

**RESPONSE TO QUERY FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED IN RESPECT OF THE RESULTS OF ANNOUNCEMENT FOR THE FIRST HALF ENDED 30 JUNE 2017**

The board of directors (the “Board”) of HLH Group Limited (the “Company”, and together with its subsidiaries, the “Group”) would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “SGX-ST”) in respect of the results announcement for the first half ended 30 June 2017 (the “1H FY2017 Results”).

Question 1

Please provide a review of the performance for the second quarter of 2017 compared with second quarter of 2016.

Response from the Company:

The Group’s revenue and gross profit of \$1.7 million and \$0.9 million was mainly from revenue recognition of the D’seaview mixed development for 2Q 2017 as compared to \$1.8 million and \$1.7 million which was from agriculture division in 2Q 2016.

In 2Q 2017, other income of \$2.3 million was mainly due to reversal of deferred tax liability previously due to the fair value gain on investment properties as compared to \$4.1 million mainly due to fair value gain on D’Kranji resort of \$4 million in 2Q 2016.

Administrative expenses of the Group decreased by \$0.1 million from \$1.6 million to \$1.5 million.

The Group recorded net profit of \$1.3 million for 2Q 2017 compared to a net profit of \$3.4 million in 2Q 2016, primarily due to the decrease in gross profit and other income.

Question 2

On page 5, we refer to the termination of joint corporation with Zhong Fu. How did the termination affect the gross profit?

Response from the Company:

For 6M 2016, total revenue of \$3.8 million and gross profit of \$3.4 million was derived from agriculture division only. Joint co-operation income and gross profit from Zhong Fu was \$2.8 million (USD2 million), This constitutes 73% of total revenue and 82% of total gross profit.

	Group			
	Half year ended 30 June 2016			
	Revenue		Gross profit	
	S\$’000	%	S\$’000	%
Joint co-operation income Zhong Fu	2,800	73	2,800	82
Others	1,019	27	621	18
<b>Total</b>	<b>3,819</b>	<b>100</b>	<b>3,421</b>	<b>100</b>

For 6M 2017, we recorded nil revenue from Zhong Fu as we ended the joint co-operation.

### Question 3

It is stated that the Group's Other Income increased from \$4.2 million in 6M 2016 to \$5.3 million in 6M 2017 mainly due to the gain on recognition of deferred tax asset and reversal of deferred tax liability. However, the gain on recognition of deferred tax asset for 6M 2016 was higher than the gain for 6M 2017. Please explain the reasons for the increase in Other Income in 6M 2017.

Response from the Company:

During 1Q 2017, we started revenue recognition of the D'seaview mixed development under our wholly owned subsidiary PH One Development (Cambodia) Limited ("PH One"). As at 31 December 2016, PH One has tax losses carried forward of USD10,262,187 to offset against taxable profits of subsequent years for up to five (5) years from the year they are incurred. Details of the unused tax losses as at 31 December 2016 are as follows:

<i>Originating year</i>	<i>Can be utilized up to</i>	<i>Tax loss amount US\$</i>	<i>Utilized US\$</i>	<i>Forfeited US\$</i>	<i>Unutilized US\$</i>
2015	2020	10,150,351	-	-	10,150,351
2016	2021	111,836	-	-	111,836
		<b>10,262,187</b>	<b>-</b>	<b>-</b>	<b>10,262,187</b>

Based on the local corporate tax rate of 20% and average exchange rate of 1.4153, we recognized a deferred tax asset and other income of S\$2.9 million in 3M 2017.

As at 31 December 2016, deferred tax liabilities of S\$14.9 million was from a gain on revaluation of land and buildings and a gain on change in fair value of investment properties. Prior to year 2017, a deferred tax liability of USD1,528,454 was recognized on fair value gain on investment properties. Effective 1 January 2017, we ended the joint cooperation with Zhong Fu and directly cultivates the cassava plantation. The deferred tax liability is therefore considered no longer applicable, it was reversed and recorded as other income of S\$2 million in 6M 2017.

For 6M 2016, other income of S\$4.2 million was mainly due to fair value gain on D'Kranji resort of \$4 million.

### Question 4

On page 6, it is stated that Other payables and accruals decreased from \$9 million at the end of 2016. Please check if the figure should be S\$1.18 million.

Response from the Company:

As at 31 Dec 2016, other payables and accruals from current liabilities is S\$1.18 million and non-current liabilities was S\$7.8 million, hence total other payables and accruals was S\$9 million.

	Group	
	30.06.2017	31.12.2016
	S\$'000	S\$'000
Other payables and accruals:		
Current liabilities	1,825	1,183
Non-Current liabilities	-	7,803
Total	<u>1,825</u>	<u>8,986</u>

By order of the Board  
HLH GROUP LIMITED  
Helen Campos  
Company Secretary  
7 August 2017