

HLH GROUP LIMITED

(Co. Registration No. 199905292D)

Unaudited First Quarter Financial Statement and Related Announcement for the Period Ended 31 March 2014

Part 1 - Information required for announcements of quarterly (Q1, Q2 & Q3), half-year and full year results

- 1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Comprehensive Income

	<----- Group ----->		
	Quarter ended 31 March		
	2014	2013	Change
	S\$'000	S\$'000	%
Revenue	2,865	1,033	>100
Cost of sales	(2,000)	(1,123)	78
Gross profit/(loss)	865	(90)	NM
Other income	49,914	123	>100
Distribution and selling expenses	(8)	(15)	(47)
Administrative expenses	(1,114)	(1,409)	(21)
Other expenses	-	(3)	(100)
Finance costs	(60)	(85)	(29)
Profit/(Loss) before taxation	49,597	(1,479)	NM
Income tax expenses	(6,655)	-	NM
Net profit/(loss) for the period {note (i)}	42,942	(1,479)	NM
Other comprehensive income			
Foreign currency translation	(303)	142	NM
Exchange differences on monetary items forming part of net investment in a foreign operation	(106)	289	NM
Other comprehensive income for the period, net of tax	(409)	431	NM
Total comprehensive income for the period	42,533	(1,048)	NM
Net profit/(loss) attributable to:			
Owners of the parent	42,945	(1,476)	NM
Non-controlling interests	(3)	(3)	NM
	42,942	(1,479)	NM
Total comprehensive income attributable to:			
Owners of the parent	42,541	(1,048)	NM
Non-controlling interests	(8)	-	NM
	42,533	(1,048)	NM

NM - Not meaningful

Note (i) – Net profit/(loss) for the period

This is determined after charging / (crediting) the followings:

	<----- Group ----->	
	Quarter ended	
	31 March	
	2014	2013
	S\$'000	S\$'000
Fair value gain on held for trading investment securities	-	(1)
Gain on change in fair value of investment properties	(49,739)	-
Loss on change in fair value of agricultural produce	53	93
Gain on disposal of property, plant and equipment	(22)	-
Interest income	(3)	(21)
Net foreign exchange loss/(gain)	7	(50)
Depreciation of property, plant and equipment	541	600

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheets

	Group		Company	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
	S\$'000	S\$'000	S\$'000	S\$'000
Assets				
Non-current assets				
Property, plant and equipment	24,722	44,580	72	76
Investment properties	69,194	276	276	276
Investments in subsidiaries	-	-	1,000	1,000
	93,916	44,856	1,348	1,352
Current assets				
Inventories	1,255	2,766	-	-
Biological assets	-	83	-	-
Trade receivables	1,385	277	-	-
Other receivables, deposits and prepayments	837	733	29	28
Amounts due from subsidiaries	-	-	84,178	79,671
Amounts due from non-controlling shareholders	1,100	1,100	-	-
Investment securities	633	635	631	633
Cash and cash equivalents	10,085	10,098	3,584	6,305
	15,295	15,692	88,422	86,637
Total assets	109,211	60,548	89,770	87,989
Equity and liabilities				
Current liabilities				
Trade payables	159	334	-	-
Other payables and accruals	2,519	2,699	393	379
Amounts due to subsidiaries	-	-	12,760	11,067
Provision for taxation	80	195	2	2
Loans and borrowings	2,006	2,012	-	-
	4,764	5,240	13,155	11,448
Net current assets	10,531	10,452	75,267	75,189
Non-current liabilities				
Deferred tax liabilities	6,619	-	-	-
Loans and borrowings	2,202	2,215	-	-
	8,821	2,215	-	-
Total liabilities	13,585	7,455	13,155	11,448
Net assets	95,626	53,093	76,615	76,541
Equity attributable to owners of the parent				
Share capital	105,426	105,426	105,426	105,426
Other reserves	(1,727)	(1,323)	(459)	(459)
Accumulated losses	(9,480)	(52,425)	(28,352)	(28,426)
	94,219	51,678	76,615	76,541
Non-controlling interests	1,407	1,415	-	-
Total equity	95,626	53,093	76,615	76,541
Total equity and liabilities	109,211	60,548	89,770	87,989

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand
Amount repayable after one year

As at 31.03.2014		As at 31.12.2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
2,006	-	2,012	-
2,202	-	2,215	-

Details of any collaterals

As at 31 March 2014, the Group's borrowings were secured by way of the followings:-

- Charge and assignment over all bank accounts of a subsidiary;
- Assignment of all receivables of a subsidiary;
- Charge over all shares of a subsidiary;
- Legal mortgage over freehold land of a subsidiary;
- Charge over specified lists of vehicles, machineries and equipment of two subsidiaries; and
- Assignment of interests in insurance policies of two subsidiaries.

- 1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Cash Flow Statement

	<----- Group ----->	
	Quarter ended	
	31 March	
	2014	2013
	S\$'000	S\$'000
Cash flows from operating activities		
Profit/(Loss) before taxation	49,597	(1,479)
<u>Adjustments for:</u>		
Interest expense	60	85
Depreciation of property, plant and equipment	541	600
Gain on change in fair value of investment properties	(49,739)	-
Gain on disposal of property, plant and equipment	(22)	-
Fixed assets written off	-	3
Foreign exchange adjustments	(7)	16
Fair value gain on held for trading investment securities	-	(1)
Loss on change in fair value of agricultural produce	53	93
Interest income	(3)	(21)
Operating profit/(loss) before working capital changes	480	(704)
<u>Changes in working capital</u>		
Trade and other receivables	(1,216)	(34)
Inventories and biological assets	1,533	(1,859)
Trade and other payables	(348)	(78)
Cash flows from/(used in) operations	449	(2,675)
Interest paid	(60)	(85)
Income tax paid	(118)	(18)
Interest received	3	21
Net cash flows from/(used in) operating activities	274	(2,757)
Cash flows from investing activities		
Purchase of property, plant and equipment	(471)	(2,045)
Proceeds from sale of property, plant and equipment	195	-
Net cash flows used in investing activities	(276)	(2,045)

Consolidated Cash Flow Statement (cont'd)

	<----- Group ----->	
	Quarter ended	
	31 March	
	2014	2013
	S\$'000	S\$'000
Cash flows from financing activities		
Proceeds from/(Repayment to) hire purchase creditors	(6)	(4)
Net cash flows used in financing activities	(6)	(4)
Net decrease in cash and cash equivalents	(8)	(4,806)
Cash and cash equivalents at beginning of period	10,098	20,918
Effect of exchange rate changes on balances held in foreign currencies	(5)	(18)
Cash and cash equivalents at end of period	10,085	16,094

Cash and cash equivalent at end of period

	31.03.2014	31.03.2013
	S\$'000	S\$'000
Cash at bank and in hand	5,502	4,272
Fixed deposits with financial institutions	4,583	11,822
	10,085	16,094

Out of the \$10.09 million (31.03.2013:\$16.09 million) cash and cash equivalent held by the Group, \$nil (31.03.2013: \$1.02 million) was held in Project Accounts, the withdrawals of which are restricted to payments for the related property developments.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of Changes in Equity

	<u>Attributable to owners of the parent</u>					Equity total S\$'000
	Share Capital	Accumulated losses	Capital reserve	Currency translation reserve	Non- controlling interests	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Group						
Balance at 1 January 2013	105,426	(44,735)	481	(2,956)	2,917	61,133
Net foreign exchange difference arising on consolidation of foreign subsidiaries	-	-	-	139	3	142
Exchange differences on monetary items forming part of net investment in a foreign operation	-	-	-	289	-	289
Net loss for 1Q2013	-	(1,476)	-	-	(3)	(1,479)
Total comprehensive income for 1Q2013	-	(1,476)	-	428	-	(1,048)
Balance at 31 March 2013	105,426	(46,211)	481	(2,528)	2,917	60,085

	<u>Attributable to owners of the parent</u>					Equity total S\$'000
	Share Capital	Accumulated losses	Capital reserve	Currency translation reserve	Non- controlling interests	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Group						
Balance at 1 January 2014	105,426	(52,425)	481	(1,804)	1,415	53,093
Net foreign exchange difference arising on consolidation of foreign subsidiaries	-	-	-	(298)	(5)	(303)
Exchange differences on monetary items forming part of net investment in a foreign operation	-	-	-	(106)	-	(106)
Net profit/(loss) for 1Q2014	-	42,945	-	-	(3)	42,942
Total comprehensive income for 1Q2014	-	42,945	-	(404)	(8)	42,533
Balance at 31 March 2014	105,426	(9,480)	481	(2,208)	1,407	95,626

Statements of Changes in Equity (cont'd)

Company	Share Capital S\$'000	Accumulated losses S\$'000	Capital reserve S\$'000	Equity total S\$'000
Balance at 1 January 2013	105,426	(27,979)	(459)	76,988
Net profit for 1Q2013	-	98	-	98
Total comprehensive income for 1Q2013	-	98	-	98
Balance at 31 March 2013	105,426	(27,881)	(459)	77,086
Balance at 1 January 2014	105,426	(28,426)	(459)	76,541
Net profit for 1Q2014	-	74	-	74
Total comprehensive income for 1Q2014	-	74	-	74
Balance at 31 March 2014	105,426	(28,352)	(459)	76,615

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no shares issued during the period under review.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares excluding treasury shares as at 31 March 2014 and 31 December 2013 were 3,957,211,329 ordinary shares.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company has no treasury shares.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

These figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended 31 December 2013 have been applied in the preparation for the unaudited financial statements for the financial period ended 31 March 2014, except that the Group has adopted new Financial Reporting Standards which became effective on annual periods beginning on or after 1 January 2014 and a change in accounting policy in respect of the Group's investment properties as mentioned in item 5 below.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has been changed, as well as the reasons for, and the effect of, the change.**

During the current period, the Group has reclassified Land and Buildings of \$19.55 million to Investment Properties resulting from the change in mode of its operations in Cambodia. Accordingly, the Group has changed its accounting policy in respect of its investment properties from cost model to fair value model in accordance with the provisions of FRS 40 Investment Property. The purpose of the change is to better reflect the market value of the Group's investment properties carried in the financial statements. This change in accounting policy is not expected to result in an adjustment to opening retained earnings as the carrying value of the Group's investment property as at 31 December 2013 is close to its market value. For the current period, the Group recognised an aggregate gain on change in fair value of \$49.74 million to three of its investment properties in Cambodia. The fair values of the investment properties have been determined based on valuations performed by an independent valuer with recent experience in the location and category of the property being valued.

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings/(Losses) per ordinary share attributable to owners of the parent for the period:-

Basic

Diluted

<----- Group ----->	
Quarter ended	
31 March	
2014	2013
in cents	in cents
1.085	(0.037)
1.085	(0.037)

The basic and diluted earnings per share are calculated based on the weighted average number of shares in issue during the period of 3,957,211,329 (31.03.2013: 3,957,211,329).

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.**

Net asset value per ordinary share based on issued share capital

Group		Company	
31.03.2014	31.12.2013	31.03.2014	31.12.2013
in cents	in cents	in cents	in cents
2.381	1.306	1.936	1.934

The computation of net asset value per share is based on the number of issued ordinary shares as at the respective balance sheet dates amounting to 3,957,211,329 (2013: 3,957,211,329) shares.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Revenue and Gross Profit

Revenue	<----- Group ----->	
	Quarter ended	
	31 March	
	2014	2013
	S\$'000	S\$'000
Agriculture Division	2,865	1,033

The Group's revenue increased by \$1.84 million in 1Q2014 to \$2.87 million as compared to \$1.03 million in 1Q2013 mainly due to lower dry corn sales in 1Q2013 as the Group was holding back its dry corn inventory for better dry corn prices in 2Q2013. In addition, the Group recognised cooperation income of \$0.95 million pertaining to the joint operations with Zhong Fu International Investment (Cambodia) Ltd ("Zhong Fu") in 1Q2014.

Gross profit/(loss)

Gross profit/(loss)	<----- Group ----->	
	Quarter ended	
	31 March	
	2014	2013
	S\$'000	S\$'000
Agriculture Division	865	(90)

The Group achieved a gross profit of \$0.87 million in 1Q2014 as compared to a gross loss of \$0.09 million in 1Q2013 mainly contributed by the recognition of cooperation income of \$0.95 million pertaining to the joint operations with Zhong Fu in 1Q2014. The cooperation income is offset by minimal direct costs to the joint operations.

Other income

The Group's other income increased significantly by \$49.79 million in 1Q2014 to \$49.91 million as compared to \$0.12 million in 1Q2013 as the Group recognised an aggregate gain on change in fair value of \$49.74 million to three of its investment properties in Cambodia. The fair values of the investment properties have been determined based on valuations performed by an independent valuer with recent experience in the location and category of the property being valued.

Administrative expenses

Administrative expenses of the Group reduced by \$0.3 million in 1Q2014 to \$1.11 million as compared to \$1.41 million in 1Q2013 mainly contributed by significant savings in upkeep expenses for machineries of \$0.28 million. Under the new mode of joint operations with Zhong Fu, all upkeep costs for machineries and equipment under the care of Zhong Fu are the responsibilities of Zhong Fu. Administrative expenses for 1Q2014 comprised mainly personnel expenses of \$0.44 million (FY2013: \$0.39million), depreciation expenses of \$0.38 million (FY2013: \$0.46 million) and upkeep of plant and equipment of \$0.09 million (FY2013: \$0.35 million).

Finance costs

Finance cost for 1Q2014 decreased by \$0.03 million to \$0.60 million as compared to \$0.09 million for 1Q2013. This decrease was mainly due to reduction in outstanding bank loans during the current period.

Incomes tax expenses

Income tax expenses for 1Q2014 mainly comprised deferred tax expense of \$6.66 million pertaining to the fair value increase of \$49.74 million to the Investment Properties in Cambodia.

In summary, the Group achieved a net profit of \$42.94 million in 1Q2014 as compared to a net loss of \$1.48 million in 1Q2013.

Review of Financial Position

Property, plant and equipment decreased by \$19.86 million from \$44.58 million as at 31 December 2013 to \$24.72 million as at 31 December 2013. The decrease was mainly due to the reclassification of Land and Buildings to Investment Properties of \$19.55 million resulting from the change in mode of the Group's operations in Cambodia.

Investment Properties increased by \$68.91 million from \$0.28 million as at 31 December 2013 to \$69.19 million as at 31 March 2014. The increase was mainly due to the reclassification of Land and Buildings to Investment Properties of \$19.55 million resulting from the change in mode of the Group's operations in Cambodia. In addition, the Group recognised a gain on change in fair value of \$49.74 million to these reclassified Investment Properties in Cambodia. The fair values of these investment properties have been determined based on valuations performed by an independent valuer with recent experience in the location and category of the property being valued.

Inventories decreased by \$1.51 million from \$2.77 million as at 31 December 2013 to \$1.26 million as at 31 March 2014. The decrease was mainly attributed to sale of dry corn inventory during the current period.

Trade receivables increased by \$1.11 million from \$0.28 million as at 31 December 2013 to \$1.39 million as at 31 March 2014 mainly due to the accrual of cooperation income due from Zhong Fu for the current period. The increase in other receivables by \$0.11 million from \$0.73 million as at 31 December 2013 to \$0.84 million as at 31 March 2014 was mainly due to advance made to suppliers for the Group's operations in Cambodia.

Trade payables reduced by \$0.17 million from \$0.33 million as at 31 December 2013 to \$0.16 million as at 31 March 2014 mainly due to lower purchases made during the current period resulting from the change in mode of the Group's operations in Cambodia.

Other payables and accruals decreased by \$0.18 million from \$2.70 million as at 31 December 2013 to \$2.52 million as at 31 March 2014 mainly due the return of deposits to sub contract farmers.

Reduction in provision for taxation relates to the payment of income tax by one of the Group's property development subsidiary.

Deferred tax liabilities of \$6.62 million was provided as at 31 March 2014 pertaining to the fair value increase of \$49.74 million to the Investment Properties in Cambodia.

The net assets of the Group were \$95.63 million as at 31 March 2014 (FY2013: \$53.09 million).

Review of Cash Flow Statement

Net cash flows from operating activities for 1Q2014 was \$0.27 million as compared to \$2.76 million used in operating activities for 1Q2013. This was mainly due to an operating profit before working capital changes of \$0.48 million as compared to an operating loss before working capital changes of \$0.70 million. In addition, the working capital required to support the Group's operations in Cambodia has reduced significantly in the current period with its new mode of joint operations.

Net cash flow of \$0.28 million was used in investing activities for 1Q2014 as compared to \$2.05 million in 1Q2013. The utilisation in 1Q2013 was due mainly to the costs incurred in upgrading works at D'Kranji Farm, and land improvements and the purchase of plant and equipment for the Group's operations in Cambodia.

Overall, cash and cash equivalents of the Group stood at \$10.09 million as at 31 March 2014 (31.03.2013: \$16.09 million).

9. Where a forecast, or a prospect statement has been previously disclosed to shareholders, any variance between it and the actual results.

Consistent with previous statements.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

AGRICULTURE DIVISION

To date, the Group has completed clearing 9,700 hectares of land and construction of four farm plantations in Cambodia. We expect to clear the remaining 300 hectares before end of the year. The Group's new mode of joint operations with partners in respect of the cultivation, processing and production of cassava (or maize and sugarcane) in the Group's plantation land has commenced in the current period. Going forward, the agriculture division will adopt similar business model and source for potential agriculture land parcels in Cambodia for development and collaboration with joint operation partners.

The Group is seeking partners from agriculture industry with new and advanced agriculture technologies to showcase in the production kiosks of our farm resort in D'Kranji with the aim to attract more visitors. We will also put in continuous efforts in its advertising and marketing strategies to attract more holiday-makers and visitors.

PROPERTY DEVELOPMENT DIVISION

The Group is seeking opportunities for property development, especially in Cambodia. We are currently actively looking at potential land parcels within the vicinity of Phnom Penh City for property development in FY2014.

Moving forward, we will remain resilient and focus on positioning our strategic platform in both our agriculture and property development divisions to face the challenges ahead and lay a solid foundation for sustainable growth.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial year reported on?

No.

(b) Corresponding period of the Immediately Preceding Financial Year?

Any dividend declared for the corresponding period of the Immediately Preceding Financial Year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

No dividend has been declared or recommended.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company did not seek and does not have a shareholders' general mandate pursuant to Rule 920 of the Listing Manual.

14. Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual of the Singapore Exchange Securities Trading

The Board of Directors of the Company confirm that, to the best of their knowledge, nothing has come to their attention which may render the financial results of the Group for the period ended 31 March 2014 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

HELEN CAMPOS
COMPANY SECRETARY
6 May 2014