in the Board Committees.

REPORT ON CORPORATE GOVERNANCE

Principle 3: Chairman and Chief Executive Officer

The Company has a separate Chairman and CEO. The position of Chairman is non-executive. The Chairman and CEO are not related to each other.

To ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the roles of Chairman and CEO are separated. The CEO bears executive responsibility for implementing the Board's decision and policies. In addition, the CEO also supervises and directs the Company's business.

Currently, the Chairman of the Board is Dr. Wang Kai Yuen who is an Independent Non-Executive Director in the Company.

The Chairman is responsible for, among other statutory duties,

a. directing meetings of the Board;

b. ascertaining that Board papers or information that were prepared by the Management or Executive Directors to the Board Members are adequate for their review and objective judgment;

c. reviewing all announcements prior its release via SGXNET;

d. exercising control over the quality, quantity and timeliness of the flow of information between the Management and the Board as well as between the Company and shareholders; and

e. assisting in ensuring compliance with the guidelines on corporate governance.

The CEO of the Company is Dato' Dr. Ong Bee Huat, Johnny. He is the founder of the Company. He is responsible for making strategic plans and setting business objectives for the Company, ensuring the profitability of such plans, and focuses on generating revenues and maintaining profitability of the Company.

Principle 4: Board Membership

Principle 5: Board Performance

The NC comprises three Independent Non-executive Directors and one Executive Director of the Company, Dr. Chen Seow Phun, John as the Chairman, and Dr. Wang Kai Yuen, Dr. Lee Kuo Chuen, David and Dato' Dr. Ong Bee Huat, Johnny as members.

The responsibilities of the Nominating Committee are:

a. to determine the criteria and review all nominations for the appointment or re-appointment of members of the Board of Directors; the CEO of the Company; members of the various Board committees, for the purpose of proposing such nominations to the Board for its approval;

REPORT ON CORPORATE GOVERNANCE

b. to determine annually the independence of the Directors;

c. to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval;

d. to decide whether a Director is able to and has been adequately carrying out his or her duties as a Director of the Company particularly when the Director has multiple Board representations; and

e. to assess the effectiveness of the Board as a whole, and the contribution by each individual Director to the effectiveness to the Board.

The NC has established a review process to assess the performance and effectiveness of the Board as a whole and the contribution by individual Directors to the Board. On an annual basis, all Directors are required to complete checklists on the performance of individual Director and the effectiveness of the Board as a whole. These will be reviewed by the NC before presenting to the Board for discussion.

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors have allocated sufficient time and resources to the affairs of the Company and are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deemed fits.

The procedures and criteria to select a Director are as follows:

a. the NC evaluates the balance of skills, knowledge and experience on the Board and, in the light of such evaluation and in consultation with the Management, prepares a description of the role and essential and desirable competencies for a particular appointment;

b. the NC identifies the need for a new Director taking into consideration the appropriate number of Directors to allow for effective decision-making;

c. the NC identifies potential candidates who may fill the role, taking into consideration factors such as:

   – complementary to the existing Board composition to ensure that there is an appropriate mix of Directors with different abilities and experiences;

   – value-add to the Board in terms of the skills, knowledge and expertise required by the Group; and

   – ability to commit the necessary time to their position;

REPORT ON CORPORATE GOVERNANCE

d. the NC conducts formal interview of short listed candidates to assess suitability and to ensure that the candidates are aware of the expectations and the level of commitment required;

e. the NC makes recommendations to the Board for approval; and

f. the NC approves the appointment and ensures that the announcement is made accordingly.

The NC is also charged with the responsibility of re-nomination, having regard to the Directors' contribution and performance (such as attendance, preparedness, participation and candor), with reference to the results of the assessment of the performance of the individual Director by his peers for the previous financial year.

Except for Dr. Wang Kai Yuen and Dr. Chen Seow Phun, John, none of the directors have served on the Board for a period exceeding nine years from the date of their appointments. Dr. Wang Kai Yuen and Dr. Chen Seow Phun, John have served as Independent Directors of the Company for more than nine years since their initial appointments on 11 May 2006 and 11 August 2006 respectively. The Board has subjected their independence to rigorous review.

In considering whether an independent director who has served on the Board exceeding nine years is still independent, the Board has taken into consideration the following factors:

a. The considerable amount of experience and wealth of knowledge that the independent director brings to the Company.

b. The attendance and active participation in the proceedings and decision making process of the Board and Committee meetings.

c. Provision of continuity and stability to the Management at the Board level as the independent director has developed deep insight into the business of the Company and possesses experience and knowledge of the business.

d. The qualification and expertise provides reasonable checks and balances for the Management.

e. The independent director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company. He is adequately prepared and responsive and heavily involved in the discussions at the meeting.

f. The independent director provides overall guidance to Management and act as safeguard for the protection of Company's assets and shareholders' interests.

Dr. Wang Kai Yuen and Dr. Chen Seow Phun, John have exercised strong independent judgment in their deliberations in the interests of the Company and maintain their objectivity and independence at all times in the discharge of their duties as directors. In addition, the independence of character and judgment of each of the directors concerned was not in any way affected or impaired by the length of service. The Board is satisfied with their continued independence of character and judgment and both Dr. Wang Kai Yuen and Dr. Chen Seow Phun, John are still considered independent.

REPORT ON CORPORATE GOVERNANCE

The Company's Articles of Association provides that one-third of the Board of Directors to retire from office by rotation and be subject to re-election at the Company's Annual General Meeting ("AGM"). It also provides that a newly appointed Director must retire and submit himself for re-election at the forthcoming AGM following his appointment. The NC has reviewed the multiple directorships disclosed by each director of the Company and was of the view that for the role expected of each Director, the existing various directorships of the respective Director has not impinged on his ability to discharge his duties.

Information regarding the Board of Directors can be found on Pg 4 to Pg 5 of the Annual Report.

Principle 6: Access to Information

Management reports containing accurate, timely and complete information are provided to all Board members before each Board meeting or as and when required. Such explanatory information may also be in the form of briefings to the Directors or formal presentations made by the Executive Directors or senior Management staff in attendance at Board meetings. From time to time, they are furnished with information concerning the Group to enable them to be informed of the development and performance of the Group's business operations.

In addition, Board members have separate and independent access to the Company Secretary and senior executives of the Company. The Company Secretary is present at formal meetings when required to answer any query from Directors and to ensure that meeting procedures are adhered to and that applicable rules and regulations are complied with.

Where decisions to be taken by the Board require independent professional advice in furtherance of their duties, the Company will appoint professional advisors with costs borne by the Company.

Principle 7: Remuneration Matters

Principle 8: Level and mix of remuneration

Principle 9: Disclosure of Remuneration

The RC comprises three Independent Non-Executive Directors and one Executive Director of the Company, Dr. Lee Kuo Chuen, David as the Chairman, and Dr. Wang Kai Yuen, Dr. Chen Seow Phun, John, and Dato' Dr. Ong Bee Huat, Johnny as members.

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors and senior Management. The RC recommends to the Board for endorsement a framework of remuneration (which covers all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind) and the specific remuneration packages for each Director and the key Management personnel. The Group seeks to offer a competitive level of remuneration to attract, motivate and retain senior Management of the required competency to run the Group successfully.

An Executive Director is paid a basic salary and bonus. Adjustments to the remuneration package of an Executive Director are subject to review and approval by the RC and the Board. The Non-Executive Directors and Independent Non-Executive Directors have no service contracts.

REPORT ON
CORPORATE GOVERNANCE

Table shows breakdown of Directors' Remuneration (in percentage terms):

Name of Directors	Remuneration Bands	Salary	Bonus	Directors' Fee	Other Benefits	Total
		%	%	%	%	%
Dr. Wang Kai Yuen	$0 to $249,999	–	–	100	–	100
Dato' Dr. Ong Bee Huat, Johnny	$500,000 to $749,999	90	7	–	3	100
Mr Ong Jia Ming	$0 to $249,999	94	6	–	–	100
Prof. Wong Wen-Young, Winston	$0 to $249,999	–	–	100	–	100
Dr. Chen Seow Phun, John	$0 to $249,999	–	–	100	–	100
Dr. Lee Kuo Chuen, David	$0 to $249,999	–	–	100	–	100
Mr Joe Hsiang, Lin	$0 to $249,999	–	–	100	–	100

Given the highly competitive industry conditions, the Company believes that it is not in the best interests of the Company to disclose remuneration of each individual Director and the CEO on a named basis. The Company is instead disclosing the Directors' remuneration in bands of $250,000 and the breakdown (in percentage) of the Directors' remuneration as per the table set out above.

The Non-Executive Directors are paid Directors' fees, the amount of which is dependent on their level of responsibilities. Each Non-Executive is paid a basic fee. The Chairman of each Board committee is also paid a higher fee compared with members of the committee in view of greater responsibility carried by that office. Executive Directors are not paid Directors' fees. The amount of Directors' fees payable to Non-Executive Directors is subject to shareholders' approval at the Company's annual general meetings.

Currently, the Group does not have any employee share option scheme or other long-term incentives for Directors.

REPORT ON
CORPORATE GOVERNANCE

The Company had 5 employees at the executive level for FY2016. The remuneration of the key executives (who are not Directors) in the bands of S$250,000 are shown in the table below:–

Key Executive	Salary	Bonus	Other Benefits	Total
	%	%	%	%
Below S$250,000				
Ms. Ooi Pey Leei	98	2	–	100
Mr. Cheah Keem Wah	100	–	–	100
Mr. Bernard Seet	100	–	–	100
Mr. Ng James	96	4	–	100
Mr. Tan San Hoe	100	–	–	100

For FY2016, the aggregate total remuneration paid to the key Management personnel (who are not Directors or the CEO) amounted to $598,005.

The remuneration of executives who are immediate family members of directors and whose remuneration exceeds $50,000 during the year is shown in the table below:

Key Executive and relationship with Director	Remuneration Bands	Salary	Bonus	Other Benefits	Total
		%	%	%	%
Ong Jia Ming Son of Dato' Dr. Ong Bee Huat, Johnny	$50,000 to $99,999	94	6	–	100
Ong Bee Wah Brother of Dato' Dr. Ong Bee Huat, Johnny	$50,000 to $99,999	96	4	–	100
Ong Jia Jing Son of Dato' Dr. Ong Bee Huat, Johnny	$50,000 to $99,999	67	3	30	100
Winston Wong Junior Son of Prof. Wong Wen-Young, Winston	$50,000 to $99,999	100	–	–	100

Principle 10: Accountability

The Management provides the Board with detailed reports on the Group's financial performance and related matters on a regular basis. Procedures are in place to ensure that financial information relating to the Group's operations are not false or misleading in order to increase the assurance level of the AC in its review of the quarterly financial information.

REPORT ON CORPORATE GOVERNANCE

Principle 14: Shareholder Rights and Responsibilities

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder meetings

The Board recognises the need to communicate with shareholders on all material matters affecting the Company's performance, position and prospects. The Management constantly provides the Board with a continual flow of relevant information on a timely basis in order for it to effectively discharge its duties.

The Company endeavours to provide pertinent information on a timely basis pertaining to the performance, operational affairs and financial position of the Group through the release of the financial results via SGXNET and the Annual Reports that are issued to all shareholders. Any new initiatives or developments of the Company are released promptly via the SGXNET system prior to any meetings or conferences with investors, analysts and the media.

Shareholders are informed of shareholders meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Shareholders are invited to such meetings to put forth any questions they may have on the motions to be debated and decided upon. If any shareholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance.

Voting in absentia by mail, facsimile or email is not currently permitted to ensure proper authentication of the identity of the shareholders and their voting intentions.

At shareholders' meetings, each distinct issue is proposed as a separate resolution.

The Chairman of each Board Committee is required to be present to address questions at the Annual General Meeting. External auditors are also present at such meetings to assist the Directors to address shareholders' queries, if necessary.

The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and the Management. These minutes are available to shareholders upon request.

The Group's website at **www.hlh.com.sg** provides information of our products and services, corporate profile and latest information as well as an enquiry section to respond to comments, feedbacks or enquiries.

The Board welcomes the views of shareholders of matters arising in the Company's interest.

The Company has not paid any dividends to shareholders as the Company builds up its property and agricultural development businesses in Cambodia.

REPORT ON CORPORATE GOVERNANCE

Principle 11: Risks Management and Internal Controls

Principle 12: Audit Committee

Principle 13: Internal Audit

The AC comprises three Independent Non-executive Directors of the Company, Dr. Wang Kai Yuen as the Chairman, and Dr. Chen Seow Phun, John and Dr. Lee Kuo Chuen, David who have invaluable professional expertise and managerial experience as members.

The AC meets at least four times a year and as warranted by circumstances, to perform the following functions:

a. reviews the audit plan of the Group's internal and external auditors;

b. reviews with the internal and external auditors on their findings, if any on the Company's system of internal accounting controls;

c. reviews with the internal and external auditors on the scope and results of the audit as well as its cost effectiveness;

d. reviews the co-operation given by the Group's officers to the internal and external auditors;

e. reviews with the internal and external auditors on any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company or the Group's results or financial position;

f. reviews the quarterly and full-year financial results announcements and annual financial statements of the Group and the external auditors' report thereon before their submission to the Board for adoption;

g. monitors the extent of the Group's compliance with the Listing Manual;

h. nominates internal and external auditors for re-appointment and reviews their independence;

i. reviews interested person transactions, if any;

j. reviews the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any formal announcements relating to its financial performance;

k. reviews the adequacy of the internal controls (financial and operational) and risk management policies and systems established by the Management;

REPORT ON
CORPORATE GOVERNANCE

l. reviews the effectiveness of the internal audit function; and

m. makes recommendations to the Board on the appointment, reappointment and removal of the internal and external auditor, and approving the remuneration and terms of engagement of the internal and external auditors.

For FY2016, the external auditors' remuneration in respect of audit services provided to the Group amounted to $137,705. There were non-audit services, being tax advisory fees of $5,645 provided to the Group during the year. The AC confirms that it has undertaken a review of all non-audit services, provided by external auditors and such services would not, in the AC's opinion, affect the independence of the external auditors. Further the AC confirms that the Company complied with Rules 712 and 715 of the Listing Manual in relation to its appointment of auditors.

The Board acknowledged its responsibility to ensure a sound system of internal controls to safeguard the shareholders' investments and the Company's assets, but recognises that no cost effective system will prelude all frauds and irregularities, as the internal control system can only mitigate but not eliminate the risks of frauds or irregularities.

The AC has reviewed the Company's system of internal controls, including financial, operational, compliance and information technology controls, risk management policies and systems established by the Management during the year and is satisfied that the overall system of controls is adequate.

The Management has put in place reasonably adequate internal control systems to provide the Board with reasonable assurance against material misstatement or loss. Supplementary to the internal control systems, the Management has also implemented the Whistle-Blowing policy and procedures which provides for the well defined mechanism and accessible channel by which employees and consultants may in confidence, raise concerns about possible improprieties in financial reporting which may cause financial or non financial loss to the Group or other matters such as dishonesty, fraud, corruption, illegal acts, breaches of legislation and laws, unethical conduct, unsafe work practices. The AC ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow up action. In addition, the Board has also relied to a certain extent, the review by the auditors of the effectiveness of the Company's material internal controls that affect accounting functions, to the extent of their scope as laid out in their plan. The auditors' recommendations on material non-compliance and internal accounting control weakness, if any noted during their audit are reported to the AC.

The Board has received assurance from the CEO and the CFO that:–

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and

(b) the Group's risk management and internal control systems in place is adequate and effective in addressing the key financial, operational and compliance risks in the Group in its current business environment.

REPORT ON CORPORATE GOVERNANCE

The Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems are adequate in addressing the financial, operational, compliance and information technology risks of the Group, and provide reasonable assurance in safeguarding its assets and shareholders' investments and against any material misstatement or loss as at 31 December 2016.

Dealing in Securities

The Group has in place an internal code of conduct which prohibits the Directors, key executives of the Group and their connected persons from dealing in the Company's shares during the "closed window" period – being one month prior to the announcement of the Group's quarterly and full year financial results and ending on the date of the announcement of the results, or if they are in possession of unpublished price-sensitive information of the Group. In addition, Directors, key executives and connected persons are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

Material Contracts

There were no material contracts entered into by the Company or any of its subsidiaries as at the end of the financial year involving the interests of any Directors and controlling shareholder in the year under review.

Interested Person Transactions

The Company has established procedures to ensure that all interested persons are reported in a timely manner to the AC and that the transactions, if any are conducted at arm's length and not prejudicial to the interest of the shareholders.

There are no interested person transactions between the Company or its subsidiaries and any of its interested persons during the financial year under review.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of HLH Group Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

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

Directors

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

Dato' Dr. Ong Bee Huat	(Executive director)
Dr. Wang Kai Yuen	(Independent director)
Dr. Wong Wen-Young, Winston	(Non-executive director)
Dr. Chen Seow Phun, John	(Independent director)
Dr. Lee Kuo Chuen, David	(Independent director)
Mr Ong Jia Ming	(Executive director)
Mr Joe Hsiang Lin	(Non-executive director)

In accordance with Articles 88 and 89 of the Company's Articles of Association, Dr Wong Wen-Young, Winston, Dr Lee Kuo Chuen, David, Mr Ong Jia Ming and Mr Joe Hsiang Lin retire and, being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares or debentures

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

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

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

	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
HLH Group Limited				
Ordinary shares				
Dr. Wang Kai Yuen	4,803,000	7,303,000	–	–
Dr. Wong Wen-Young, Winston	415,255,500	415,255,500	–	–
Dato' Dr. Ong Bee Huat	422,255,500	1,000,000,000	10,000,000	–
Mr Ong Jia Ming	10,000,000	364,854,150	–	–

There was no change in any of the abovementioned interests in the Company between the end of the financial year and 21 January 2017.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

Share options

During the financial year, no options to take up unissued shares of the Company or any subsidiary were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary. There were no unissued shares of the Company or any subsidiary under option at the end of the financial year.

Audit Committee

The Audit Committee (AC) carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

Auditor

Ernst & Young LLP have, in their letter dated 4 April 2017, given notice to the Directors that they do not wish to seek reappointment as auditors of the Company at the forthcoming Annual General Meeting.

Deloitte & Touche LLP have, on 5 April 2017, given their written consent to act as auditors of the Company. The proposed change of Auditors is subject to approval of the Shareholders at the forthcoming Extraordinary General Meeting to be held on 28 April 2017 (after the conclusion or adjournment of the Annual General Meeting of the Company). Shareholders are to refer to the circular to shareholders dated 12 April 2017 for details of the proposed change of Auditors together with the notice of the Extraordinary General Meeting.

On behalf of the Board of Directors:

Dato' Dr. Ong Bee Huat
Director

Dr. Wang Kai Yuen
Director

29 March 2017

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF HLH GROUP LIMITED

Report on the audit of the financial statements

We have audited the financial statements of HLH Group Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and Company as at 31 December 2016, statements of changes in equity of the Group and Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the "ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF HLH GROUP LIMITED

1. Valuation of investment properties

As at 31 December 2016, the Group has investment properties amounting to $89,448,000 relating to land and property held in Cambodia and Singapore as disclosed in Note 12. These properties are stated at fair value, and management used external appraisers to support the determination of their fair values.

The valuations of these investment properties were significant to our audit due to their magnitude and the complexity of the valuation models used. Additionally, the ability of the company to recover amounts of $81,490,000 (Note 20) due from certain subsidiaries is largely dependent on the value of these properties. The valuations were highly dependent on a range of estimates used by external appraisers. These estimates included, amongst others, comparable market prices, current land usage and site condition, improvements, time, size, legal title, rental value and interest rates.

As part of our audit procedures, we have considered the objectivity, independence and capabilities of the external appraisers engaged by management. Given the complexity of the valuations, our internal real estate and valuation specialists assisted us in evaluating the appropriateness of the valuation models and assumptions used by the management and the external appraisers in their valuation of the investment properties. Furthermore, we held discussions with some of the external appraisers to understand their valuation techniques and models. We also assessed the adequacy of the disclosures relating to these investment properties. The related disclosures are made in Note 34(c) to the financial statements.

2. Impairment assessment of machineries and equipment, motor vehicles, office equipment and furniture and fittings in Cambodia

The Group has significant machineries and equipment, motor vehicles, office equipment and furniture and fittings in Cambodia, which have been left idle due to a change in the Group's operations since 1 January 2014. The carrying value of these assets amounted to $9,279,000 as at 31 December 2016 and are not used for the Group's current operations.

Management carried out a review of the recoverable amount of these machineries and equipment by obtaining an independent valuation from an external appraiser. The impairment review was significant to our audit due to the judgement involved in estimating the recoverable value and the complexity of the valuation models used. The valuation was highly dependent on a range of estimates used by the external appraiser. These estimates included, amongst others, condition and usage of the machineries and equipment and the estimated cost and time for replacement.

As part of our audit procedures, we have considered the objectivity, independence and capabilities of the external appraiser. Given the complexity of the valuation, our internal valuation specialists assisted us in evaluating the appropriateness of the valuation models and assumptions used by the management and the external appraiser in the valuation of the machineries and equipment. We tested management's computation in recognising impairment losses for those machineries and equipment whose carrying values exceeded the recoverable amounts. We also assessed the adequacy of the disclosures relating to these property, plant and equipment. The related disclosures are made in Note 11(d) to the financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF HLH GROUP LIMITED

3. Recoverability of receivables

As at 31 December 2016, 96% of the Group's trade receivables amounting to $7,545,000 was due from a third party, Zhong Fu International Investment (Cambodia) Ltd. ("Zhong Fu"), pertaining to one of the co-operation agreements entered into by a subsidiary for cultivation of cassava as disclosed in Notes 18 and 31(c). In accordance with the agreement, repayment terms are either by way of cash or the equivalent value in crop upon harvest.

The recoverability of the trade receivables was significant to our audit due to its magnitude and significant management judgement involved in assessing the ability of Zhong Fu to repay the outstanding receivables. In assessing the recoverability, management assessed the cash repayments made during the financial year till date and carried out an assessment of the market value of the crop that Zhong Fu had planted but have yet to harvest as at 31 December 2016, by obtaining an independent valuation from an external appraiser.

As part of our audit procedures, we evaluated management's assessment on the recoverability of the receivables due from Zhong Fu. We considered the collectability of the trade receivables by obtaining evidence of cash receipts from Zhong Fu during the financial year till date. We have also considered the estimated market value of the crop and investment properties as an indication on whether the outstanding receivables should be impaired. Our internal valuation specialists assisted us in reviewing the independent valuation of these assets and evaluating the reasonableness of the valuation methodology and key assumptions utilised by the external appraisers. Further, we evaluated the adequacy of the Group's disclosures on its trade receivables and credit risk management in Notes 18 and 36(b).

4. Tax matters

The Group operates principally in Cambodia where a key subsidiary, HLH Agri (Cambodia) Co. Ltd ("HLHA"), is a Qualified Investment Project ("QIP") registered with the Council for the Development of Cambodia ("Council"). HLHA is entitled to tax exemption for a period of up to 9 years from 2009 and the validity of this tax incentive is dependent on the subsidiary meeting all the terms and conditions set by the Council.

As disclosed in Note 9(b) to the financial statements, management has considered the revenue generated under the co-operation agreements as distribution of profit from the said agreements and therefore qualify as QIP income under the Cambodian tax law. Given the subjectivity of the issue and the interpretation of the relevant tax rules, we have identified this as a key audit matter.

As part of our audit procedures, we discussed with management and reviewed HLHA's correspondences with the tax authority to understand management's basis in determining the tax position. In evaluating the reasonableness of management's assessment, we involved our component auditors, including their internal tax specialist in this area, and discussed the associated tax risks with them. We also reviewed the adequacy of the Group's disclosures on tax uncertainties in Note 9 of the financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF HLH GROUP LIMITED

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
TO THE MEMBERS OF HLH GROUP LIMITED

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Low Bek Teng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

29 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000
Revenue	4	**6,905**	5,724
Cost of sales		**(885)**	(1,268)
Gross profit		**6,020**	4,456
Other income	5	**7,530**	12,802
Distribution and selling expenses		**(1,452)**	(637)
Administrative expenses		**(6,214)**	(6,375)
Other expenses		**(51)**	(2,521)
Finance costs	7	**(630)**	(358)
Profit before taxation	8	**5,203**	7,367
Income tax expense	9	**(563)**	(2,064)
Net profit for the year		**4,640**	5,303
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Revaluation of land and buildings		**–**	907
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**1,385**	3,741
Other comprehensive income for the year, net of tax		**1,385**	4,648
Total comprehensive income for the year		**6,025**	9,951
Net profit attributable to:			
Owners of the Company		**4,661**	5,489
Non-controlling interests		**(21)**	(186)
		4,640	5,303
Total comprehensive income attributable to:			
Owners of the Company		**6,045**	10,133
Non-controlling interests		**(20)**	(182)
		6,025	9,951
Profit per share (cents)			
Basic	10	**0.087**	0.139
Diluted		**0.087**	0.139

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

BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Assets					
Non-current assets					
Property, plant and equipment	11	**35,619**	15,989	**216**	43
Investment properties	12	**89,448**	102,389	**618**	276
Investment in subsidiaries	13	**–**	–	**1,000**	1,000
		125,067	118,378	**1,834**	1,319
Current assets					
Development properties	14	**19,902**	14,440	**–**	–
Inventories	15	**687**	627	**–**	–
Biological assets	16	**–**	206	**–**	–
Trade receivables	18	**7,837**	4,764	**–**	–
Other receivables and deposits	19	**920**	800	**–**	–
Prepayments		**253**	326	**4**	20
Amounts due from subsidiaries	20	**–**	–	**99,626**	84,367
Advances to a non-controlling shareholder	17	**16**	–	**–**	–
Investment securities	22	**2**	2	**–**	–
Cash and short-term deposits	23	**6,746**	3,419	**272**	64
		36,363	24,584	**99,902**	84,451
Total assets		**161,430**	142,962	**101,736**	85,770

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

BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Equity and liabilities					
Current liabilities					
Trade payables	24	**1,459**	3,465	**–**	–
Other payables and accruals	26	**1,183**	2,584	**494**	904
Amount due to subsidiaries	20	**–**	–	**8,594**	9,254
Loans from a director	21	**–**	4,737	**–**	–
Provision for taxation		**36**	135	**–**	–
Loans and borrowings	27	**1,783**	6,757	**51**	–
		4,461	17,678	**9,139**	10,158
Net current assets		**31,902**	6,906	**90,763**	74,293
Non-current liabilities					
Deferred tax liabilities	25	**14,891**	14,090	**–**	–
Loans and borrowings	27	**4,530**	2,772	**45**	–
Other payables and accruals	26	**7,803**	2,261	**–**	–
		27,224	19,123	**45**	–
Total liabilities		**31,685**	36,801	**9,184**	10,158
Net assets		**129,745**	106,161	**92,552**	75,612
Equity attributable to owners of the Company					
Share capital	28	**94,602**	76,897	**94,602**	76,897
Reserves	29	**35,166**	29,188	**(2,050)**	(1,285)
		129,768	106,085	**92,552**	75,612
Non-controlling interests		**(23)**	76	**–**	–
Total equity		**129,745**	106,161	**92,552**	75,612
Total equity and liabilities		**161,430**	142,962	**101,736**	85,770

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

STATEMENTS OF
CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share capital (Note 28) $'000	Accumulated losses (Note 29) $'000	Capital reserve (Note 29) $'000	Asset revaluation reserve (Note 29) $'000	Foreign currency translation reserve (Note 29) $'000	Total reserves $'000	Non-controlling interests $'000	Total equity $'000
Group								
At 1 January 2015	105,426	(51,535)	481	39,614	1,966	(9,474)	1,255	97,207
Other comprehensive income								
Revaluation of land and buildings	–	–	–	907	–	907	–	907
Net foreign exchange difference arising on consolidation of foreign subsidiaries	–	–	–	–	3,737	3,737	4	3,741
Net profit for the year	–	5,489	–	–	–	5,489	(186)	5,303
Total comprehensive income for the year	–	5,489	–	907	3,737	10,133	(182)	9,951
Contributions by and distributions to owners								
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(997)	(997)
Total contributions by and distribution to owners	–	–	–	–	–	–	(997)	(997)
Others								
Share capital restructuring#	(28,529)	28,529	–	–	–	28,529	–	–
Balance at 31 December 2015	76,897	(17,517)	481	40,521	5,703	29,188	76	106,161
At 1 January 2016	76,897	(17,517)	481	40,521	5,703	29,188	76	106,161
Other comprehensive income								
Net foreign exchange difference arising on consolidation of foreign subsidiaries	–	–	–	–	1,384	1,384	1	1,385
Net profit for the year	–	4,661	–	–	–	4,661	(21)	4,640
Total comprehensive income for the year	–	4,661	–	–	1,384	6,045	(20)	6,025
Contributions by and distributions to owners								
Issue of ordinary shares	17,705	–	–	–	–	–	–	17,705
Dividends paid to a non-controlling shareholder	–	–	–	–	–	–	(79)	(79)
Total contributions by and distribution to owners	17,705	–	–	–	–	–	(79)	17,626
Others								
Disposal of subsidiary	–	–	(67)	–	–	(67)	–	(67)
Balance at 31 December 2016	94,602	(12,856)	414	40,521	7,087	35,166	(23)	129,745

During the financial year ended 31 December 2015, the Company underwent a share capital restructuring exercise. As a result of this exercise, accumulated losses of $28,529,000 was offset against the issued and paid up share capital of the Company, reducing the Company's share capital by the equivalent amount.

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share capital (Note 28) $'000	Accumulated losses (Note 29) $'000	Capital reserve (Note 29) $'000	Total equity $'000
Company				
At 1 January 2015	105,426	(28,529)	(459)	76,438
Net loss for the year	–	(826)	–	(826)
Total comprehensive income for the year	–	(826)	–	(826)
Share capital restructuring	(28,529)	28,529	–	–
At 31 December 2015 and 1 January 2016	76,897	(826)	(459)	75,612
Net loss for the year	–	(765)	–	(765)
Total comprehensive income for the year	–	(765)	–	(765)
Issue of ordinary shares	17,705	–	–	17,705
At 31 December 2016	94,602	(1,591)	(459)	92,552

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit before tax		**5,203**	7,367
Adjustments for:			
Interest expense	7	**630**	358
Bad debts written off		**44**	–
Depreciation of property, plant and equipment	11	**1,722**	2,325
Gain on change in fair value of investment properties	5	**(5,381)**	(10,005)
Gain on disposal of property, plant and equipment, net	5	**(29)**	(44)
Gain on disposal of subsidiary		**(67)**	–
Gain on sale of investment properties		**(238)**	–
Property, plant and equipment written off		**–**	37
Foreign exchange adjustments		**(1,072)**	(2,483)
Fair value loss on held for trading investment securities	8	**–**	427
Impairment loss on property, plant and equipment	8	**–**	1,825
Write-down of inventories	15	**–**	232
Interest income	5	**(27)**	(18)
Operating profit before working capital changes		**785**	21
Increase in trade and other receivables		**(4,504)**	(404)
Increase in development properties		**(5,138)**	(14,440)
Decrease/(increase) in inventories and biological assets		**165**	(115)
Increase in trade and other payables		**3,432**	5,140
Cash flows used in operations		**(5,260)**	(9,798)
Interest paid		**(630)**	(321)
Income tax (paid)/refund		**(105)**	51
Interest received		**27**	18
Net cash flows used in operating activities		**(5,968)**	(10,050)
Cash flows from investing activities			
Purchase of property, plant and equipment	11(f)	**(970)**	(3,657)
Proceeds from sale of property, plant and equipment		**378**	210
Proceeds from disposal of investment properties		**415**	–
Net cash generated used in investing activities		**(177)**	(3,447)

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Cash flows from financing activities			
Proceeds from loans and borrowings		**–**	8,612
Repayment of loans and borrowings		**(3,329)**	(1,625)
Proceeds from overdraft		**85**	–
Proceeds from a director's loans		**–**	4,737
Repayment to finance leases		**(132)**	(80)
Payment of dividends to minority shareholders of subsidiaries		**(79)**	(166)
Proceed from issuance of rights shares		**4,761**	–
Proceeds from issuance of placement shares		**8,100**	–
Net cash flows from financing activities		**9,406**	11,478
Net increase/(decrease) in cash and cash equivalents		**3,261**	(2,019)
Effect of exchange rate changes on balances held in foreign currencies		**66**	236
Cash and cash equivalents at beginning of year		**3,419**	5,202
Cash and cash equivalents at end of year	23	**6,746**	3,419

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. CORPORATE INFORMATION

HLH Group Limited (the Company) domiciled and incorporated in Singapore, is a public limited liability company listed on the Official List of the Singapore Exchange Securities Trading Limited (SGX-ST).

The Company's registered office and principal place of business is located at 10 Neo Tiew Lane 2 #01-05 D' Kranji Farm Resort Singapore 718813.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000) except when otherwise indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 7: Disclosure Initiative	1 January 2017
Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Improvements to FRSs (December 2016 – Amendments to FRS 112: Classifications of the Scope of the Standard	1 January 2017
Improvements to FRSs (December 2016 – Amendments to FRS 28: Measuring an Associate or Joint Venture at fair value	1 January 2018
Amendments to FRS 40: Transfers of Investment Property	1 January 2018
FRS 115: Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 109: Financial Instruments	1 January 2018
Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 116: Leases	1 January 2019
Amendments to FRS 110 & FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

Except for FRS 115, FRS 109 and FRS 116, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the standards is described below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group has conducted a preliminary assessment and expects there may be impact upon adoption, in relation to the recognition of revenue in respect to the property development division.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

The Group currently measures its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. The Group plans to adopt the new standard on the required effective date without restating prior periods' information and will recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 116 *Leases*

FRS 116 reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on statement of financial position to reflect the rights to used leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items.

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to used leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group plans to adopt the standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, earnings before interest, taxation, depreciation and amortisation, and gearing ratio.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (continued)

(b) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Functional and foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over their estimated useful lives as follows:

Leasehold land	–	Over the lease period of between 20 to 70 years
Land use rights	–	Over the lease period of 50 years
Leasehold improvements	–	10 – 30 years
Buildings and structures	–	25 years
Computers	–	5 years
Furniture and fittings and office equipment	–	10 years
Machineries and equipment	–	10 – 20 years
Motor vehicles	–	3 – 10 years
Renovation	–	2 – 10 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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

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

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

2.8 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment properties (continued)

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.9 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss, unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an entity investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (continued)

(b) Financial liabilities (continued)

De-recognition

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

2.12 Impairment of financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short term bank deposits. These also include bank overdrafts that form an integral part of the Group's cash management

2.14 Development properties

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

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

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

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

2.15 Biological assets

Biological assets relate to immature cassava and sugarcane crops that have yet to be harvested.

The immature cassava and sugarcane plantation costs consist of field preparation, planting, fertilizing and maintenance and an allocation of other related costs. In general, a cassava plantation and a sugarcane plantation take about ten months and eighteen months respectively to reach maturity from the time the seedlings are planted.

Plantations in initial stages of growth are stated on initial recognition at cost as market-determined prices or values are not available.

Plantations close to harvest are measured at fair value less estimated point-of-sale costs. The fair value was determined based on the actual selling prices in the local market approximating those at year end and less estimated point-of-sale costs. Point-of-sale costs include all costs that would be necessary to sell the assets.

Gains or losses arising on initial recognition of plantations at fair value less estimated point-of-sale costs and from the change in fair value less estimated point-of-sale costs of plantations at each reporting date are included in the statement of comprehensive income for the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Raw materials: purchase costs on a first-in first-out basis.

– Finished goods: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

– Consumables and spare parts: purchase costs and all other costs directly attributable to the acquisition of these inventories. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Provisions

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

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

2.18 Financial guarantee

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowing costs

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

2.20 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2.21 Leases

(a) As lessee

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

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

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

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(e). Contingent rents are recognised as revenue in the period in which they are earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of crops

Revenue from sale of crops is recognised upon the transfer of significant risk and rewards of ownership of the crops to the customer, usually on delivery of crops.

(b) Resort management

Revenue from resort management mainly comprises room rental, food and beverage sales and auxiliary activities, and represents the invoiced value of services rendered after deducting discounts. Revenue is recognised when the services are rendered.

(c) Resort operations

Revenue from the rental of resort facilities are recognised based on lease terms agreed with the operators.

(d) Income from co-operation agreements

Income is recognised in accordance with contractual terms, based on the agreements signed with third parties.

(e) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to the lessees are recognised as a reduction of rental income over the lease terms on a straight-line basis.

(f) Interest income

Interest income is recognised using the effective interest method.

(g) Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

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

– Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes (continued)

(b) Deferred tax (continued)

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

(c) Sales tax

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

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

2.24 Share capital and share issue expenses

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

2.25 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Contingencies (continued)

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

Management is of the opinion that there is no other significant judgement made in applying accounting policies apart from the key estimates disclosed below, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below.

(a) Impairment of property, plant and equipment ("PPE")

The Group assesses whether there are any indicators of impairment for its PPE at each reporting date. PPE are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The carrying amount of PPE tested for impairment as at 31 December 2016 is $12,673,000 (2015: $$11,554,000). This comprises machineries and equipment, motor vehicles, office equipment and furniture and fittings in Cambodia.

The Group engaged independent valuation experts ("Valuers") to perform valuations on the PPE in Cambodia. Details of the recoverable amount assessment are disclosed in Note 11(c).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(b) *Impairment of loans and receivables*

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 18 and 19.

(c) *Fair value of investment properties*

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged independent real estate valuation experts ("Valuers") to assess the fair values as at 31 December 2016 and 2015. The valuation techniques used by the Valuers comprise the direct comparison approach, depreciated replacement cost method and investment method. The key assumptions used to determine the fair value of these investment properties and sensitivity analysis are provided in Note 34.

The carrying amounts of the investment properties carried at fair value as at 31 December 2016 is $89,448,000 (2015: $102,389,000).

(d) *Taxes*

The Group has exposure to income and other taxes in numerous jurisdictions, including Singapore and Cambodia. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Group establishes tax provisions, based on reasonable estimates, after assessing the potential tax impact in accordance with prevailing tax legislations in the various jurisdictions. This includes those matters in Notes 9 and 25.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables and deferred tax liabilities as at 31 December 2016 were $36,000 (2015: $135,000) and $14,891,000 (2015: $14,090,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. REVENUE

	Group	
	2016	**2015**
	$'000	**$'000**
Sale of crops	**683**	82
Income from co-operation agreements	**5,185**	4,122
Resort operations income	**–**	914
Resort management income	**–**	253
Rental income from lease of resort	**1,037**	353
	6,905	5,724

5. OTHER INCOME

	Group	
	2016	**2015**
	$'000	**$'000**
Interest income from bank deposits	**27**	18
Gain on change in fair value of investment properties (Note 12)	**5,381**	10,005
Gain on disposal of property, plant and equipment	**29**	44
Gain on disposal of investment property	**238**	–
Gain on disposal of subsidiary	**66**	–
Net foreign exchange gain	**1,304**	2,387
Rental income	**–**	80
Other sundry income	**485**	268
	7,530	12,802

6. PERSONNEL EXPENSES

		Group	
	Note	**2016**	**2015**
		$'000	**$'000**
Salaries and bonuses		**1,999**	2,194
Central Provident Fund contribution		**96**	116
Other short-term benefits		**25**	70
	8	**2,120**	2,380

Key management and directors' remuneration included above is disclosed in Note 30 (c) and (d).

7. FINANCE COSTS

	Group	
	2016	**2015**
	$'000	**$'000**
Interest expense on:		
– finance leases	**6**	9
– loans from a director	**130**	117
– bank loans	**494**	232
	630	358

8. PROFIT BEFORE TAXATION

The following items have been included in arriving at profit before taxation:

	Group	
	2016	**2015**
	$'000	**$'000**
Personnel expenses	**2,120**	2,380
Depreciation of property, plant and equipment (Note 11)	**1,722**	2,325
Directors' fees and bonus	**615**	662
Rental of premises and office facilities	**444**	176
Legal and professional fees	**468**	200
Auditors' remuneration		
– auditors of the Company and local subsidiaries	**93**	101
– auditors of the overseas subsidiaries*	**45**	40
Inventories recognised as an expense in cost of sales (Note 15)	**279**	232
Property, plant and equipment written off	**–**	37
Bad debts written off	**44**	–
Impairment loss on property, plant and equipment	**–**	1,825
Fair value loss on held for trading investment securities	**–**	427

* Refers to member firm of Ernst & Young Global.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. INCOME TAX EXPENSE

(a) Major components of income tax expenses

The major components of income tax expenses for the years ended 31 December 2016 and 2015 are:

	Group	
	2016	**2015**
	$'000	**$'000**
(i) *Statement of comprehensive income*		
Current income tax		
– Current tax	**78**	–
– Over provision in respect of prior years	**(72)**	(2)
Deferred income tax		
– Origination and reversal of temporary differences	**557**	2,066
Income tax expense recognised in profit or loss	**563**	2,064
(ii) *Other comprehensive income*		
Income tax expense recognised in other comprehensive income (Note 25)	**–**	186

(b) The reconciliation between tax expenses and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Profit before taxation	**5,203**	7,367
Tax at the domestic rates applicable to profit in the countries where the Group operates	**957**	1,403
Income not subject to taxation	**(915)**	(479)
Non-deductible expenses	**95**	457
Utilisation of previously unrecognised tax losses	**(366)**	(70)
Current year losses for which no deferred tax asset was recognised	**864**	781
Effect of partial tax exemption	**–**	(26)
Over provision in respect of prior years	**(72)**	(2)
Income tax expense recognised in profit or loss	**563**	2,064

9. INCOME TAX EXPENSE (CONTINUED)

(c) The corporate income tax rate applicable to Singapore companies of the Group is 17%.

HLH Agri (Cambodia) Co. Ltd ("HLHA") is a Qualified Investment Project (QIP) registered with the Council for the Development of Cambodia ("Council"). HLHA is entitled to exemption from the tax on profit imposed under the Law on Taxation covering the tax exemption period of up to 9 years which comprises 3-year Trigger Period + 3-year + 3-year Priority Period. The validity of this tax incentive is dependent on the HLHA meeting all the terms and conditions set by the Council.

In December 2013, HLHA entered into an agreement with a third party for crop cultivation at its Kampong Speu agricultural land in Cambodia. Management considered the revenue generated under the agreement as distribution of profit from the said agreement and would qualify as QIP income under the Cambodian tax law. The concept of such an agreement is presently not well recognised in Cambodia and as such, there is no clear tax guidance on such arrangements. Additionally, HLHA has unrecognised carried forward tax loss benefits of $14,530,225 (2015: $16,898,808) that is subject to conditions of utilisation encapsulated in the tax legislation.

(c) As the taxation system in Cambodia is relatively new and complex, with frequently changing legislation, it is subject to differing interpretations. Taxes are also subject to review and investigation by the taxation authority, who is enabled by law to impose severe fines, penalties and interest charges. These facts may create significant tax risks in Cambodia. Management believes that it has adequately provided for tax liabilities using reasonable estimates based its best judgement and interpretation of the current tax legislation. Differences of interpretation may arise on a wide range of tax issues, including the above, depending on the conditions prevailing in the country.

The other Cambodia companies of the Group are subject to tax on profit at the rate of 20% of taxable income or minimum tax based on 1% of turnover, whichever is higher.

10. PROFIT PER SHARE (CENTS)

Basic profit per share is calculated by dividing profit for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted profit per share is calculated by dividing profit for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the profit and share data used in the computation of basic and diluted profit per share for the financial years ended 31 December 2016 and 2015:

	Group	
	2016	**2015**
	$'000	**$'000**
Net profit attributable to owners of the Company	**4,661**	5,489
Weighted average number of ordinary shares for basic profit per share computation	**5,359,182,443**	3,957,211,329
Weighted average number of ordinary shares for diluted profit per share computation	**5,359,182,443**	3,957,211,329

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land $'000	Land use rights $'000	Leasehold improvements $'000	Building and structure $'000	Construction-in-progress $'000
Cost					
As at 1.1.2015	1,348	1,216	2,100	8,786	424
Additions	–	–	–	–	3,311
Revaluation[b]	1,093	–	–	–	–
Reclassified to investment properties[b]	(2,441)	–	–	(8,173)	(928)
Write-offs	–	–	–	–	–
Disposal	–	–	–	–	–
Translation differences	–	29	128	105	98
As at 31.12.2015 and 1.1.2016	–	1,245	2,228	718	2,905
Additions	–	–	–	–	377
Reclassified to investment properties[c]	–	–	–	–	–
Reclassified from investment properties[d]	–	–	19,846	–	–
Transfers	–	–	–	–	(3,222)
Write-offs	–	–	–	–	–
Disposal	–	–	–	–	–
Translation differences	–	(55)	921	(32)	(60)
As at 31.12.2016	–	1,190	22,995	686	–
Accumulated depreciation and impairment loss					
As at 1.1.2015	382	411	96	2,427	–
Charge for the year	73	–	106	356	–
Reclassified to investment properties[b]	(455)	–	–	(2,414)	–
Disposals	–	–	–	–	–
Write-offs	–	–	–	–	–
Impairment loss[e]	–	813	–	342	–
Translation differences	–	21	10	7	–
As at 31.12.2015 and 1.1.2016	–	1,245	212	718	–
Charge for the year	–	–	105	–	–
Reclassified to investment properties[c]	–	–	–	–	–
Disposals	–	–	–	–	–
Write-offs	–	–	–	–	–
Translation differences	–	(55)	9	(32)	–
As at 31.12.2016	–	1,190	326	686	–
Net book value					
As at 31.12.2016	–	–	22,669	–	–
As at 31.12.2015	–	–	2,016	–	2,905

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Computers $'000	Furniture and fittings $'000	Machineries and equipment $'000	Motor vehicles[a] $'000	Office equipment $'000	Renovation $'000	Total $'000
204	344	18,527	1,401	128	73	34,551
24	45	3	143	29	102	3,657
–	–	–	–	–	–	1,093
(135)	(283)	(567)	–	(32)	(9)	(12,568)
(13)	–	–	–	(13)	(64)	(90)
–	(1)	(337)	(25)	(1)	–	(364)
1	4	1,117	48	6	5	1,541
81	109	18,743	1,567	117	107	27,820
11	12	274	329	12	52	1,067
–	–	(706)	–	–	–	(706)
–	–	–	–	–	–	19,846
–	–	3,222	–	–	–	–
–	–	(625)	(3)	–	–	(628)
–	–	(508)	(483)	–	–	(991)
1	2	472	21	3	3	1,276
93	123	20,872	1,431	132	162	47,684
155	266	6,706	515	74	39	11,071
15	28	1,450	275	14	8	2,325
(126)	(240)	(376)	–	(27)	(2)	(3,640)
–	–	(181)	(17)	–	–	(198)
(13)	–	–	–	(7)	(33)	(53)
–	–	670	–	–	–	1,825
1	2	438	18	3	1	501
32	56	8,707	791	57	13	11,831
13	10	1,348	217	16	13	1,722
–	–	(319)	–	–	–	(319)
–	–	(370)	(272)	–	–	(642)
–	–	(625)	(3)	–	–	(628)
(1)	1	163	14	1	1	101
44	67	8,904	747	74	27	12,065
49	56	11,968	684	58	135	35,619
49	53	10,036	776	60	94	15,989

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Computers $'000	Furniture and fittings $'000	Motor vehicle $'000	Office equipment $'000	Renovation $'000	Total $'000
Cost						
As at 1.1.2015	48	11	151	23	12	245
Additions	2	–	–	2	–	4
Disposals	–	–	–	–	–	–
As at 31.12.2015 and 1.1.2016	50	11	151	25	12	249
Additions	–	–	192	–	1	193
Disposals	–	–	(151)	–	–	(151)
As at 31.12.2016	50	11	192	25	13	291
Accumulated depreciation						
As at 1.1.2015	13	9	151	8	7	188
Charge for the year	10	1	–	5	2	18
As at 31.12.2015 and 1.1.2016	23	10	151	13	9	206
Charge for the year	10	1	3	4	2	20
Disposals	–	–	(151)	–	–	(151)
As at 31.12.2016	33	11	3	17	11	75
Net book value						
As at 31.12.2016	17	–	189	8	2	216
As at 31.12.2015	27	1	–	12	3	43

(a) *Assets held under finance leases*

The Group has motor vehicles under finance leases (Note 32) with net book value of $189,000 (2015: $276,000). The leased assets are pledged as security for the related finance lease liabilities.

(b) *Reclassification of land and buildings to investment properties in the prior year*

In September 2015, the Group leased its D'Kranji Farm Resort in Singapore to a third party, granting the third party the right to manage, operate and collect revenue in relation to the resort. Under the arrangement, the Group receives a fixed monthly fee. The key terms of this arrangement are disclosed in Note 31. With the change of use of the property, the carrying values of these land and buildings, and other furniture and fittings and machineries and equipment which formed an integral part of the property, were reclassified to investment properties.

In accordance with FRS 40 *Investment Property*, the land and buildings, and other furniture and fittings and machineries and equipment of D'Kranji Farm Resort were revalued to their estimated fair values on 1 September 2015 upon reclassification to investment properties. The fair values were determined by an independent valuation performed by ECG Consultancy Pte Ltd. The resultant revaluation gain of $1,093,000, offset by deferred taxes of $186,000, was recognised in other comprehensive income, and included under asset revaluation reserve. The resultant revaluation gain is not significant.

Details of the above property is disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) *Reclassification of machineries and equipment to investment properties in the current year*

During the year, the Group reclassified certain machineries and equipment, with total carrying amount of $387,000 from property, plant and equipment to investment properties. These items were included in a lease agreement with a third party, under one of the co-operation agreements entered into by a subsidiary in March 2016 for cultivation of cassava as disclosed in Note 31(cii).

In accordance with FRS 40 *Investment Property*, the machineries and equipment were valued to their estimated fair values on 1 March 2016 upon reclassification to investment properties. As the revaluation gains were not significant, there were no revaluation gains recognised in other comprehensive income in respect of these machineries and equipment in the current year.

(d) *Reclassification of leasehold land from investment properties in current year*

The Group's 9,985 hectares of farmland plantation at Aoral District in Kampong Speu Province, Cambodia has been classified as investment properties since the inception of the co-operation agreement with Zhong Fu International Investment (Cambodia) Ltd ("Zhong Fu") in 2014, as disclosed in Note 31 (c). In October 2016, the Group changed its mode of operations for approximately 2,400 hectares of this farmland, from co-operating with Zhong Fu for the cultivation of crop to directly planting crop.

In accordance with FRS 40 *Investment Property*, these properties have been reclassified to property, plant and equipment with its fair value of $19,846,000 at the date of change in use being the deemed cost for subsequent accounting and depreciation in accordance with FRS 16 Property, Plant and Equipment.

(e) *Impairment of property, plant and equipment ("PPE")*

The Group carried out a review of the recoverable amount of the following PPE that had indicators of impairment:

Land use rights and buildings and structures

A subsidiary has land use rights over a plot of state-owned land in People's Republic of China. During the financial year ended 31 December 2015, the subsidiary carried out a review of the recoverable amount of these land use rights and also its buildings and structures, as its operations have been inactive since 2009. As a result of the recoverable value calculated by management, these PPE, with a carrying value of $1,155,000 have been fully written down since the previous financial year.

Machineries and equipment, motor vehicles, office equipment and furniture and fittings

A subsidiary within the agricultural segment in Cambodia carried out a review of the recoverable amount of its PPE with a carrying amount of $12,673,000 (2015: $11,554,000). This includes machineries and equipment, motor vehicles, office equipment and furniture and fittings amounting to $9,279,000 (2015: $10,569,000) which have been left idle since the change in the Group's mode of operations in 2014. As a result of the assessment, no impairment loss (2015: $670,000) was recognised. The recoverable value was calculated based on valuation performed by an independent valuation expert.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(f) For the purposes of the consolidated cash flow statement, the cash flow for purchases of property, plant and equipment is as follows:

	2016 $'000	2015 $'000
Aggregate additions of property, plant and equipment for the year per Note 11	**1,067**	3,657
Less: Acquisition of motor vehicle under finance lease	**97**	–
Purchase of property, plant and equipment per consolidated cash flow statement	**970**	3,657

12. INVESTMENT PROPERTIES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Balance sheet:				
At 1 January	**102,389**	77,864	**276**	276
Reclassified (to)/from property, plant and equipment (net)	**(19,459)**	8,928	**–**	–
Disposed during the year	**(177)**	–	**–**	–
Net gains from fair value adjustments recognised in profit or loss (Note 5)	**5,381**	10,005	**342**	–
Exchange differences	**1,314**	5,592	**–**	–
At 31 December	**89,448**	102,389	**618**	276

12. INVESTMENT PROPERTIES (CONTINUED)

The investment properties held by the Group as at 31 December 2016 are as follows:

	Description and location	Existing use	Tenure	Land area	Carrying value $'000
(a)	Land at Kmougne Village, Kmougne Commune, Sean Sock District, Phnom Penh City, Cambodia, Plot no: 1157 (20% interest owned by the Group)	Vacant land	Freehold	6,667 m^2	618
(b)	Land, factory and warehouse at Tropaing Chheu Neang Village, Peuk Commune, Ang Snoul District, Kandal Province, Cambodia	Industrial land	Freehold	18,051 m^2	3,638
(c)	Land, buildings and infrastructure at Prek Village, Amleang Commune, Thpong District, Kampong Speu Province, Cambodia	Agriculture land	Freehold	450 hectares	5,334
(d)	Land, buildings and infrastructure at Aoral District in Kampong Speu Province, Cambodia	Agriculture land	70 years concession	7,585 hectares	69,264
(e)	Land at Tropiang Cho Commune, Aoral District in Kampong Speu Province, Cambodia	Agriculture land	Freehold	403 hectares	1,747
(f)	Land at 10 Neo Tiew Lane 2, D'Kranji Farm Resort, #01-05, Singapore 718813	Farm resort	Leasehold	50,969 m^2	10,600

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

– A legal mortgage provided to a bank, over the freehold land in (b) above

– A first mortgage provided to a bank over the leasehold property in (f) above

These mortgages are provided in respect of the Group's loans and borrowings. Details of these loans and borrowings are disclosed in Note 27.

Valuation of investment properties

Investment properties are stated at fair value, which have been determined based on valuations performed as at 31 December 2016 and 2015 by independent real estate valuation experts with recent experience in the location and category of the properties being valued. Details of the valuation techniques and inputs used are disclosed in Note 34.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INVESTMENT IN SUBSIDIARIES

(a) Investment in subsidiaries comprises:

	Company	
	2016	**2015**
	$'000	**$'000**
Unquoted equity shares, at cost	**23,969**	23,969
Less: Impairment losses	**(22,969)**	(22,969)
	1,000	1,000

(b) The Company has the following significant investments in subsidiaries.

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held		Cost of investment	
			2016	**2015**	**2016**	**2015**
			%	**%**	**$'000**	**$'000**
Held by the Company						
Hong Lai Huat International Pte Ltd*	Investment holding	Singapore	100	100	21,981	21,981
HLH Agri International Pte Ltd*	Investment holding	Singapore	100	100	988	988
HLH Development Pte Ltd*	Investment holding	Singapore	100	100	1,000	1,000
					23,969	23,969

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held 2016 %	2015 %
Held by HLH Agri International Pte Ltd				
HLH Agri R&D Pte Ltd*	Agricultural research and experimentation	Singapore	**100**	100
HLH Global Trading Pte Ltd*	Dormant	Singapore	**100**	100
Tieling HLH Agri Processing Co. Ltd (China)[@]	Dormant	China	**85**	85
HLHI (Cambodia) Company Limited**[(i)]	Investment holding, property investment	Cambodia	**49**	49
HLH Agriculture (Cambodia) Co.Ltd**	Agriculture plantation, processing and distribution	Cambodia	**100**	100
HLHS (Cambodia) Co. Ltd[^@]	Dormant	Cambodia	**70**	70
Held by HLH Development Pte Ltd				
Castilia Development Pte Ltd[(ii)]	Property development and real estate	Singapore	**–**	80
Hong Lai Huat Development (Cambodia) Limited**[(i) @]	Property development and real estate	Cambodia	**49**	49
Held by Hong Lai Huat International Pte Ltd				
Public Housing Development (Cambodia) Limited[@ (i)]	Investment holding, property investment	Cambodia	**49%**	49%
PH One Development (Cambodia) Limited**[(i)]	Property development and real estate	Cambodia	**49%**	49%
PH Two Development (Cambodia) Limited[@(i)]	Property development and real estate	Cambodia	**49%**	49%
New Building Products (Cambodia) Ltd[@ (i)]	Import/export of construction materials	Cambodia	**49%**	49%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

* Audited by Ernst & Young LLP, Singapore.

** Audited by member firm of Ernst & Young Global.

@ Not required to be audited under the laws of the country of incorporation.

^ Not material to the Group and not required to be disclosed under SGX Listing Rule 717.

(i) A director of the Company holds the remaining 51% interest in these subsidiaries, in trust for the Group, pursuant to deeds of trust agreement between the director and the companies in the Group. Accordingly, 100% interests of these subsidiaries have been consolidated in the Group's financial statements.

(ii) Struck off during the year

14. DEVELOPMENT PROPERTIES

	Group	
	2016	**2015**
	$'000	**$'000**
Freehold land	**14,136**	13,820
Development costs	**5,766**	620
At 31 December	**19,902**	14,440

Description and location	**% owned**	**Site area (square metre)**	**Gross floor area (square metre)**	**Stage of completion as at date of annual report (expected year of completion) $'000**
Land in Preah Sihanouk Province, Cambodia	100%	9,818	92,566	11% (2018)
Land in Preah Sihanouk Province, Cambodia	100%	22,064	103,000	N.A. (2020)

15. INVENTORIES

	Group	
	2016	**2015**
	$'000	**$'000**
Balance sheet:		
Raw materials	**46**	45
Consumables	**176**	241
Machineries and spare parts	**349**	341
Finished goods	**116**	–
	687	627
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales (Note 8)	**279**	232
Inclusive of the following charge:		
– Inventories written down	**–**	232

16. BIOLOGICAL ASSETS

	Group	
	2016	**2015**
	$'000	**$'000**
At 1 January	**206**	–
Additions*	**–**	206
Decreases due to harvest*	**(206)**	–
At 31 December	**–**	206

* These are additions and decreases to cassava and sugar cane plantations during the year.

The fair values of cassava and sugarcane have been determined based on the estimate of selling prices less estimated point-of-sale costs. Point-of-sale costs include all costs that would be necessary to sell the assets.

17. ADVANCES TO A NON-CONTROLLING SHAREHOLDER

	Group	
	2016	**2015**
	$'000	**$'000**
Advances to a non-controlling shareholder		
– non-trade	**16**	–

Non-trade advances to a non-controlling shareholder are unsecured, interest-free and repayable on demand in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. TRADE RECEIVABLES

Included in trade receivables is an amount of $7,545,000 (2015: $4,566,000) pertaining to a co-operation agreement entered into by a subsidiary with a third party for cultivation of cassava. In accordance with the agreement, repayment terms are either by way of cash or the equivalent value in crop upon harvest. The amount is non-interest bearing and recognised at its contractual value which represent the fair value on initial recognition.

The remaining trade receivables are non-interest bearing and are generally on 0 to 120 days' terms. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

The Group has trade receivables amounting to $7,763,000 (2015: $67,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Less than 30 days	**398**	358
30 days to 60 days	**313**	365
61 days to 90 days	**292**	354
Over 90 days	**6,760**	3,583
At 31 December	**7,763**	4,660

19. OTHER RECEIVABLES AND DEPOSITS

	Group	
	2016	**2015**
	$'000	**$'000**
Other receivables (net of allowance for impairment)	**727**	682
Deposits	**193**	118
	920	800

The Group's other receivables that are impaired at the end of the reporting period are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Other receivables	**3**	3
Less: Allowance for impairment (Note i)	**(3)**	(3)
	–	–

Note (i): Other receivables that are individually determined to be impaired at the end of the reporting period relate to a debtor that has defaulted on payments.

20. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2016	**2015**
	$'000	**$'000**
Due from subsidiaries		
– trade	**11,998**	11,956
– non-trade	**90,325**	75,108
	102,323	87,064
Less: Allowance for doubtful debts	**(2,697)**	(2,697)
	99,626	84,367
Due to subsidiaries		
– non-trade	**(8,594)**	(9,254)

The balances due from/(to) subsidiaries are unsecured, interest-free, repayable on demand and are to be settled in cash

Included in amount due from subsidiaries is an amount of $81,490,000 (2015: $79,161,000) due from key subsidiaries in the agriculture division.

21. LOANS FROM A DIRECTOR

The loans from a director bore interest based on the floating interest rate on an existing external bank borrowing, and ranged between 5.78% and 5.86% per annum. The amount was repayable on demand. The amount was settled during the year by way of offsetting the amount outstanding to the director against a portion of the director's subscription to rights shares.

22. INVESTMENT SECURITIES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Held for trading investments				
– equity instruments (quoted)	**2**	2	**–**	–

23. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Cash at banks and on hand	**5,968**	2,910	**272**	64
Short-term fixed deposits with financial institutions	**778**	509	**–**	–
	6,746	3,419	**272**	64

Cash at banks and fixed deposits earn interest at floating rates based on daily deposit rates of 0.50% (2015: 0.50%) per annum. Fixed deposits are held for varying periods of between 1 to 3 months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

23. CASH AND SHORT-TERM DEPOSITS (CONTINUED)

Cash and cash equivalents denominated in foreign currency at the end of the reporting period are as follows:

	2016 $	2015 $
United States Dollar	**124,999**	18,979

24. TRADE PAYABLES

These amounts are non-interest bearing and normally settled on 60-days' terms.

As at 31 December 2015, the trade payables balance included an amount of $3,321,000 pertaining to outstanding payment for a plot of land acquired in Sihanoukville Province, Cambodia, for the Group's property development project. This has been settled in cash during the year.

25. DEFERRED TAX LIABILITIES

As disclosed in Notes 11(b) and 12, the Group recognised a gain on revaluation of land and buildings and a gain on change in fair value of investment properties during the current and prior financial years. The deferred tax liabilities as at 31 December therefore relate to the following:

	Balance sheet		Other comprehensive income		Income statement	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Group						
Deferred tax liabilities						
Revaluation of land and buildings	**11,504**	11,275	**–**	186	**–**	–
Gain on change in fair value of investment properties	**3,387**	2,815	**–**	–	**557**	2,066
	14,891	14,090	**–**	186	**557**	2,066

The Group has tax losses of approximately $47,402,000 (2015: $45,175,000) that are available for offset against future taxable profits of the Group for which deferred tax assets amounting to approximately $8,972,000 (2015: $8,512,000) are not recognised due to uncertainty of the recoverability. The use of these tax losses is subject to the agreement of tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the companies operate.

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26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Current:				
Other payables	**388**	1,545	**118**	559
Deposits received	**309**	549	**–**	–
Accrued operating expenses	**486**	490	**376**	345
	1,183	2,584	**494**	904
Non-current:				
Deposits received	**–**	1,415	**–**	–
Deferred income	**7,803**	846	**–**	–
	7,803	2,261	**494**	904
Total other payables and accruals	**8,986**	4,845	**494**	904

Other payables are unsecured, non-interest bearing and are repayable on demand in cash.

The non-current deposits received related to security deposits placed by a third party relating to a co-operation agreement. This was forfeited during the year due to the third party not fulfilling certain contractual obligations under the terms of the agreement. The forfeiture was done by way of offsetting the deposits received against the trade receivables due from the third party.

27. LOANS AND BORROWINGS

	Year of maturity	Group		Company	
		2016	**2015**	**2016**	**2015**
		$'000	**$'000**	**$'000**	**$'000**
Current:					
Bank loans:					
SGD bank loan 1 at base rate – 0.6% p.a.[(a)]	2016-2017	**629**	3,818	**–**	–
USD bank loan 1 at base rate + 1.75% p.a.[(b)]	2016-2017	**205**	239	**–**	–
USD bank loan 2 at base rate + 4.25% p.a.[(c)]	2016-2017	**872**	1,838	**–**	–
Loan from third party[(d)]	2016	**–**	778	**–**	–
Obligations under finance leases (Note 32)[(e)]	2013-2018	**77**	84	**51**	–
		1,783	6,757	**51**	–
Bank loans:					
SGD bank loan 1 at base rate – 0.6% p.a.[(a)]	2017-2021	**2,591**	–	**–**	–
USD bank loan 1 at base rate + 1.75% p.a.[(b)]	2018-2020	**574**	1,101	**–**	–
USD bank loan 2 at base rate + 4.25% p.a.[(c)]	2017-2018	**1,320**	1,592	**–**	–
Obligations under finance leases (Note 32)[(f)]	2013-2018	**45**	79	**45**	–
		4,530	2,772	**45**	–
Total loans and borrowings		**6,313**	9,529	**96**	–

* Base rate refers to the respective banks' internal cost of funds.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. LOANS AND BORROWINGS (CONTINUED)

(a) SGD bank loan at base rate – 0.6% p.a.

This loan is secured by a first mortgage over the Group's leasehold land and buildings at 10 Neo Tiew Lane 2 [Note 12(f)] and corporate guarantee by the Company. The loan bears interest at 4.5% (2015: 4.5%) per annum, during the year. It is repayable in 72 equal instalments and will be fully repaid in September 2021, in accordance with the terms of the loan agreement.

In the previous financial year, a covenant of the term loan was breached. The Group's subsidiary exceeded the maximum security ratio allowed under the loan agreement. As the lenders were contractually entitled to request for immediate repayment of the entire outstanding loan balance of $3,818,000, following FRS 1 *Presentation of Financial Statements*, the entire outstanding loan amount was classified as a current liability as at 31 December 2015.

As at 31 December 2016, the term loan covenants have been complied with. Hence the outstanding loan amount has been apportioned between current and non-current liabilities in accordance with the repayment terms of the loan agreement.

(b) USD bank loan 1 at base rate + 1.75% p.a.

The loan is secured by a legal charge over the Group's freehold land and buildings at Tropaing Chheu Neang Village [Note 12(b)] and corporate guarantee by the Company. The loan bears interest at 8% (2015: 8%) per annum during the year. It is repayable in 60 equal instalments and will be fully repaid in October 2020.

(c) USD bank loan 2 at base rate + 4.25% p.a.

This loan is secured by way of the following:

- charge and assignment over all bank accounts of two subsidiaries;
- assignment of all receivables of two subsidiaries;
- charge over all ordinary shares of a subsidiary;
- legal mortgage over freehold land of a subsidiary at Prek Village, Amleang Commune [Note 12(c)];
- charge over specified lists of vehicles, machineries and equipment of two subsidiaries; and
- assignment of interests in insurance policies of two subsidiaries.

The loan is repayable over a 3-year period and bears interest at at 6.1% to 6.4% (2015: 5.8% to 5.9%) per annum. It is expected to be fully repaid by December 2018.

(d) Loan from third party

The loan was provided by a former director of the Group's subsidiaries, and an insignificant public shareholder of the Group. It bore interest at 5.86% per annum, was repayable on demand and was settled in cash during the year.

27. LOANS AND BORROWINGS (CONTINUED)

(e) Obligations under finance leases

These obligations are secured by a charge over the leased assets [Note 11(a)]. The average discount rate implicit in the leases is 4.80% per annum (2015: 4.63% per annum). These obligations are denominated in Singapore dollars.

28. SHARE CAPITAL

	Group and Company			
	2016		2015	
	No. of ordinary shares	$'000	No. of ordinary shares	$'000
Issued and fully paid				
At 1 January	**3,957,211,329**	**76,897**	3,957,211,329	76,897
Issue of ordinary shares	**2,700,857,253**	**17,705**	–	–
At 31 December	**6,658,068,582**	**94,602**	3,957,211,329	76,897

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

29. RESERVES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Capital reserve (Note (i))	**414**	481	**(459)**	(459)
Asset revaluation reserve (Note (ii))	**40,521**	40,521	**–**	–
Foreign currency translation reserve (Note (iii))	**7,087**	5,703	**–**	–
Accumulated losses	**(12,856)**	(17,517)	**(1,591)**	(826)
	35,166	29,188	**(2,050)**	(1,285)

Note (i)
Capital reserve of the Group and the Company relates to adjustment on share capital issued in relation to the settlement of certain debts of the Group and the Company and net reserve on consolidation taken directly to shareholders' interests in accordance with the Group's accounting policy. The balance is not available for distribution as dividends in any form.

As at 31 December 2015, the balance included an amount of $67,000 relating to a non-controlling shareholder's share of pre-acquisition losses in a subsidiary. This amount has been de-recognised upon the strike-off of the subsidiary during the year.

Note (ii)
The asset revaluation reserve represents revaluation of land and buildings, net of deferred tax liabilities, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

Note (iii)
The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency and the translation of monetary items that form part of the Group's net investment in foreign operations.

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30. RELATED PARTY DISCLOSURES

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

(a) ***Transactions, arrangements and agreements involving directors and other related parties***

		Group	
	Note	**2016**	**2015**
		$'000	**$'000**
Management fee income in respect of beer garden and restaurant operations at D'Kranji Farm Resort	(i)	**–**	168
Personnel expenses	(ii)	**256**	237
Loans from a director to a subsidiary	(iii)	**–**	4,737
Interest expense on loans from a director	(iv)	**130**	117

(i) The subsidiary, HLH Agri R & D Pte Ltd has entered into agreements with a partnership owned by close family members of a director of the Group. The partnership is the permitted operator of the beer garden and restaurant at D'Kranji Farm Resort and pays management fees based on specified percentage of the sales revenue from these operations.

(ii) Personnel expenses of $256,000 (2015: $237,000) were paid to individuals who are close family members of directors. These individuals are occupying managerial positions of the Company and its subsidiaries.

(iii) A director of the Group provided personal loans to the Group to support the Group's land acquisition for property development projects in Cambodia (Note 21).

(iv) Interest of $130,000 (2015: $117,000) was paid to a director in relation to the personal loans provided by the director (Note 7).

(b) ***Transactions with subsidiaries***

	Company	
	2016	**2015**
	$'000	**$'000**
Management fees from subsidiaries	**120**	1,575

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30. RELATED PARTY DISCLOSURES (CONTINUED)

(c) ***Compensation of key management personnel***

	Group	
	2016	**2015**
	$'000	**$'000**
Short term employee benefits	**733**	1,490
Central Provident Fund contributions	**42**	45
	775	1,535
Comprise amounts paid to:		
Director of the Company	**775**	1,275
Other key management personnel	**–**	260
	775	1,535

31. COMMITMENTS

(a) ***Operating lease commitments – as lessor***

During the financial year ended 31 December 2015, a subsidiary entered into a management agreement with another party, granting the company the right to manage, operate, and collect revenue in relation to the Group's resort in Singapore. The third party company is owned by a former director of the subsidiary and an insignificant shareholder of the Group. As at 31 December 2016, this non-cancellable lease has remaining lease term of 21 months (2015: 33 months). Upon the expiry of the lease term and subject to the Group's approval, the lease may be renewed for a further fixed term of 36 months, up to till 2024, with upward revision of the rental charge.

Future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Within one year	**1,080**	1,156
Later than one year but not later than five years	**810**	1,890
	1,890	3,046

31. COMMITMENTS (CONTINUED)

(b) ***Operating lease commitments – as lessee***

The Group has various commercial leases in Cambodia for the use of office premise and agricultural operations. These non-cancellable leases have remaining lease terms of between one to five years. The operating leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debts or entering into other leasing agreements.

During the financial year ended 31 December 2010, a subsidiary entered into a concession agreement with the Royal Government of Cambodia to obtain rights to use a parcel of land with an area of 9,985 hectares for a period of 70 years. Under the concession agreement, the subsidiary shall pay US$1 per hectare per annum from year 2014 to year 2078 for environmental protection of the land parcel in accordance with the Law on Environmental Protection Area and National Resource Management.

Minimum lease payments recognised as an expense in the statement of comprehensive income for the financial year ended 31 December 2016 amounted to $444,000 (2015: $176,000). Future minimum lease payments payable under non-cancellable operating leases as described above as at 31 December 2016 and 2015 are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Not later than one year	**189**	149
Later than one year but not later than five years	**26**	209
Later than five years	**1,194**	805
	1,409	1,163

(c) ***Co-operation agreements***

(i) *Aoral District in Kampong Speu Province, Cambodia*

On 26 December 2013, HLHA entered into an agreement with Zhong Fu International Investment (Cambodia) Ltd ("Zhong Fu") in respect of the cultivation, processing and production of cassava (or maize and sugarcane) at HLHA's 9,985 hectares of farmland plantation (Note 12(d)). The agreement is for a period of 5 years, with an option to renew for a further term of 5 years, and commenced in 2014. Under the agreement, HLHA shall grant Zhong Fu the right to use the plantation and Zhong Fu shall be solely responsible for all costs relating to, the planting, harvesting, processing, and sale of cassava cultivated on the plantation. In return, Zhong Fu shall pay HLHA US$3 million for the first year, US$3 million for the second year and subsequently US$4 million each year for the next 3 years, either in cash or crop of the equivalent value based on the market prices, at HLHA's option. The amount to be paid by Zhong Fu for the first year was subsequently revised to US$2.55 million in 2014 by way of an addendum to the agreement.

On 13 October 2016, HLHA requested Zhong Fu to hand over approximately 2,400 hectares of the farmland which the Group is currently using for their own cultivation In this respect, the 2,400 hectares has been reclassified from investment property to property, plant and equipment [Note 11(d)].

Under the agreement, Zhong Fu has the option to purchase the farmland at a price of US$60 million during the 5-year agreement period. This is subject to the approval of the Group's shareholders, and compliance with all applicable laws and regulations of relevant government or regulatory authorities.

NOTES TO THE FINANCIAL STATEMENTS

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31. COMMITMENTS (CONTINUED)

(c) ***Co-operation agreements (continued)***

(ii) *Prek Village, Thpong District, Kampong Speu Province, Cambodia*

In March 2016, HLHA entered into a co-operation agreement with a local farmer in respect of the cultivation, processing and production of cassava at HLHA's 450 hectares of farmland plantation [Note 12(c)]. The agreement is for a period of 3 years, with an option to renew for a further term of 5 years. Under the agreement, HLHA shall grant the third party the right to use the plantation and the third party shall be solely responsible for all costs relating to, the planting, harvesting, processing, and sale of cassava cultivated on the plantation.

32. FINANCE LEASES

The Group has finance leases for motor vehicles [Note 11(a)]. The leases have remaining term of approximately 1 to 2 years. The lease agreements do not have terms of renewal and purchase options.

The effective interest rates for the finance leases range from 4.35% to 5.25% (2015: 4.35% to 4.92%) per annum.

Future minimum lease payments payable under these finance leases together with the present value of the net minimum lease payments as at 31 December are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Present value of minimum lease payments are as follows:				
Not later than one year	**77**	84	**47**	–
Later than one year but not later than five years	**45**	79	**45**	–
Total present value of minimum lease payments	**122**	163	**92**	–
Future minimum lease repayments are as follows:				
Not later than one year	**81**	90	**51**	–
Later than one year but not later than five years	**46**	81	**46**	–
Total future minimum lease payments	**127**	171	**97**	–
Amount representing interest	**(5)**	(8)	**(5)**	–
	122	163	**92**	–

33. CONTINGENT LIABILITIES

The Company has provided corporate guarantees of $6,313,000 (2015: $14,103,000) for subsidiaries' loans and borrowings.

The Company has also undertaken to provide financial support to certain subsidiaries for deficiencies in their shareholders' funds and to extend adequate funding to meet their operational needs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

– Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3 – Unobservable inputs for the asset or liability

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) *Assets measured at fair value*

The following table shows an analysis of the assets measured at fair value at the end of the reporting period:

2016	**Quoted prices in active markets for identical instruments (Level 1) $'000**	**Significant observable inputs other than quoted prices (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Financial assets:				
Held for trading investments (Note 22)	**2**	**–**	**–**	**2**
Non-financial assets:				
Investment properties (Note 12)	**–**	**–**	**89,448**	**89,448**

2015	**Quoted prices in active markets for identical instruments (Level 1) $'000**	**Significant observable inputs other than quoted prices (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Financial assets:				
Held for trading investments (Note 22)	2	–	–	2
Non-financial assets:				
Biological assets (Note 16)	–	206	–	206
Investment properties (Note 12)	–	–	102,389	102,389

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) *Assets measured at fair value (continued)*

Determination of fair values

Held for trading investments (Note 22): Fair values are determined directly by reference to the published market bid price of quoted equity instruments at the end of the reporting period.

Investment properties (Note 12): Fair values are determined based on valuations performed by independent real estate valuation experts with recent experience in the location and category of the properties being valued.

Biological assets (Note 16): Fair values are determined based on the actual selling prices in the local market approximating those at year end, less estimated point-of-sale costs.

(c) *Level 3 fair value measurements*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements*

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description and location	Fair value as at 31 December 2016 ($'000)	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
(a) Land at Kmougne Village, Kmougne Commune, Sean Sock District, Phnom Penh City, Cambodia, Plot no: 1157	618	Direct comparison method	Transacted price of comparable properties (sqm): $374 to $900 (2015: $495 to $919)	The estimated fair value increases with higher comparable prices.
(b) Land at Tropaing Chheu Neang Village, Peuk Commune, Ang Snoul District, Kandal Province, Cambodia	3,638	Direct comparison method	Transacted price of comparable properties (sqm): $55 to $125 (2015: $77 to $177)	The estimated fair value increases with higher comparable prices.
Factory and warehouse at Tropaing Chheu Neang Village, Peuk Commune, Ang Snoul District, Kandal Province, Cambodia		Depreciated replacement cost method	Market price (sqm): $97 to $180 (2015: $71 to $170)	The estimated fair value increases with higher construction costs.

NOTES TO THE FINANCIAL STATEMENTS

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34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) *Level 3 fair value measurements (continued)*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements (continued)*

Description and location	Fair value as at 31 December 2016 ($'000)	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
(c) Land at Prek Village, Amleang Commune, Thpong District, Kampong Speu Province, Cambodia	5,334	Direct comparison method	Transacted price of comparable properties (sqm): $0.46 to $1.38 (2015: $0.28 to $0.38)	The estimated fair value increases with higher comparable prices.
Buildings and infrastructure at Prek Village, Amleang Commune, Thpong District, Kampong Speu Province, Cambodia		Depreciated replacement cost method	Market price (sqm): $83 to $180 (2015: $40 to $103)	The estimated fair value increases with higher construction costs.
(d) Land at Aoral District in Kampong Speu Province, Cambodia	69,264	Direct comparison method	Transacted price of comparable properties (sqm): $0.46 to $0.97 (2015: $0.18 to $0.99)	The estimated fair value increases with higher comparable prices.
Buildings and infrastructure at Aoral District in Kampong Speu Province, Cambodia		Depreciated replacement cost method	Market price (sqm): $83 to $235 (2015: $40 to $170)	The estimated fair value increases with higher construction costs.

NOTES TO THE FINANCIAL STATEMENTS

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34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) *Level 3 fair value measurements (continued)*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements (continued)*

	Description and location	Fair value as at 31 December 2016 ($'000)	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
(e)	Land at Tropiang Cho Commune, Aoral District in Kampong Speu Province, Cambodia	1,747	Direct comparison method	Transacted price of comparable properties (sqm): $0.28 to 0.73 (2015: $0.27 to $0.41)	The estimated fair value increases with higher comparable prices.
(f)	Land at 10 Neo Tiew Lane 2, D'Kranji Farm Resort, #01-05, Singapore 718813	10,600	Investment method	Capitalisation yield: 4%	The estimated fair value varies inversely against the capitalisation yield.

For all investment properties, a significant increase (decrease) in the significant unobservable inputs would result in a significantly higher (lower) fair value measurement.

(ii) *Movements in Level 3 assets and liabilities measured at fair value*

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs (Level 3):

	Investment properties	
	2016	**2015**
	$'000	**$'000**
Opening balance	**102,389**	77,864
Total gains or losses for the period		
– Included in profit or loss	**5,381**	10,005
– Included in other comprehensive income	**–**	1,093
Reclassified (to/)from property, plant and equipment	**(19,459)**	7,835
Disposed during the year	**(177)**	–
Exchange differences	**1,314**	5,592
Closing balance	**89,448**	102,389

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) *Level 3 fair value measurements (continued)*

(iii) Valuation policies and procedures

It is the Group's policy to engage external valuation experts to perform the valuation. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 *Fair Value Measurement* guidance.

The Group revalues its properties and the valuation techniques used are as follows:

(i) Direct comparison approach that considers the sales of similar properties that have been transacted in the open market with adjustment made for differences in factors that affect value

(ii) Depreciated replacement cost method that is based on estimated gross replacement cost of similar properties, less allowances for physical deterioration, obsolescence and optimisation

(iii) Investment method that takes into account the annual net income of the property which is then capitalized at an appropriate rate of return to arrive at the market value

(d) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

The carrying amounts of trade receivables (Note 18), other receivables and deposits (Note 19), cash and short-term deposits (Note 23), trade payables (Note 24), other payables and accruals (Note 26), and amounts due to/from subsidiaries (Note 20) are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of bank loans (Note 27) approximate fair values as these instruments bear interest at variable market rates. The carrying amount of finance lease obligations (Note 32) approximates fair value as they bear market interest rates which are revised at regular intervals and are estimated based on the expected cash flows discounted to present value.

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35. FINANCIAL INSTRUMENTS

Classification of financial instruments

	Note	Loans and receivables $'000	Held for trading $'000	Financial liabilities at amortised cost $'000	Total $'000
2016					
Group					
Assets					
Trade receivables	18	7,837	–	–	7,837
Other receivables and deposits	19	920	–	–	920
Advances to a non-controlling shareholder	17	16	–	–	16
Investment securities	22	–	2	–	2
Cash and short-term deposits	23	6,746	–	–	6,746
Total financial assets		15,519	2	–	15,521
Total non-financial assets					145,909
Total assets					161,430
Liabilities					
Trade payables	24	–	–	1,459	1,459
Other payables and accruals	26	–	–	1,183	1,183
Loans and borrowings	27	–	–	6,313	6,313
Total financial liabilities		–	–	8,955	8,955
Total non-financial liabilities					22,730
Total liabilities					31,685

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. FINANCIAL INSTRUMENTS (CONTINUED)

Classification of financial instruments (continued)

	Note	Loans and receivables $'000	Held for trading $'000	Financial liabilities at amortised cost $'000	Total $'000
2015					
Group					
Assets					
Trade receivables	18	4,764	–	–	4,764
Other receivables and deposits	19	800	–	–	800
Investment securities	22	–	2	–	2
Cash and short-term deposits	23	3,419	–	–	3,419
Total financial assets		8,983	2	–	8,985
Total non-financial assets					133,977
Total assets					142,962
Liabilities					
Trade payables	24	–	–	3,465	3,465
Other payables and accruals	26	–	–	3,999	3,999
Loans from a director	21	–	–	4,737	4,737
Loans and borrowings	27	–	–	9,529	9,529
Total financial liabilities		–	–	21,730	21,730
Total non-financial liabilities					15,071
Total liabilities					36,801

NOTES TO THE FINANCIAL STATEMENTS

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35. FINANCIAL INSTRUMENTS (CONTINUED)

Classification of financial instruments (continued)

	Note	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Total $'000
2016				
Company				
Assets				
Amounts due from subsidiaries	20	99,626	–	99,626
Cash and short-term deposits	23	272	–	272
Total financial assets		99,898	–	99,898
Total non-financial assets				1,838
Total assets				101,736
Liabilities				
Other payables and accruals	26	–	494	494
Amounts due to subsidiaries	20	–	8,594	8,594
Loans and borrowings	27	–	96	96
Total liabilities		–	9,184	9,184

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. FINANCIAL INSTRUMENTS (CONTINUED)

Classification of financial instruments (continued)

	Note	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Total $'000
2015				
Company				
Assets				
Amounts due from subsidiaries	20	84,367	–	84,367
Cash and short-term deposits	23	64	–	64
Total financial assets		84,431	–	84,431
Total non-financial assets				1,339
Total assets				85,770
Liabilities				
Other payables and accruals	26	–	904	904
Amounts due to subsidiaries	20	–	9,254	9,254
Total liabilities		–	10,159	10,158

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks from its operations and the use of financial instruments. The key financial risks include interest rate risk, credit risk, liquidity risk and foreign currency risk. The board of directors review s and agrees policies and procedures for the management of these risks, which are executed by the Finance department. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

(a) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing deposits placed with various financial institutions. The Group's and the Company's policy are to obtain the most favourable interest rates available.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 100 basis points lower/higher with all other variables held constant, the Group's profit before tax would have been approximately $76,000 (2015: $95,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

(b) *Credit risk*

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

It is the Group's policy that guidelines are in place to ensure that the credit sales are only made to customers with appropriate credit standing.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Exposure to credit risk

As at the end of the reporting period, the Group's maximum exposure to credit risk is represented by:

– an amount of $7,545,000 (2015: $4,566,000) due from a third party, relating to a co-operation agreement

– a nominal amount of $6,313,000 (2015: $14,103,000) relating to corporate guarantees provided by the Company for subsidiaries' loans and borrowings.

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) ***Credit risk (continued)***

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country sector profile of the Group's trade receivables as at the end of the reporting period is as follows:

	2016		**2015**	
	$'000	**%**	**$'000**	**%**
Singapore	**148**	**1.9**	164	3.5
Cambodia	**7,689**	**98.1**	4,600	96.5
	7,837	**100.0**	4,764	100.0

At the end of the reporting period, approximately 96.3% (2015: 95.8%) of the Group's trade receivables was due from a third party, pertaining to a co-operation agreement entered into by a subsidiary for cultivation of cassava.

Financial assets that are neither past due or impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short-term deposits and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with good credit ratings.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 (Trade receivables), Note 19 (Other receivables and deposits), and Note 20 (Amounts due from/(to) subsidiaries).

(c) ***Liquidity risk***

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

NOTES TO THE FINANCIAL STATEMENTS

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) *Liquidity risk (continued)*

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

	Note	2016 One year or less $'000	2016 One to five years $'000	2016 Total $'000	2015 One year or less $'000	2015 One to five years $'000	2015 Total $'000
Group							
Financial assets:							
Trade receivables	18	**7,837**	**–**	**7,837**	4,764	–	4,764
Other receivables and deposits	19	**920**	**–**	**920**	800	–	800
Advances to a non-controlling shareholder	17	**16**	**–**	**16**	–	–	–
Investment securities	22	**2**	**–**	**2**	2	–	2
Cash and short-term deposits	23	**6,746**	**–**	**6,746**	3,419	–	3,419
Total undiscounted financial assets		**15,521**	**–**	**15,521**	8,985	–	8,985
Financial liabilities:							
Trade payables	24	**1,459**	**–**	**1,459**	3,465	–	3,465
Other payables and accruals	26	**1,183**	**–**	**1,183**	2,584	1,415	3,999
Loans from a director	21	**–**	**–**	**–**	4,769	–	4,769
Loans and borrowings	27	**2,048**	**5,005**	**7,053**	7,118	2,996	10,114
Total undiscounted financial liabilities		**4,690**	**5,005**	**9,695**	17,936	4,411	22,347
Total net undiscounted financial assets/(liabilities)		**10,831**	**(5,005)**	**5,826**	(8,951)	(4,411)	(13,362)

NOTES TO THE FINANCIAL STATEMENTS

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) *Liquidity risk (continued)*

	Note	2016 One year or less $'000	2016 One to five years $'000	2016 Total $'000	2015 One year or less $'000	2015 One to five years $'000	2015 Total $'000
Company							
Financial assets:							
Amount due from subsidiaries	20	**99,626**	**–**	**99,626**	84,367	–	84,367
Cash and short-term deposits	23	**272**	**–**	**272**	64	–	64
Total undiscounted financial assets		**99,898**	**–**	**99,898**	84,431	–	84,431
Financial liabilities:							
Other payables and accruals	26	**494**	**–**	**494**	904	–	904
Amount due to subsidiaries	20	**8,594**	**–**	**8,594**	9,254	–	9,254
Loans and borrowings	27	**51**	**45**	**96**	–	–	–
Total undiscounted financial liabilities		**9,139**	**45**	**9,184**	10,158	–	10,158
Total net undiscounted financial assets/(liabilities)		**90,759**	**(45)**	**90,714**	74,273	–	74,273

(d) *Foreign currency risk*

The Group's transactional currency exposures mainly arise from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The Group is also exposed to currency translation risk arising from its net investments in foreign operations. The foreign currency risk is largely attached to the exposure of its net financial assets denominated in USD.

Currently, the Group, does not hedge against the foreign currency exposure as the cash flows from purchases partially offset the cash flows from sales transactions and the time between the date of settlement and the date of collections are relatively short. The Group's net investments in Cambodia and PRC are not hedged as currency positions in USD and RMB are considered to be long-term in nature. The remaining exposure is not considered by the management to be significant.

In order to minimise foreign exchange risk, the Group has implemented policies and guidelines to facilitate the management of the foreign exchange risk. Whenever practicable, the Group will endeavour to match the currency of sales and purchases to minimise the net exposure and also to minimise excess foreign currency held by utilising bank facilities to bridge the short-term foreign currency needs due to the short-term gap between receivables and payables. The choice of invoicing currency will be made such that the Group's total currency exposure is minimised. The Group may use other common market instruments for hedging, such as forward exchange contracts, currency options contracts and money market where practicable, subject to the management's approval.

It is not the Group's policy to take speculative positions in foreign currencies.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) ***Foreign currency risk (continued)***

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD exchange rates against SGD, with all other variables held constant.

	Group	
	Profit before tax	
	2016	**2015**
	$'000	**$'000**
USD – strengthen 5% (2015: 5%)	**2,805**	1,772
USD – weaken 5% (2015: 5%)	**(2,805)**	(1,772)

37. CAPITAL MANAGEMENT

The Group manages its capital to ensure entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

The Group monitors capital using a gearing ratio, which is loans and borrowings divided by total capital which include equity attributable to the owners of the Company and non-controlling interests. The Group's policy is to maintain gearing ratio below 60%.

	Group	
	2016	**2015**
	$'000	**$'000**
Loans and borrowings (Note 27)	**6,313**	9,529
Equity attributable to the owners of the Company	**129,768**	106,085
Non-controlling interests	**(23)**	76
Total capital	**129,745**	106,161
Gearing ratio	**5%**	9%

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38. SEGMENT INFORMATION

Reporting format

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

(i) *Agriculture Division*

The Agriculture Division carries on the business of agricultural development, cultivation, branding and merchandising, and distribution of cassava, and includes the co-operation agreements with third parties to operate the agriculture land, and the agriculture-related resort business.

(ii) *Property Development and Real Estate Division*

The Property Development and Real Estate Division is carrying on the business of investment and prime development of commercial and residential properties. During the year, the Group has acquired several plots of land in Cambodia for property development.

(iii) *Others*

Others segment comprises:

(a) the Company who is engaged in the business of investment holding generating income from management services provided to related companies and dividend; and

(b) other subsidiaries whose scope of activities and financial results are not material enough to be reported under a separately reportable segment or which are currently dormant.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

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38. SEGMENT INFORMATION (CONTINUED)

	Agriculture division $'000	Property development and real estate division $'000	Others $'000	Adjustments and eliminations $'000	Note	Group $'000
2016						
Revenue						
External sales	6,905	–	–	–		6,905
Inter-segment sales	–	–	120	(120)	A	–
	6,905	–	120	(120)		6,905
Results:						
Interest income	3	24	–	–		27
Gain/(loss) on disposal of property, plant and equipment	277	(12)	–	–		265
Gain on change in fair value of investment properties	5,039	–	342	–		5,381
Depreciation	(1,575)	(127)	(20)	–		(1,722)
Finance costs	(497)	(134)	–	–		(630)
Segment profit/(loss)	7,109	(2,679)	(765)	975	A	4,640
Assets:						
Additions to non-current assets	719	154	194	–		1,067
Segment assets	134,605	25,716	1,109	489		161,430
Segment liabilities	(22,125)	(9,004)	(590)	34	B	(31,685)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. SEGMENT INFORMATION (CONTINUED)

	Agriculture division $'000	Property development and real estate division $'000	Others $'000	Adjustments and eliminations $'000	Note	Group $'000
2015						
Revenue						
External sales	5,724	–	–	–		5,724
Inter-segment sales	–	–	1,575	(1,575)	A	–
	5,724	–	1,575	(1,575)		5,724
Results:						
Interest income	4	12	2	–		18
Gain/(loss) on disposal of property, plant and equipment	45	(1)	–	–		44
Gain on change in fair value of investment properties	10,005	–	–	–		10,005
Fair value loss on held for trading investment securities	–	–	(427)	–		(427)
Fair value adjustment to agricultural produce	–	–				
Depreciation	(2,135)	(172)	(19)	–		(2,325)
Impairment loss on property, plant and equipment	(1,825)	–	–	–		(1,825)
Finance costs	(985)	(122)	–	750		(357)
Segment profit/(loss)	7,492	9,423	(828)	(8,720)	A	7,367
Assets:						
Additions to non-current assets	3,397	19	3	–		3,419
Segment assets	125,327	17,230	403	–		142,960
Segment liabilities	(25,695)	(10,122)	(952)	–	B	(36,769)

Note: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A Relates to inter-segment transactions eliminated on consolidation.

B The following items are added to segment liabilities to arrive at total liabilities reported.

38. SEGMENT INFORMATION (CONTINUED)

	2016 $'000	2015 $'000
Loans and borrowings	**6,313**	9,529
Provision for taxation	**36**	135
Deferred tax liabilities	**14,891**	14,090
	21,240	23,754

Geographical information

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

	Revenues		Non-current assets	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Singapore	**1,037**	1,520	**11,757**	8,502
Cambodia	**5,868**	4,204	**113,353**	109,876
Total	**6,905**	5,724	**125,110**	118,378

Information about a major customer

Included in revenue is an amount of $5,094,000 (2015: $4,122,000) pertaining to a co-operation agreement entered into by a subsidiary with a third party for cultivation of cassava.

Other than the aforementioned, the Group is not significantly reliant on revenue derived from any major customer or group of customers under common control during the year.

39. SUBSEQUENT EVENT

On 19 January 2017, the Company announced that two key shareholders of the Group have agreed to subscribe for convertible bonds due 2020, which are convertible into new ordinary shares in the capital of the Company at a conversion price of $0.01 per share. These bonds will be issued in two separate tranches of $16 million and $4 million to the two shareholders respectively at aggregate principal amount of $20 million. The settlement and payment of the convertible bonds is subject to the fulfilment of the subscription agreement entered into between the Company and the two shareholders, and subject to approval of the Company's shareholders to be obtained at an extraordinary general meeting to be held in April 2017.

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 29 March 2017.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2017

ISSUED AND FULLY PAID-UP CAPITAL	–	$94,601,970
CLASS OF SHARES	–	ORDINARY SHARES
NUMBER OF SHARES	–	6,658,068,582
VOTING RIGHTS	–	ONE VOTE PER SHARE

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	28	0.40	1,014	0.00
100 – 1000	248	3.52	207,348	0.00
1001 – 10000	541	7.69	3,465,533	0.05
10,001 – 1,000,000	5,701	81.04	1,191,035,271	17.89
1,000,001 and above	517	7.35	5,463,359,416	82.06
TOTAL	7,035	100.00	6,658,068,582	100.00

TWENTY LARGEST SHAREHOLDERS

TOP TWENTY SHAREHOLDERS AS AT 15 MARCH 2017	NO. OF SHARES	%
ONG BEE HUAT	1,000,000,000	15.02
CITIBANK NOMINEES SINGAPORE PTE LTD	564,308,700	8.48
WONG WEN-YOUNG	415,255,500	6.24
ONG JIA MING	364,854,150	5.48
GOI KOK NENG (WEI GUOLONG)	212,000,000	3.19
MAYBANK KIM ENG SECURITIES PTE LTD	194,240,852	2.92
NG CHUEN GUAN	134,500,000	2.02
HSU HUNG-CHUN	120,000,000	1.80
CIMB SECURITIES (SINGAPORE) PTE LTD	117,215,000	1.76
WONG LAI LENG SERENE	115,350,000	1.73
TOH TIAM HOCK	99,950,666	1.50
WAN CHUNG CONSTRUCTION (SINGAPORE) PTE LTD	89,400,000	1.34
DBS NOMINEES PTE LTD	77,357,465	1.16
CITIBANK CONSUMER NOMINEES PTE LTD	71,549,000	1.07
SOH CHIAP HOI	71,000,000	1.07
KGI SECURITIES (SINGAPORE) PTE LTD.	60,793,000	0.91
PHILLIP SECURITIES PTE LTD	53,276,063	0.80
UOB KAY HIAN PTE LTD	46,070,700	0.69
UNITED OVERSEAS BANK NOMINEES PTE. LTD.	45,207,879	0.68
OCBC SECURITIES PRIVATE LTD	38,839,962	0.58
	3,891,168,937	58.44

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2017

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2017

(As recorded in the Register of Substantial Shareholders)

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Dato' Dr. Ong Bee Huat, Johnny	1,000,000,000	15.0%	–	–
Dr. Wong Wen-Young, Winston	415,255,500	6.2%	–	–
UBS Group AG	–	–	400,729,500	6.0%
Mr Ong Jia Ming	364,854,150	5.5%	–	–

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 15 March 2017, 67.1% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of the Company will be held on Friday, 28 April 2017 at 10.00 a.m. at D' Kranji Farm Resort, 10 Neo Tiew Lane 2, Singapore 718813 to transact the following business:

As Ordinary Business

1. To receive, consider and adopt the Directors' Report and Audited Financial Statements for the year ended 31 December 2016 and the Auditors' Report thereon. **(Resolution 1)**

2. To re-appoint the following Directors who shall cease to be Directors at this Annual General Meeting, and who, being eligible, offer themselves for re-appointment pursuant to Article 88 of the Company's Constitution to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company:

   (i) Professor Wong Wen-Young, Winston **(Resolution 2)**
   (ii) Dr Lee Kuo Chuen, David **(Resolution 3)**

   [See Explanatory Note (i) and (ii)]

3. To re-elect the following Directors who retire by rotation pursuant to Article 89 of the Company's Constitution and who, being eligible, offer themselves for re-election:

   (i) Mr Ong Jia Ming **(Resolution 4)**
   (ii) Mr Lin, Joe-Hsiang **(Resolution 5)**

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

As Special Business:

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

5. To approve the payment of Directors' Fees of S$134,625.00 for the financial year ended 31 December 2016 (2015: S$133,000.00). **(Resolution 6)**

6. To consider and, if thought fit, to pass the following Resolution as Ordinary Resolutions:

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors be and are hereby authorised and empowered to allot and issue shares and/or convertible securities 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, where the maximum number of shares to be issued upon conversion is determinable at the time of the issue of such securities in the Company (whether by way of rights, bonus or otherwise or in pursuance of any offers, agreements or options made or granted by the Directors during the continuance of the authority conferred by this Resolution which

NOTICE OF
ANNUAL GENERAL MEETING

might or would require shares and/or convertible securities to be issued during the continuance of the authority conferred by this Resolution or thereafter) at any time and from time to time thereafter to such persons and on such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit (notwithstanding the authority conferred by this Resolution may have ceased to be in force) provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares excluding treasury shares, as calculated in accordance with sub-paragraph (ii) below ("Issued Shares"), provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed 20% of the total number of Issued Shares;

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under this Resolution, the percentage of Issued Shares shall be based on the total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and (c) any subsequent bonus issue, consolidation or subdivision of shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(iv) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
[See Explanatory Note (iii)] **(Resolution 7)**

By Order of The Board

HELEN CAMPOS
Company Secretary
Singapore

12 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Professor Wong Wen-Young, Winston will, upon re-appointment as a Director of the Company, remain as Vice Chairman and Non-Executive Director.

(ii) Dr Lee Kuo Chuen, David will, upon re-appointment as a Director of the Company, remain as an Non-Executive Independent Director, Chairman of the Remuneration Committee and as a member of the audit and nominating committee of the Company and he will be considered as independent.

(iii) The effect of Resolution 7 under the heading “Special Business” in this Notice of Annual General Meeting is to empower the Directors of the Company, from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the share capital of the Company and to make or grant convertible securities, and to issue shares in pursuance of such convertible securities, without seeking any further approval from shareholders in general meeting. The number of new shares which the Directors may allot and issue under this Resolution shall not exceed 50% of the total number of Issued Shares of which the aggregate number of Issued Shares to be allotted and issued other than on a pro rata basis to shareholders shall not exceed 20% of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company 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 shareholdings (expressed as a percentage of the whole) to be represented by each proxy. However, if no such proportion is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.

3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at D’ Kranji Farm Resort, 10 Neo Tiew Lane 2, Singapore 718813 at least forty-eight (48) hours before the time fixed for the Meeting. A Depositor’s name must be registered in the Depository Register maintained by the Central Depository (Pte) Limited not less than 72 hours before the time appointed for the holding of the EGM in order for him to be entitled to vote at the EGM.

4. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorized.

NOTICE OF
ANNUAL GENERAL MEETING

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"),

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

HLH GROUP LIMITED

(Company Registration No. 199905292D)
(Incorporated in the Republic of Singapore)

IMPORTANT
1. For investors who have used their Central Provident Fund ("CPF") monies to buy shares in the capital of HLH Group Limited, this Proxy Form is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

ANNUAL GENERAL MEETING
PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We ____________________________________ NRIC/Passport No. ________________

of ____

being *member/members of **HLH GROUP LIMITED** (the "Company"), hereby appoints

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

or failing *him/her, the Chairperson of the Meeting, as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf, at the Eighteenth Annual General Meeting ("AGM") of the Company to be held at D' Kranji Farm Resort, 10 Neo Tiew Lane 2, Singapore 718813 on Friday, 28 April 2017 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with a tick [✓] within the box provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Eighteenth Annual General Meeting. In the absence of specific directions, your *proxy/proxies will vote or abstain from voting as *he/they may think fit, as *he/they will on any other matter arising at the Eighteenth Annual General Meeting.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 31 December 2016 and the Auditors' Report thereon		
2	Re-appointment of Professor Wong Wen-Young, Winston as a Director		
3	Re-appointment of Dr Lee Kuo Chuen, David as a Director		
4	Re-election of Mr Ong Jia Ming as a Director		
5	Re-election of Mr Lin, Joe-Hsiang as a Director		
6	Approval of Directors' Fees of S$134,625.00 for the year ended 31 December 2016.		
7	Authority to allot and issue new shares.		

Dated this ________ day of ____________ 2017

Total number of Shares in:	No. of Shares
a) CDP Register	
b) Register of Members	

____
Signature(s) of Member(s) or
Common Seal of Corporation

* Delete accordingly

FOLD HERE FOR SEALING

PLEASE AFFIX 26
CENTS POSTAGE
STAMP HERE

The Company Secretary
HLH GROUP LIMITED
10 Neo Tiew Lane 2
#01-05
Singapore 718813

FOLD HERE

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company 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.

3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings (expressed as a percentage of the whole) to be represented by each proxy. However, if no such proportion is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.

4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at D' Kranji Farm Resort, 10 Neo Tiew Lane 2, Singapore 718813 at least forty-eight (48) hours before the time fixed for the Meeting.

5. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorized.

6. A corporation which is a member may also authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

7. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

8. In the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at forty-eight (48) hours before the time fixed for holding the Annual General Meeting as certified by the CDP to the Company. A Depositor's name must be registered in the Depository Register maintained by the Central Depository (Pte) Limited not less than 72 hours before the time appointed for the holding of the EGM in order for him to be entitled to vote at the EGM.

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(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"),

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

HLH GROUP LIMITED
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