



HONG LAI HUAT
GROUP LIMITED

達來發集團有限公司

SIX MAINBOARD LISTED

REACHING SKY HIGH

ANNUAL REPORT 2019



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Hong Lai Huat Group Limited is a reputable real estate and property developer with 31 years of successful track record. Established since 1988, the Group has completed numerous projects in Singapore ranging from public and private residential developments, to commercial and industrial buildings. Some of its notable developments in Singapore include D'Ecosia, D'Fresco, D'Castilia, D'Almira, D'Lithium, D'Kranji Farm Resort and D'Centennial.

In 2008, the Group diversified into the agricultural sector in Cambodia and had since completed the development of approximately 9,000 hectares farmland that cultivates fresh cassava, as well as a cassava starch production factory capable of producing 120 tons of starch on a daily basis.

The Group also expanded its property development in Cambodia with the successful launched of its first freehold mixed-use project – D'Seaview which is one of the first and largest mixed-use developments in Sihanoukville, D'Seaview comprises 737 residential units and 67 commercial units. The construction of the entire project has been completed in FY2019.

Following the success of D'Seaview, the Group, through its joint venture, launched its second freehold mixed-use project Royal Platinum in FY2019 which will be developed in Toul Kwok district, Phnom Penh, the capital city of Cambodia. The new project shall consist 851 residential and 50 commercial units and the project site is located just 20 minutes away from Phnom Penh International Airport.

Hong Lai Huat Group Limited was listed on the Mainboard of the Singapore Stock Exchange on 21 June 2000.

OUR PRESENCE



MESSAGE TO SHAREHOLDERS BY CHAIRMAN



“

We believe the new mixed development project in Phnom Penh, Project Royal Platinum, will continue to support the company's growth and better position Hong Lai Huat as a premier Property and Real Estate Developer in the Cambodia market.

”

Dr. Wang Kai Yuen
Chairman

DEAR SHAREHOLDERS,

On behalf of the management team and my fellow Directors, I thank you for your strong support towards Hong Lai Huat Group Limited over the years.

Under the able leadership of Group CEO, Dato Johnny Ong and the management team, the Group has achieved certain milestones in FY2019. Most notably after the roof topping out ceremony for Project D'Seaview in 2018, our first mixed development project in Cambodia. The construction works are essentially complete and we will finish handing over all the residential units to our buyers by the end of this year. Second in line would be the joint venture agreement signed with Royal Group of Companies for our second mixed development project in the capital city of Cambodia, Phnom Penh. The new project, Royal Platinum, will have 851 residential units and 50 commercial units. The Grand Opening of its Sales Gallery was held on 18 December 2019 in Phnom Penh. The Group believes that this partnership will be even more successful than Project D'Seaview given its close proximity to the Phnom Penh International Airport as well as its location in a high-end residential and commercial zone.

After a stellar performance in FY2018 with Group revenue hitting S\$34.4M, the highest in the last 5 years. As the revenue from Project D'Seaview was progressively recognised, FY2019 was a year of consolidation and execution as well as planning our

new projects. These efforts have borne fruits with the completion of Project D'Seaview and the launch of Project Royal Platinum. We believe the new mixed development project in Phnom Penh, Project Royal Platinum, will continue to support the company's growth and better position Hong Lai Huat as a premier Property and Real Estate Developer in the Cambodia market.

We have also made some important progress with our Agriculture Division. The yield of the fresh cassava cultivated on site has increased gradually due to improved soil conditions. The Division will continue to focus on the cultivation of cassava maximizing the acreage planted and refinement of the cassava starch in our production facility in Cambodia.

Going forward, the Group will continue to explore meaningful project opportunities in the Property and Real Estate market in the Kingdom of Cambodia as well as focusing on the cassava plantation farm and starch production in Aoral District, Kingdom of Cambodia.

Dr. Wang Kai Yuen
Chairman of the Board

MESSAGE TO SHAREHOLDERS BY DEPUTY CHAIRMAN & CEO



Dato' Dr. Ong Bee Huat, Johnny
Executive Deputy Chairman and Group CEO

DEAR SHAREHOLDERS,

In FY2019, our property and real estate division in Cambodia has successfully completed the construction of our first mixed development project D'Seaview in Sihanoukville, Cambodia. The group's second mixed development project, Royal Platinum has also completed its piling works and are expected to start its main construction works by mid 2020.

The 737 residential units of D'Seaview are in the midst of handing over the keys to our buyers and majority of the 67 commercial units in D'Seaview has seen its doors open to the public since June 2019. The group also managed to launch Royal Platinum's sales showroom in Phnom Penh, the capital city of Cambodia in December 2019 offering buyers a better experience and actual feel of the one bedroom and two bedroom units layout the project has to offer.

The group's agricultural division has seen steady growth of its fresh cassava in FY2019 and is expected to continue the growth of the cassava in FY2020. The production of its native tapioca starch is progressing well and new export markets have been achieved over the past year.

Going forward, the Group will continue to source for new property development opportunities in the Kingdom of Cambodia. It will also focus on the cultivation of fresh cassava and starch production for the local and export markets.

LOOKING AHEAD

We would like to express our heartfelt appreciation to the Board of Directors, all management team of the group, our business associates, bankers, suppliers and shareholders. We will continue to work diligently to create a greater value for all shareholders in FY2020.

Dato' Dr. Ong Bee Huat, Johnny
Executive Deputy Chairman and Group CEO



REVIEW OF INCOME STATEMENTS

REVENUE

The Group's revenue decreased from \$34.4 million in FY2018 to \$29.3 million in FY2019, mainly due to a lower percentage of revenue recognised from the Group's D'Seaview project in Cambodia, which was reaching completion. The property development and real estate division accounted for 91% of the Group's revenue in FY2019.

GROSS PROFIT

The Group's gross profit decreased from \$18.6 million in FY2018 to \$15.9 million in FY2019 mainly due to the reason mentioned above.

OTHER INCOME

The Group's other income decreased from \$8.6 million in FY2018 to \$0.6 million in FY2019 mainly due to one-time forfeiture of progressive deposits from property sales and net foreign exchange gain in FY2018.

SELLING & ADMINISTRATIVE EXPENSES

The Group's distribution and selling expenses relates to the sales and marketing activities of the property development division, decreased from \$4.3 million in FY2018 to \$0.8 million in FY2019. Administrative expenses decreased from \$13.2 million in FY2018 to \$9.3 million in FY2019, mainly relates to personnel expenses, depreciation and upkeep of farm machinery in Cambodia agriculture division.

OTHER EXPENSES

The decrease in other expenses from \$4.5 million in FY2018 to \$3.1 million in FY2019 mainly due to loss on fair value of biological assets in FY2018.

FINANCE COSTS

Finance cost reduced from \$0.4 million in FY2018 to \$0.1 million in FY2019 due to repayment of bank borrowings.



REVIEW OF FINANCIAL POSITION

The Group's investment properties decreased from \$12.5 million as at end FY2018 to \$9.0 million in FY2019 due to sale of the Group's investment property in FY2019. The sale of asset was completed during the year.

Biological assets of \$5.4 million relate to immature cassava that have yet to be harvested.

Trade receivables increased from \$2.8 million as at end FY2018 to \$15.2 million for FY2019 mainly due to increase in unbilled receivable (contract assets) of our property sales in Cambodia.

Trade payables increased from \$5.2 million as at end FY2018 to \$5.6 million for FY2019 mainly relates to progressive claims from contractors.

Other payables and accruals increase from \$1.6 million at the end of FY2018 to \$3.7 million for FY2019 mainly due to the deposit collected for property sales in Cambodia.

Loans and borrowings for the Group decreased from \$1.9 million as at end FY2018 to \$1.2 million in FY2019 as a result of loan repayments.

The net assets of the Group remained consistently at \$129 million and \$128 million for FY2018 and FY2019 respectively.

REVIEW OF CASH FLOW STATEMENT

Net cash deficit from operating activities were \$7.4 million for FY2019, mainly due to an increase in unbilled receivable (contract assets) and payment to contractors.

Net cash used in investing activities was \$3.1 million for FY2019, mainly due to investment in joint venture.

Net cash used in financing activities was \$2.0 million for FY2019, mainly due to repayment of bank loans and dividends paid to shareholders of the Company.

As a result, the balance of cash and cash equivalents at the end of FY2019 decreased by \$13.9 million as compared to the end of previous year, to \$11.3 million.

BOARD OF DIRECTORS



DR. WANG KAI YUEN

Chairman/Non-Executive Independent Director

Dr. Wang was appointed to the Board on 1 May 2006. He is 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 holds directorships in other public listed companies including ComfortDelGro Corporation Ltd, COSCO Corporation (Singapore) Ltd, Ezion Holdings Limited and Emas Offshore Limited (Under Judicial Management). Dr. Wang was a 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

Executive Deputy Chairman and Group CEO

Dato' Dr. Ong is the founder of the Group. He is responsible for the Group's overall strategic direction and planning as well as business development. Dato' Dr. Ong is recognised as an outstanding entrepreneur and for his leadership. He was conferred the "Dato" title by the Sultan of Pahang, Malaysia on 15 January 2000 and 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 of Grace Semiconductor Manufacturing Corp, China; and the Founder of Trust-Mart Co., Ltd. Prof. Wong has a wealth of experience and expertise in petrochemical products which adds value to the Group's agriculture business.



MR. ONG JIA MING, RYAN

Executive Director

Mr. Ong holds two Executive Masters in Business Administration from North Borneo university College and IEMD Graduate Business School of Barcelona. He was appointed to the Board on 25th October 2016. Being the Director of several key subsidiaries under the Group since 2014, Mr. Ong is also responsible for Project Management, Business Development, Public Relations, Branding as well as Sales and Marketing for the Group.



DR. CHEN SEOW PHUN, JOHN

Non-Executive Independent Director

Dr. Chen was appointed to the Board on 11 August 2006. He is 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 (formerly Thai Village Holdings Ltd); Chairman of SAC Capital Private Limited, Matex International Limited and Fu Yu Corporation Limited; Deputy Chairman of Hanwell Holdings Ltd and 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 to the Board on 30 April 2012. He is a Professor at the Singapore University of Social Sciences 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 and an Independent Director for SHS Limited.



MR. LIEN WE KING

Non-Executive Independent Director

Mr. Lien We King was appointed to the Board on 1st March 2019. He is the Managing Director of Bridgewater Holdings Pte Ltd where he oversees the performance and growth of its portfolio of media businesses. Prior to this, he was Director at Pacific Equity Group Pte Ltd, a private equity real estate investment firm founded in 2009.



KOHE HASAN

Non-Executive Independent Director

Ms Kohe Hasan was appointed to the Board on 1st March 2019. She is a partner with Reed Smith's Singapore office and is one of three directors of Resource Law LLC, Reed Smith's Singapore alliance partner law firm, which she was instrumental in setting up in June 2016. Notably, she was Reed Smith's first female partner in Singapore and their first Singapore-qualified senior hire. Kohe has been in practice for almost 15 years and is experienced in all forms of litigation and arbitration, particularly in power, international trade, commodities and transportation disputes.

KEY DEVELOPMENTS

COMPLETED PROJECTS IN PROPERTY DIVISION (Singapore and Cambodia)



D'FRESCO



D'ALMIRA



D'CASTILIA



D'ECOSIA



D'LITHIUM



CLEMENTI FACTORY



SUNSHINE PLACE



YEW TEE COMMUNITY CENTRE



BUKIT PANJANG N5 C4



D'CENTENNIAL



PUNGGOL C22



CHOA CHU KANG N4 C10



BUKIT PANJANG N5 C12



WOODLANDS NS C12



QUEENSTOWN RC13



MARSILING MUP 12



PUNGGOL C1 & 2



D'KRANJI FARM RESORT



D'SEAVIEW

CURRENT PROJECTS

D'SEAVIEW



D'Seaview is the Group's first freehold mixed use development in Sihanoukville, Cambodia's top tourist destination and one of the fastest growing provinces in the entire Kingdom.

Sitting on a freehold land of 9,818 square metres, the development is around 900m away from Sokha Beach, which offers our buyers panoramic view of the ocean. D'Seaview comprises 737 residential units and 67 commercial units, which includes residential towers, office blocks, retail shop spaces and a 10-storey boutique hotel. The construction of this project has been completed in end of FY2019.

ROYAL PLATINUM



ROYAL Platinum is the Group's second mixed development project in Cambodia. It is a joint venture development between HLH Development and Royal Group of Companies. The project site is located on a freehold plot of land measuring 8,221 sqm at Toul Kuok District, Phnom Penh City, the capital of Cambodia offering up to 851 residential and 50 commercial units. As of January 2020, the project piling works has been completed and the main contractor is expected to start the project's construction by mid FY2020.

KEY DEVELOPMENTS

AGRICULTURE DIVISION

AGRICULTURE DIVISION (CAMBODIA)



The Group's agriculture division currently operates one of the largest cassava plantation farm and cassava starch factory in Aoral District, Kampong Speu Province, Kingdom of Cambodia. With a total land area of approximately 10,000 hectares, the farm is capable of cultivating fresh cassava on an all year round and the starch factory is able to produce up to 120 tons of starch on a daily basis.

The cassava starch are being produced under the Division's CAMFARM Brand and mainly exported to European markets like Netherlands, Italy and etc.

The farm land is situated at the central between Phnom Penh, the capital of Cambodia and port city of Siha-noukville, the country's only deep-water sea port. It is easily accessible by taking National Highway 4 and National Road 44, before turning into National Road 132 to reach the farm property.

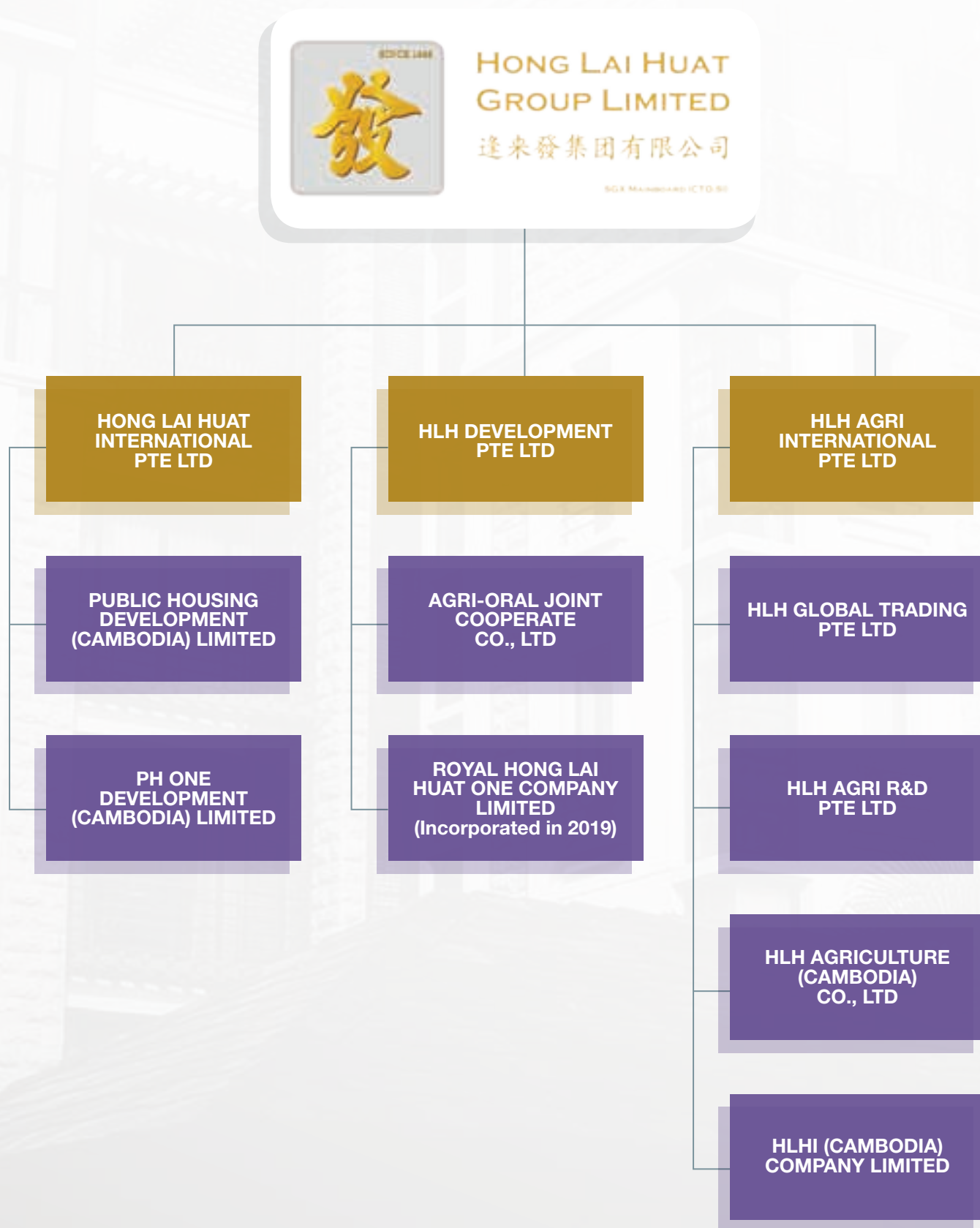
Currently, the farm is fully focused on the cultivation of fresh cassava as well as the production of native tapioca starch.

D'KRANJI FARM RESORT



In Singapore, the Group owns D'Kranji Farm Resort, the first and only agritainment resort located in northwest of Singapore. Opened in September 2008, D'Kranji Farm Resort offers a tranquil getaway from the hustle and bustle of city life.

Its facilities include 35 villas, Seafood Restaurant, Bird-nest Museum, Café, Plantation land, Commercial Shop, Beer Garden, etc. It is currently managed by Blue Dolphin Gallery (Singapore) Pte Ltd since 1st July 2018.



REPORT ON CORPORATE GOVERNANCE

Compliance with the Code of Corporate Governance 2018

The Board of Directors (the “Board”) of Hong Lai Huat 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. The Company has complied in all material respects with the principles and provisions in the Singapore Code of Corporate Governance 2018 (2018 Code). We provide a summary of our compliance with the express disclosure requirements in the 2018 Code on pages 30 to 33.

Board Matters

The Board’s Conduct of Affairs

Principle 1. The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board aims to protect and enhance shareholders’ value and to ensure long-term success of the Group. In addition to its statutory duties, the Board focuses on :–

- a. providing 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;
- 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 has adopted a set of explicit guidelines on matters that require its approval. Matters of strategic importance that require Board approval include:

- The Group’s strategic plans
- The Group’s annual operating plan and budget

REPORT ON CORPORATE GOVERNANCE

- Full-year, half-year and quarterly financial results
- Dividend policy and payout
- Issue of shares
- Board succession plans
- Succession plans for Senior Management, including appointment of and compensation for Group CEO,
- Underlying principles of long-term incentive schemes for employees
- Acquisitions and disposals of investments exceeding material limits
- Capital Expenditures exceeding certain material limits

Board Meetings

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 and governance issues. 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.

All Board and Board Committee meetings are scheduled well in advance of each year in consultation with the Directors. The Non-Executive Directors and Independent Directors set aside time for discussion without the presence of Management at least once a year. Board meetings may include presentations by senior executives and/or external consultants. The Board meets at least 4 times a year and on an ad-hoc basis as warranted by particular circumstances.

The number of Directors and Board Committees meetings and the record of attendance of each Director during the financial year ended 31 December 2019 ("FY2019") are as follows:

Name	Board Meeting		Audit Committee		Nominating Committee		Remuneration Committee		Shareholders' Meeting	
	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended
Dr. Wang Kai Yuen	4	4	4	4	1	1	1	1	1	1
Prof. Wong Wen-Young, Winston (or his alternate, Dr. Wong Jr. Winston)	4	1	4	1	1	1	1	1	1	1
Dato' Dr. Ong Bee Huat, Johnny	4	4	4	4	1	1	1	1	1	1
Mr. Ong Jia Ming	4	4	4	4	1	1	1	1	1	1
Dr. Chen Seow Phun, John	4	4	4	4	1	1	1	1	1	1
Dr. Lee Kuo Chuen, David	4	4	4	4	1	1	1	1	1	1
Mr. Lien We King ^{#1}	4	4	4	4	1	1	1	1	1	1
Ms. Kohe Noor Binte Mahmoodul Hasan ^{#1}	4	4	4	4	1	1	1	1	1	1

^{#1} Mr. Lien We King and Ms. Kohe Noor Binte Mahmoodul Hasan were appointed on 1 March 2019 and had attended one of each Board meeting, Audit Committee meeting, Nominating Committee meeting and Remuneration Committee meeting by invitation prior to their appointment.

REPORT ON CORPORATE GOVERNANCE

The Company permits Directors to attend meetings by way of telephone or video conference under its Constitution. Directors who are unable to attend a Board meeting are provided with briefing materials and can discuss issues relating to the matters to be discussed at the Board meeting with Chairman or the Group CEO. The Board and Board committees may also make decisions by way of circulating resolutions.

Access to Information

Management recognizes that the provision of complete, adequate and timely information on an ongoing basis to the Board is essential for them to make informed decisions and discharge their duties and responsibilities. These 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. To allow Directors sufficient time to prepare for the meetings, board papers are provided in advance to the Directors to allow adequate time for their preparation for the meetings in order to focus on questions and issues which they may have at the meetings.

In addition, Board members have separate and independent access to the Company Secretary and senior Management of the Company. The Company Secretary is present at formal meetings and when required to answer any query from Directors, ensures that meeting procedures are adhered to and that applicable rules and regulations are complied with. The Company Secretary assists the Chairman, the Chairman of each Board Committee and Management in the development of the agendas for the various Board and Board Committee meetings. The appointment and the removal of the Company Secretary is subject to the Board's approval.

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.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decision in the best interests of the company

Currently, the Board comprises eight Directors – two Executive Directors, five Independent Non-executive Directors and one Non-executive Director. 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 on pages 6 to 7 of this Annual Report.

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. The Directors may participate in seminars and/or discussion groups to keep abreast of the latest development which are relevant to the Group. The Directors can sign up and attend appropriate courses, seminars and conferences as well as relevant subscriptions for journals, newsletters or online induction programmes. New Directors without listed company experience would attend programmes run by the Singapore Institute of Directors or other training institutions.

REPORT ON CORPORATE GOVERNANCE

Independence

The Board comprises five Independent Non-executive Directors. They are Dr. Wang Kai Yuen who is the Chairman of the Board, Dr. Chen Seow Phun John, Dr. Lee Kuo Chue David, Mr. Lien We King and Ms. Kohe Hasan. The Board, taking into account the views of the NC, assesses the independence of each Director in accordance with the guidance in the 2018 Code and the listing rules of the Exchange. A Director is considered independent if he has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere with the exercise of his independent business judgement in the best interests of the Company. Such relationships include (i) the employment of a Director by the Company, any of its related corporations for the current or any of the past three financial years (ii) a Director who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the Remuneration Committee (iii) a director who has been a director on the Board for an aggregate period of more than nine years (iv) a director, or a director whose immediate family member, in the current or immediate past financial year, provided to or received from the company any of its subsidiaries any significant payments or material services, other than compensation for board services (v) a director or a director whose immediate family member, in the current or immediate past financial year, is or was a substantial shareholder or a partner, or an executive officer of, or a director of, any organization which provided or received from the company or any of its subsidiaries any significant payments or material services (vi) a director who is or has been directly associated with a substantial shareholder of the company in the current or immediate past financial year.

Based on the declarations of independence provided by the Directors and taking into account of the guidance in the 2018 Code, the Board has determined that other than Dato' Dr. Ong Bee Huat, Johnny and Mr. Ong Jia Ming who are the Executive Directors and Prof. Wong Wen-Young, Winston and his alternate director Dr. Wong Jr, Winston who are Non-Executive Non-Independent Directors, all other members of the Board are considered to be independent Directors.

Dr. Wang Kai Yuen and Dr. Chen Seow Phun, John have served on the Board for a period exceeding nine years since the date of their appointments on 1 May 2006 and 11 August 2006 respectively and the Board had 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.

REPORT ON CORPORATE GOVERNANCE

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.

Diversity

The Company is committed to achieving board diversity and had in its policy and practices to incorporate a balance of skill, knowledge, experience, background, gender, age and ethnicity in the review of Board composition. The objective of board diversity is to promote the inclusion of different perspectives, ideas and ensure that the Company could benefit from all available talent. The Company had since 1 March 2019 appointed one female Director and the composition of the Board comprise of directors with age diversity with core competencies in the area of finance, accounting, legal, business acumen, management experience, relevant industry knowledge, technology expertise and familiarity with regulatory requirement and knowledge of risk management, audit and internal controls.

Conflict of Interest

The Board puts in place a code of conduct and ethics throughout the organization to ensure proper accountability within the company. An appropriate tone-from-the-top and desired organization culture is practised. Directors must avoid situations in which their own personal or business interests directly or indirectly conflict or potentially conflict with the interests of the Group. Where a Director has a conflict or potential conflict of interest in relation to any matter, he/she will immediately declare his/her interests immediately by sending a written notice setting out the details of the interest and conflict to the Secretary and/or the Chairman and the notice will be declared at the meeting of the Directors. The Director will recuse himself/herself from any discussions on the matter and abstain from participating in any Board decision.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management and no one individual has unfettered powers of decision-making.

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. Setting agenda and directing meetings of the Board;
- b. Ensuring that the performance of the Board is evaluated regularly, and guides the development needs of the Board;

REPORT ON CORPORATE GOVERNANCE

- c. 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;
- d. reviewing all announcements prior to its release via SGXNET;
- e. 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;
- f. assisting in ensuring compliance with the guidelines on corporate governance; and
- g. fostering constructive dialogue between shareholders, the Board and Management at AGM and other shareholders meetings.

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.

Given that the roles of the Chairman and CEO are separate and the Chairman is independent, no Lead Independent Director is required to be appointed.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The Board has established a Nominating Committee to make recommendations to the Board for a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of Board.

The NC comprises five 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, Mr. Lien We King, Ms. Kohe Hasan and Dato' Dr. Ong Bee Huat, Johnny as members.

The responsibilities of the NC 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;
- b. to determine annually the independence of the Independent 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;
- e. to assess the effectiveness of the Board as a whole, and the contribution by each individual Director to the effectiveness to the Board; and
- f. to review training and professional development programs for the Board.

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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 roles, 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 considerations 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.
- 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.

The Company's Constitution provides that one-third of the Board of Directors is 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.

Process for Selection and Appointment of New Directors

The NC conducts annual review of the composition of the Board in terms of the size and mix of skills and qualifications of Board members. It may, if it deems appropriate, recommend the appointment of additional directors to strengthen the composition of the Board or as part of ongoing Board renewal process. The NC will review and identify the desired competencies for a new appointment.

Where there is a resignation or retirement of an existing director, the Nominating Committee re-evaluates the Board composition to assess the competencies for the replacement and submits its recommendations to the Board for approval.

A set of criteria has to be determined by the NC to assess all new appointments and the following are some of the criteria generally used:

- (a) knowledge and expertise;
- (b) integrity;

REPORT ON CORPORATE GOVERNANCE

- (c) independent mindset;
- (d) ability to commit time and effort to carry out duties and responsibilities effectively; and
- (e) past achievements and value-add to the company.

Search

Candidates are first sourced through a network of contacts and identified based on the established criteria. Recommendations from directors and management are the usual source for potential candidates. Where applicable, search through external search consultants can be considered.

Selection

The NC will shortlist candidates and conducts formal interviews with each of them to assess their suitability and to verify that the candidates are aware of the expectations and the level of commitment required. Finally, the NC will make recommendations on the appointment(s) to the Board for approval.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole and that of each of its board committees and individual directors.

The NC undertakes a review process to assess the performance and effectiveness of the Board as a whole, Board Committees and the contribution by individual Directors to the Board. On an annual basis, the Company Secretary assists the NC in the evaluation process, questionnaires were sent by the Company Secretary to the Directors for evaluation of the Board and its Board Committees. All Directors are required to complete evaluation questionnaires on matters such as Board composition, Board processes, Board effectiveness and training, standards of conduct and managing company performance. The findings from this evaluation are presented to the NC and Board for discussion to facilitate improvements to the Board's practices.

Questionnaires are also sent to individual Directors for their self-assessment and factors considered in their assessment include their attendance record, intensity of participation, maintenance of independence, quality of interventions and articulation of thoughts and compliance with corporate governance. In the process, NC will assess the performance of individual directors in their respective roles such as Chairman, CEO, Executive Director, Non-Executive Director and Independent Non-Executive Director.

NC ensures that directors are able to and are adequately carrying out their duties. Where Directors hold other Board directorships and commitments, NC performs a qualitative assessment of the Directors' effective contribution. 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. Based on the overall assessment for FY2019, the Board was effective as a whole.

Key information on the Directors including directorships and chairmanships in other listed companies, other major appointments, academic/professional qualifications, membership/chairmanship in the Company's Board Committees, date of first appointment and last re-election, is set out in Table A of page 29 of the Annual Report.

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Remuneration Matters

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedures for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration

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 functions of RC include as follows:

- (i) to review periodically and recommend to the Board for endorsement a framework of remuneration policies to attract, retain and motivate senior Management of the required competency to manage the Group to achieve better performance of the Group;
- (ii) to review and recommend the specific remuneration package for each director and senior Management including Directors' fees, salaries, allowances, variable bonuses, annual wage supplement, share based incentives and awards, benefits-in-kind and termination payments;
- (iii) to administer long term performance incentive schemes;
- (iv) to perform annual review of the remuneration of employees related to Directors or are employed in managerial positions to ensure that their remuneration packages are in line with our staff remuneration and level of responsibilities; and
- (v) to review the renewal of service agreements of executive Directors and senior Management to ensure that all aspects of remuneration including termination terms, compensation commitments and notice periods for termination are fair and reasonable.

The RC may from time to time, and where necessary or required, engage external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management. Amongst other things, this helps the Company to stay competitive in its remuneration packages. For FY2019, the RC had engaged the services of an independent consultant to advise on the remuneration of Directors and CEO.

The RC comprises five 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, Mr. Lien We King, Ms. Kohe Hasan and Dato' Dr. Ong Bee Huat, Johnny as members.

No director participates in the deliberation of his/her own remuneration packages and shall abstain on voting on any resolutions pertaining to their remuneration.

Level and Mix of Remuneration Principle

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the Company

The RC administers the performance related compensation of the senior Management and Executive Directors. An appropriate proportion of the executive directors and senior Management's remuneration is structured so that their rewards are linked to performance of the Group and individual key performance. The incentive schemes are designed to align the interests of CEO, senior Management and employees with the interests of shareholders to promote long-term success of the Company. Employees are given the opportunity to participate in the equity of the Company when they have contributed significantly to the growth and performance of the Company.

REPORT ON CORPORATE GOVERNANCE

The RC is responsible for the administration of the Company's HLH Employee Share Option Scheme 2017 and HLH Performance Share Plan 2017 ("Incentive Schemes"), both of which were approved at an Extraordinary General Meeting on 28 April 2017. RC will determine and approve the allocation of the share options and awards, the date of grant and the price. There were no share options under the Employee Share Option Scheme 2017 during FY2019. No share awards were issued under the Performance Share Plan 2017 during FY2019.

Executive Directors do not receive directors' fees and is paid a basic salary and a variable component which is the annual bonus, based on performance of the Group as a whole and their individual performance. Executive Directors are eligible to participate in the Incentive Schemes. There are no termination, retirement and post-employment benefits granted under the contracts of service of the Executive Directors and senior Management employees. Adjustments to the remuneration package of an Executive Director are subject to review and approval by the RC and the Board. The Company does not have any contractual provisions in the employment contracts for the Company to reclaim incentive components of remuneration from Executive Directors and senior Management. The RC viewed that Board incentive rewards are based on achievement of certain specific performance conditions and may not be appropriate to include the "claw-back" provisions in the service agreements.

The Non-Executive Directors have no service contracts and are paid Directors' fees, the amount of which is dependent on their level of contribution, taking into account factors such as effort, time spent and responsibilities. Non-Executive directors do not participate in the Company's Incentive Schemes. The Chairman of each Board Committee is paid a higher fee compared with members of the committee in view of greater responsibility carried by that office. The amount of Directors' fees payable to Non-Executive Directors is contingent upon shareholders' approval at the Company's annual general meeting.

The framework of Directors' fee is as follows:

Basic Directors' Fee	
AC Chairman	\$10,000
AC member	\$5,000
NC or RC Chairman	\$4,000
NC or RC member	\$2,000

Disclosure of Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Although the 2018 Code recommends full disclosure of the remuneration of each individual director and CEO, the Company needs to consider the commercial sensitivity and confidentially attached to remuneration matters in a highly competitive industry. As such, the Company discloses the actual remuneration paid to each director and the CEO in a narrow band of \$100,000 to improve transparency. The following table sets out the breakdown of the remuneration of the Directors (including the CEO).

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Name of Directors	Remuneration Band	Share-Based Remuneration	Salary	Bonus	Other Benefits	Directors' Fee	Total
Dr. Wang Kai Yuen	\$0 to \$99,999	–	–	–	–	100%	100%
Dato' Dr. Ong Bee Huat, Johnny	\$700,000 to \$799,999	–	78%	6%	16%	–	100%
Mr. Ong Jia Ming	\$100,000 to \$199,999	–	91%	9%	–	–	100%
Prof. Wong Wen-Young, Winston	\$0 to \$99,999	–	–	–	–	100%	100%
Dr. Chen Seow Phun, John	\$0 to \$99,999	–	–	–	–	100%	100%
Dr. Lee Kuo Chuen, David	\$0 to \$99,999	–	–	–	–	100%	100%
Mr. Lien We King	\$0 to \$99,999	–	–	–	–	100%	100%
Ms. Kohe Noor Binte Mahmoodul Hasan	\$0 to \$99,999	–	–	–	–	100%	100%

The remuneration of the top five senior Management executives (who are not Directors or the CEO) in the bands of S\$250,000 with a breakdown of the key components are shown in the table below:–

Key Executive	Salary	Bonus	Other Benefits	Total
Below \$250,000				
Mr. Ong Jia Jing	84%	10%	6%	100%
Mr. Leong Kok Shin	86%	7%	7%	100%
Mr. Quek Chip Leng	88%	4%	8%	100%
Mr. Lim Lay Soon	85%	7%	8%	100%
Mr. Tan San Hoe	91%	9%	–	100%

For FY2019, the aggregate total remuneration paid to the key Management personnel (who are not Directors or the CEO) amounted to S\$534,437.

The remuneration of employees who are immediate family members of directors, the CEO or a substantial shareholder of the Company and whose remuneration exceeds \$100,000 during the year is shown in the table below:

Employees and relationship with Director	Remuneration Band	Salary	Bonus	Other Benefits	Total
Mr. Ong Jia Ming Son of Dato' Dr. Ong Bee Huat, Johnny	\$100,000 to \$199,999	91%	9%	–	100%
Mr. Ong Jia Jing Son of Dato' Dr. Ong Bee Huat, Johnny	\$100,000 to \$199,999	84%	10%	6%	100%

Accountability and Audit

Risk Management And Internal Controls

Principle 9 : The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board is responsible for overseeing risk management and that a sound system of internal controls is in place to safeguard the shareholders' investments and the Company's asset. The Company's internal controls and risk management systems provide reasonable assurance against foreseeable events that may adversely affect the Company's business objectives. However, the Board acknowledges that no internal controls and risk management systems can preclude the occurrence of material misstatements, poor judgement in decision-making, human error, losses, frauds and irregularities. The Company recognizes the importance of balancing risks and returns to achieve the optimal level of risk that it can tolerate to prevent any impediment on its business opportunities and strategic priorities. The Company has not put in place a Risk Management Committee. However, the AC conducts regular reviews of the Company's business and operational activities to identify and deliberate on the areas of significant business risks and control measures to constantly improve the processes and standards. The process used by the AC to monitor includes discussions with Management on the identified risk areas, review of internal and external audit plans and processes and revenue significant issues arising from the audits.

The Company adopts a risk-based approach in formulating the annual audit plan and the plan is reviewed and approved by AC. AC on behalf of the Board has engaged a firm of risk advisory consultants who also perform their role as internal auditors to setup an Enterprise Risk Management Framework aimed at identifying, filtering, assessing and compiling the enterprise strategies and key risks as well as assessing the general control environment of the Group. From this exercise, the internal audit plan is developed and suitable audit resources are being allocated in priority of risk ranking with a view to achieving an optimal balance between risks and returns. The internal auditors report to AC their evaluation on the organization's internal control systems in the identified risks areas. In their evaluation, the internal auditors will (a) walk through the business process with the process owners to understand the process and identify key internal controls through various methods and perform verifications to supporting source documentation (b) perform a system of controls evaluation on identified high-risk areas within the business processes and (c) review the overall control environment for implementation lapses. Any material non-compliance and internal control weaknesses noted during the internal audit and the recommendations to improve the areas of weakness are reported to the AC as part of the review of the internal control system.

Whilst internal auditors provide assurance that controls over the key risks of the Group are adequate and effective, the external auditors are engaged to provide assurance on the true and fair presentation of the Group's financial statements.

Management is tasked to take appropriate measures to control and mitigate areas of risks and document such measures in the Company's risk management policies. During the year, 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.

The Management has put in place reasonably adequate internal control systems to provide the Board with reasonable assurance against material misstatement or loss. 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

The Board has received assurance from the CEO 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 CEO and other key management personnel who are responsible regarding the adequacy and effectiveness of the Group's risk management and internal control systems

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 external 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.

Based on the internal controls established and maintained by the Company, work performed by the internal auditors and review performed by Management as well as the assurances received by the CEO in the abovementioned, the Board, with the concurrence of the AC, is of the opinion that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective during the year as at 31 December 2019.

The Board and senior Management officers of the Group also signed a letter of undertaking pursuant to Rule 720(1) of the Exchange's listing rules.

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

The AC comprises five Independent Non-executive Directors of the Company, Dr. Wang Kai Yuen as the Chairman, and Dr. Chen Seow Phun John, Dr. Lee Kuo Chuen David, Mr. Lien We King and Ms. Kohe Hasan who have invaluable professional expertise and managerial experience as members. The AC has two members namely Dr. Wang Kai Yuen (being AC Chairman) and Dr. Chen Seow Phun, John, who have recent and relevant accounting or related financial management expertise or experience. None of the AC members were former partners or directors of the Company's existing auditing firm or auditing corporation within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the audited corporation and none of the AC members hold any financial interests in the auditing firm or auditing corporation.

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;

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- 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 Exchange's listing rules;
- h. nominates internal and external auditors for re-appointment and reviews their independence;
- i. makes recommendations to the Board on the remuneration and terms of engagement of the internal and external auditors;
- j. reviews interested person transactions;
- k. reviews the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any announcements relating to the Company's financial performance;
- l. reviews the adequacy and effectiveness of the internal controls and risk management systems; and
- m. reviews the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

The AC reviewed and discussed the key audit matters ("KAMs") for FY2019 with Management and the external auditors. In assessing the KAMs, the AC took into consideration the approach, accounting treatment, methodology and key assumptions applied.

The AC has full access to the Company's internal auditor and Management and has full discretion to invite any director or executives to attend its meetings and investigate any matter within its terms of reference. In performing its functions, the AC also reviews the assistance given by the Company's executives to the auditors as well as the adequacy of the internal audit function, its effectiveness and its resources. The AC concurred with the basis and conclusions included in the FY 2019 Independent Auditors' Report with respect to the KAMs. The KAMs are set out on page 38 to page 41 in the FY2019 Independent Auditors' Report.

Internal Audit

The Company has outsourced its internal audit function to external audit professionals, Crowe Governance Sdn Bhd. The internal audit functions were carried out in accordance with International Professional Practices Framework issued by The Institute of Internal Auditors Malaysia. The primary reporting line of the internal audit function is to the AC. The internal auditors have unfettered access to all the company's documents, record, properties and personnel, including the AC, and have appropriate standing within the Company.

The AC meets separately with the internal and external auditors without the presence of Management at least once annually.

External Auditors

The AC oversees the Company's relationship with its external auditor. It reviews the selection of the external auditor and recommends to the Board the appointment, re-appointment and removal of the external auditor, as well as the remuneration and terms of engagement of the external auditors. The annual re-appointment of the external auditor is subject to shareholders' approval at the Annual General Meeting.

REPORT ON CORPORATE GOVERNANCE

AC confirms that the Company complied with Rules 712 and 715 of the Listing Manual in relation to its appointment of Deloitte & Touche LLP (“DT”) as the external auditors of the Company which is registered with the Accounting and Corporate Regulatory Authority. DT are the external auditors of the Company and of its Singapore subsidiaries. The overseas practices of DT, Deloitte Touche Tohmatsu Limited performs the audit of the overseas subsidiaries. For FY2019, the external auditors’ remuneration in respect of audit services provided to the Group amounted to \$195,300. There were no non-audit services provided to the Group during the year.

In recommending the re-appointment of auditors, AC takes into consideration various factors including the adequacy of resources, the experience of the auditing firm and the audit engagement partner, the firm’s other audit engagements and the number and experience of supervisory and professional staff to be assigned to the audit, the size and complexity of the Group and its businesses and operations. AC also takes into consideration of its ongoing corporate governance initiatives as well as the management of the Company’s overall business costs and expenses to meet the challenges of business climates. As part of a corporate governance initiative, AC also consider the appointment of new of auditors to enable the Company to benefit from fresh perspectives and views of another professional audit firm and accord the Group an opportunity to benchmark audit fees with a view to realising cost efficiencies. As such, upon recommendation by AC, the Board viewed that it would be appropriate and timely to effect a change of auditors at the forthcoming Annual General Meeting.

Shareholder Rights and Engagement

Shareholder Rights and Conduct of General Meeting

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders’ rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company is committed to treat all shareholders fairly and equitably. All shareholders are provided with rights to attend shareholders’ meetings in the Constitution, relevant laws and regulations. Notice of general meeting is dispatched to shareholders together with explanatory notes or circular on items where necessary. The Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNet. The Group’s website at www.honglaihuatgroup.com 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 questions from shareholders at general meetings and views AGM as the principal forum for dialogue with shareholders. Shareholders are accorded with the opportunity to raise issues, communicate their views and direct their questions to Directors and Management at the general meeting. All directors and Chairpersons of Board Committees are present at AGM and other general meetings of shareholders to assist the Board in addressing shareholders’ questions. Directors’ attendance at shareholders at general meetings held during the financial year are disclosed on page 13 of the Annual Report.

At every AGM, shareholders have the opportunity to participate effectively and to vote in the AGM either in person or by proxy. Shareholders are also informed of the rules, including the voting procedures that govern general meetings. In accordance with rule 730A(2) of the Exchange’s Listing Rules and to have greater transparency in the voting process, the Company has conducted the voting of all its resolutions by poll at all of its general meetings. Results and the detailed voting results of each resolutions tabled are announced via SGXnet on the same day after the meeting. Upon the close of voting of a resolution, the poll results including the number and percentage of votes are immediately presented to the shareholders prior to the declaration of the result by the Chairman of the meeting.

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The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where resolutions are bundled to form one significant proposal, the Company will explain the reasons and the material implications in the notice of meeting. Shareholders are given the opportunity to raise questions and clarify any issues that they may have relating to the resolutions passed.

While there is no limit imposed on the number of proxy votes for nominee companies, the Company's Constitution allows each other shareholder to appoint up to two proxies to attend AGMs and any other general meeting. The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax as issues concerning authentication, security, privacy and integrity have to be satisfactorily dealt with and resolved.

The Company Secretary prepares minutes of shareholders' meetings, which incorporate substantial comments or queries from shareholders and responses from the Board and the Management. Although the Company has not published minutes of shareholders' meeting on the Company's corporate website in the previous year, these are made available to shareholders upon request. Moving forward, the Company will update the corporate website with the minutes of shareholders' meeting as soon as practicable.

The Company does not have a dividend policy but the Board seeks to balance dividend return to shareholders with the need for long-term sustainable growth and the requirements for short-term cash and capital expenditure requirements in proposing a dividend. The Company has not paid any dividends to shareholders as the Group needs to build up its property and agricultural development businesses in Cambodia. Details of dividend payment to shareholders (if any) are disclosed via the release of announcements through SGXnet.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Shareholders are encouraged to attend the Company's general meetings and sufficient time is given for them to ask questions, to provide their views. Directors and senior Management hold dialogues with shareholders after the businesses of the general meetings are concluded where views from shareholders would be solicited.

The Company is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price. Information is disseminated to shareholders on a timely basis through SGXnet announcements, Annual Reports and shareholders circulars, news releases on major developments of the Group, Notices and explanatory notes for AGM and other general meetings and the Company's website. Shareholders could contact the Company's investor relations officers directly with questions and the Company may respond to such questions through such officers. The investor relations contact details are published on the Company's website www.honglaihuatgroup.com.

In accordance with the Exchange's Listing Rules, the Company does not practice selective disclosure and price-sensitive information is publicly released on an immediate basis where required under the Listing Rules.

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company's material stakeholders are its shareholders, customers, employees, regulator and suppliers and engagement with them are set out in its Sustainability Report which was published on 29 May 2019.

Stakeholders can access information of the Company through the corporate website which provides corporate announcements, press releases and profiles of Company.

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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. Circulars are issued to all Directors and employees of the Company to remind them of, inter alia, laws of insider trading and the importance of not dealing in the shares of the Company on short-term consideration and during prohibitive periods.

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.

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Table A

Key Information of Directors - initial appointment, last re-election and their present and past directorships

Name of Directors	Age	Date of initial appointment	Date of last election	Present directorships in listed companies	Past (preceding 3 years directorships in listed companies)
Dr. Wang Kai Yuen	72	01.05.2006	30.04.2018	1) Ezion Holdings Ltd 2) COSCO Corporation (Singapore) Ltd 3) ComfortDelGro Corporation Ltd 4) Hong Lai Huat Group Limited 5) Emas Offshore Limited (under JM)	China Aviation Oil (Singapore) Corporation Ltd
Dato' Dr. Ong Bee Huat, Johnny	50	25.06.2007	30.04.2019	Hong Lai Huat Group Limited	N.A.
Prof. Wong Wen-Young, Winston	68	27.02.2007	30.04.2019	Hong Lai Huat Group Limited	N.A.
Dr. Chen Seow Phun, John	66	11.08.2006	30.04.2018	1) Pavilion Holdings Ltd 2) OKP Holdings Limited 3) Hiap Seng Engineering Ltd 4) Hanwell Holdings Ltd 5) Matex International Limited 6) Tat Seng Packaging Group Ltd 7) Hong Lai Huat Group Limited 8) Fu Yu Corporation Limited	N.A.
Dr. Lee Kuo Chuen, David	58	30.04.2012	28.04.2017	1) Hong Lai Huat Group Limited 2) SHS Holdings Ltd	N.A.
Mr. Ong Jia Ming, Ryan	27	25.10.2016	28.04.2017	Hong Lai Huat Group Limited	N.A.
Mr. Lien We King	45	01.03.2019	30.04.2019	Hong Lai Huat Group Limited	N.A.
Ms. Kohe Noor Binte Mahmoodul Hasan	39	01.03.2019	30.04.2019	Hong Lai Huat Group Limited	N.A.

REPORT ON CORPORATE GOVERNANCE

Summary Disclosure on the Corporate Governance Report for FY2019

Provisions	Compliance	Page Reference in Annual Report 2019	Remarks
Provision 1.2 The induction, training and development provided to new and existing directors are disclosed in the company's annual report	Yes	Page 14	–
Provision 1.3 Matters requiring board approval are disclosed in the company's annual report	Yes	Page 12-13	–
Provision 1.4 The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report	Yes	Page 17 Page 20	–
Provision 1.5 The number of Board and board committee meetings and each individual director's attendances at such meetings are disclosed in the company's annual report	Yes	Page 13	–
Provision 2.4 The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report	Yes	Page 16	–
Provision 4.3 The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.	Yes	Pages 18-19	–

REPORT ON CORPORATE GOVERNANCE

Provisions	Compliance	Page Reference in Annual Report 2019	Remarks
Provision 4.4 If the Board, having taken into account the views of the NC, determine that certain directors are independent notwithstanding the existence of a relationship which may affect his or her independence, the company discloses the relationships and its reasons in its annual report.	Yes	Page 15	–
Provision 4.5 The company discloses in its annual report the listed company directorships and principal commitments ¹ of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.	Yes	Page 19	Refer to Table A on page 29
Provision 5.2 The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.	Yes	Page 19	–
Provision 6.4 The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.	Yes	Page 20	–

¹ The term "principal commitments" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the board of non-active relation corporations, those appointments should not normally be considered principal commitments.

REPORT ON CORPORATE GOVERNANCE

Provisions	Compliance	Page Reference in Annual Report 2019	Remarks
<p>Provision 8.1</p> <p>The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:</p> <p>(a) each individual director and the CEO; and</p> <p>(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.</p>	No	Pages 20-22	The amounts of remuneration of each individual director and the CEO are not disclosed. The reason for the variation has been disclosed, together with an explanation of how the Company's practice is consistent with the intent of Principle 8.
<p>Provision 8.2</p> <p>The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.</p>	Yes	Page 22	–
<p>Provision 8.3</p> <p>The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to Directors and key management personnel of the company. It also discloses details of employee share schemes.</p>	Yes	Page 22	–
<p>Provision 9.2</p> <p>The Board requires and discloses in the company's annual report that it has received assurance from:</p> <p>(a) the CEO that 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</p> <p>(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.</p>	Yes	Page 24	–

REPORT ON CORPORATE GOVERNANCE

Provisions	Compliance	Page Reference in Annual Report 2019	Remarks
Provision 11.3 Directors' attendance at general meetings of shareholders held during the financial year is disclosed in the company's annual report.	Yes	Page 13	–
Provision 12.1 The company discloses in its annual report the steps taken to solicit and understand the views of shareholders.	Yes	Page 27	–
Provision 13.2 The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	Yes	Page 27 (read with Stakeholder Engagement of the FY2019 Sustainability Report)	–

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2019.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company, as set out on pages 44 to 118 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 December 31, 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1. 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)	
Ms. Kohe Noor Binte Mahmoodul Hasan	(Independent Director)	(Appointed on March 1, 2019)
Mr. Lien We King	(Independent Director)	(Appointed on March 1, 2019)

2 Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act except as follows:

	<u>Direct interest</u>			<u>Deemed interest</u>		
	At the beginning of financial year	At the end of financial year	At January 21, 2020	At the beginning of financial year	At the end of financial year	At January 21, 2020
HONG LAI HUAT GROUP LIMITED						
Ordinary shares						
Dr. Wang Kai Yuen	243,433	243,433	243,433	–	–	–
Dr. Wong Wen-Young, Winston	13,841,850	13,841,850	13,841,850	–	–	–
Dato' Dr. Ong Bee Huat	33,440,000	40,215,600	35,215,600	2,048,500	2,832,700	7,892,200
Mr. Ong Jia Ming	8,828,471	8,828,471	8,828,471	–	–	–

By virtue of Section 7 of the Companies Act, Dato' Dr. Ong Bee Huat is deemed to have an interest in the Company and in all the related corporations of the Company.

The directors' interests in the shares and options of the Company at January 21, 2020 were the same at December 31, 2019 other than as disclosed above.

4. Share options

(a) *Option to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

(b) *Option exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

5. 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

6. Auditors

The independent auditor, Deloitte & Touche LLP, will not be seeking re-appointment and Baker Tilly TFW LLP has been nominated to be the auditor for the ensuing year. The appointment of Baker Tilly TFW LLP is subject to shareholders' approval at the forthcoming 2019 Annual General Meeting.

ON BEHALF OF THE DIRECTORS

Dato' Dr. Ong Bee Huat
Director

Dr. Wang Kai Yuen
Director

April 9, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Hong Lai Huat Group Limited
For the financial year ended 31 December 2019

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hong Lai Huat Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 44 to 118.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and 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), Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs") 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 December 31, 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the 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 year. 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Hong Lai Huat Group Limited
For the financial year ended 31 December 2019

Key audit matters	How the matter was addressed in the audit
<p>Valuation of biological assets</p> <p>The Group recognises the unharvested cassava as biological assets at fair value less cost to sell, which amounted to \$5.4 million as at December 31, 2019. The fair value of biological assets is determined by an independent valuer engaged by management, with certain input data provided by management, using the income approach method.</p> <p>The valuation of the biological assets was significant to our audit due to their magnitude and the complexity of the valuation model used. The valuation involved significant estimates used by the independent valuer. These estimates included, amongst others, unit selling price, harvest yield, planted areas and harvesting costs.</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> assessed the competency, capability and objectivity of the independent valuer; involved and discussed with our internal valuation specialists in reviewing the reasonableness of the valuation reports, which included the review of the valuation method used and the key estimates such as unit selling price, harvest yield, planted area and the harvesting costs, used in the valuation assessment; assessed the appropriateness of significant assumptions by comparing against the latest selling prices and reasonableness of harvesting costs, as well as comparison to recent sales, trend analysis and market expectations, including retrospective reviews to prior year's forecasts against actual results; and reviewed the appropriateness of the accounting and disclosures of the biological assets, fair value changes and related deferred tax adjustment corresponding with fair value changes in the financial statements. <p>The related disclosures are made in Notes 3 and 12 to the financial statements.</p>

INDEPENDENT AUDITOR'S REPORT

To the Members of Hong Lai Huat Group Limited
For the financial year ended 31 December 2019

Key audit matters	How the matter was addressed in the audit
<p>Valuation of investment property</p> <p>As at December 31, 2019, the Group has investment property amounting to \$9.0 million relating to land and property held in Singapore as disclosed in Note 16.</p> <p>The fair value of the investment property is derived using a combination of the depreciated replacement cost method based on the estimated current replacement cost of buildings and direct comparison method to derive the land premium.</p> <p>The valuation process involve significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. These estimates included, amongst others, the current replacement cost of the buildings and from which deduction are made to allow for depreciation due to age, condition, functional obsolescence and then a land premium is added to the replacement cost for the investment property. The direct comparison method has been adopted to derive at the land premium for the remaining leasehold tenure of the property.</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> assessed the competency, capability and objectivity of the independent valuer engaged by management; evaluated the appropriateness of the valuation techniques used by the independent valuer for the investment property. Taking into account the nature of the investment property, we benchmarked and compared the values used by the independent valuer to comparable property transactions, where available; and assessed the adequacy of the disclosures in respect of the inputs for the valuation and the valuation methodology adopted by management and the independent valuer in relation to the investment property. <p>The related disclosures are made in Notes 3 and 16 to the financial statements.</p>
<p>Impairment assessment of property, plant and equipment ("PPE") and right-of-use ("ROU") assets</p> <p>The Group has significant PPE and ROU assets in Cambodia. The carrying amounts of PPE and ROU assets amounted to \$11.9 million and \$67.7 million respectively as at December 31, 2019.</p> <p>The Group assessed for impairment of PPE and ROU assets when there is an indication of impairment of the assets. The agriculture division incurred a loss for the year. Accordingly, management has engaged an independent external valuer to determine the recoverable amounts of the PPE and ROU assets based on the fair value less cost of disposal. The determination of fair value less cost of disposal also involves significant assumptions and estimates which included, amongst others, condition and usage of the machineries and equipment and the estimated cost and time for replacement.</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> assessed the competency, capability and objectivity of the independent valuer engaged by management; with the assistance of our internal valuation specialist, we evaluated the appropriateness of the valuation techniques used by the independent valuers for PPE and ROU assets. Taking into account the nature of each asset, we benchmarked and challenged the key assumptions used in their valuation by reference to comparable asset transactions, where available; and assessed the adequacy of the disclosures in respect of the inputs for the valuation and the valuation methodologies adopted by the independent valuers in relation to these PPE and ROU assets. <p>The related disclosures are made in Notes 3, 14 and 15 to the financial statements.</p>

INDEPENDENT AUDITOR'S REPORT

To the Members of Hong Lai Huat Group Limited
For the financial year ended 31 December 2019

Key audit matters	How the matter was addressed in the audit
<p>Revenue recognition</p> <p>The Group enters into contracts with customers to sell specified residential units which are under development based on the terms and specifications as set out in the contracts. The analysis of whether the contracts comprises one or more performance obligations, determination of whether the performance obligations are satisfied over time and the method used to measure progress for revenue recognition for these development properties requires estimate by management.</p> <p>The Group recognises the revenue from property development division using input method to measure the progress towards complete satisfaction of performance obligations, which involves judgement and estimation by management. For the year ended December 31, 2019, revenue recognised from property development division amounted to \$26.6 million.</p> <p>The progress towards complete satisfaction of performance obligations is measured on a cost-to-cost method based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Significant judgements are required to estimate the total contract costs. Any changes to the total contract costs will impact the progress towards complete satisfaction of performance obligations, and a resulting impact to the revenue recognised.</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> obtained an understanding and evaluated the design and implementation of the relevant controls of the Group in respect of revenue recognition; examined the standard Sale and Purchase Agreement (“SPA”) and the legal letter for the enforceability of the terms and conditions in the agreement; and assessed the reasonableness of the actual costs incurred to date and estimated contract costs to completion in determining the accuracy of the progress towards complete satisfaction of performance obligations under the SPA; and assessed the appropriateness of revenue recognised using cost-based input method of development property; and reviewed the Group’s accounting policy for revenue recognition and ensured that revenue recognition is in compliance with SFRS(I) 15 <i>Revenue from Contracts with Customers</i>; and reviewed the disclosures for SFRS(I) 15 in the financial statements. <p>The related disclosures are made in Notes 3 and 27 to the financial statements.</p>

INDEPENDENT AUDITOR'S REPORT

To the Members of Hong Lai Huat Group Limited
For the financial year ended 31 December 2019

Key audit matters	How the matter was addressed in the audit
<p>Joint venture arrangement</p> <p>During the year, the Group set up a joint venture company ("JV company") with the Royal Group of Companies Ltd ("Royal Group") in Cambodia for the development of a mixed-use development project.</p> <p>The land for the mixed-use development project is currently owned by a third-party individual and held in escrow by an escrow agent.</p> <p>Pursuant to the joint venture agreement signed between the Group and the Royal Group, the Group is to contribute construction costs and expenses amounting to US\$20,552,500, which is equivalent to the fair value of the land contributed by the Royal Group. Upon satisfaction of this condition, the ownership of the land would be released from escrow and transfer to the JV company.</p> <p>Management of the Group had assessed and concluded that the Group has the ability to meet the stipulated US\$20,552,500 constructions costs and expenses.</p> <p>Management of the JV company had assessed and concluded that the JV company has control over the land. Accordingly, the land has been recorded as part of the development property of the JV company.</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> obtained and read copies of the escrow agreement and joint venture agreement sighted to the original escrow documents discussed with escrow agent that the escrow agreement is legally binding and the only condition precedent to the release of the ownership of the land from escrow to the JV company is the fulfilment of the US\$20,552,500 construction costs and expenses by the Group assessed the Group's ability to fulfil the US\$20,552,500 constructions costs and expenses obligation under the joint venture agreement assessed that the JV company has control over the land <p>The related disclosures are made in Notes 3, 18 and 33 to the financial statements.</p>

INDEPENDENT AUDITOR'S REPORT

To the Members of Hong Lai Huat Group Limited
For the financial year ended 31 December 2019

Information Other than the Financial Statements and Auditor's Report Thereon

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

To the Members of Hong Lai Huat Group Limited
For the financial year ended 31 December 2019

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 year 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 the 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 Tsia Chee Wah.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

April 9, 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
		\$'000	\$'000	\$'000	\$'000
Assets					
Current assets					
Cash and bank balances	6	11,305	25,231	2,687	2,270
Trade receivables	7	15,223	2,787	–	–
Other receivables and deposits	8	1,894	428	48	47
Prepayments		1,330	620	65	40
Amounts due from subsidiaries	9	–	–	24,329	27,909
Investment securities	10	161	1,102	–	–
Inventories	11	159	105	–	–
Biological assets	12	5,436	5,129	–	–
Development property	13	23,265	18,892	–	–
		58,773	54,294	27,129	30,266
Asset classified as held for sale	16	684	–	684	–
Total current assets		59,457	54,294	27,813	30,266
Non-current assets					
Other receivables and deposits	8	40	41	–	–
Property, plant and equipment	14	11,864	83,018	110	308
Right-of-use assets	15	67,681	–	273	–
Investment property	16	9,000	12,505	–	731
Intangible asset		–	7	–	–
Investment in subsidiaries	17	–	–	77,160	77,160
Investment in joint venture	18	3,315	–	–	–
Total non-current assets		91,900	95,571	77,543	78,199
Total assets		151,357	149,865	105,356	108,465
Liabilities and equity					
Current liabilities					
Bank loan	19	1,238	686	–	–
Trade payables	20	5,534	5,228	–	–
Other payables and accruals	21	3,666	1,645	450	375
Amount due to subsidiaries	9	–	–	9,085	11,437
Income tax payable		132	26	–	–
Lease liabilities	22	248	–	106	–
Finance lease liabilities	23	–	105	–	25
Total current liabilities		10,818	7,690	9,641	11,837
Non-current liabilities					
Bank loan	19	–	1,245	–	–
Lease liabilities	22	886	–	121	–
Finance lease liabilities	23	–	900	–	94
Deferred tax liabilities	24	11,565	11,109	17	23
Total non-current liabilities		12,451	13,254	138	117

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	<u>Group</u>		<u>Company</u>	
		2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
Capital, reserves and non-controlling interests					
Share capital	25	94,602	123,131	94,602	123,131
Retained earnings (Accumulated losses)		35,727	6,506	1,434	(26,161)
Capital reserve	26	414	414	(459)	(459)
Asset revaluation reserve	26	2,775	2,775	–	–
Foreign currency translation reserve	26	(5,430)	(3,905)	–	–
Total equity		128,088	128,921	95,577	96,511
Total liabilities and equity		151,357	149,865	105,356	108,465

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

		Group	
	Note	2019	2018
		\$'000	\$'000
Revenue			
Cost of sales	27	29,343	34,386
Gross profit		(14,426)	(15,819)
Other income		14,917	18,567
Distribution and selling expenses	28	1,376	8,575
Administrative expenses		(849)	(4,260)
Other expenses		(9,006)	(13,232)
Share of loss of joint venture		(3,109)	(4,493)
Finance costs	18	(762)	–
Profit before income tax	29	(107)	(384)
Income tax (expense) benefit		2,460	4,773
Profit for the year	30	(651)	2,817
	31	1,809	7,590
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(1,525)	1,616
Other comprehensive (loss) income for the year, net of tax		(1,525)	1,616
Total comprehensive (loss) income for the year		284	9,206
Profit attributable to:			
- Owners of the Company		1,809	7,590
- Non-controlling interests		–	–
		1,809	7,590
Total comprehensive (loss) income attributable to:			
- Owners of the Company		284	9,206
- Non-controlling interests		–	–
		284	9,206
Earnings per share (cents)			
Basic	32	0.815	3.420
Diluted	32	0.815	3.420

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Share Capital (Note 25) \$'000	(Accumulated losses) Retained earnings \$'000	Capital Reserve (Note 26) \$'000	Asset revaluation reserve (Note 26) \$'000	Foreign currency translation reserve (Note 26) \$'000	Total equity \$'000
Group						
At January 1, 2018	123,131	(1,084)	418	2,775	(5,521)	119,719
Total comprehensive income for the year:						
Profit for the year	–	7,590	–	–	–	7,590
Other comprehensive income for the year	–	–	–	–	1,616	1,616
Total	–	7,590	–	–	1,616	9,206
Transactions with owners, recognised directly in equity:						
Reversal of equity component of convertible bonds redeemed during the year	–	–	(4)	–	–	(4)
Total	–	–	(4)	–	–	(4)
Balance at December 31, 2018	123,131	6,506	414	2,775	(3,905)	128,921
At January 1, 2019	123,131	6,506	414	2,775	(3,905)	128,921
Adjustment on adoption of SFRS(I) 16	–	(7)	–	–	–	(7)
At January 1, 2019	123,131	6,499	414	2,775	(3,905)	128,914
Total comprehensive income (loss) for the year:						
Profit for the year	–	1,809	–	–	–	1,809
Other comprehensive income (loss) for the year	–	–	–	–	(1,525)	(1,525)
Total	–	1,809	–	–	(1,525)	284
Transactions with owners, recognised directly in equity:						
Dividend (Note 26)	–	(1,110)	–	–	–	(1,110)
Share capital reconstruction (Note 25)	(28,529)	28,529	–	–	–	–
Total	(28,529)	27,419	–	–	–	(1,110)
Balance at December 31, 2019	94,602	35,727	414	2,775	(5,430)	128,088

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Share capital	(Accumulated losses) Retained earnings	Capital reserve	Total equity
	(Note 25)	(Note 26)	(Note 26)	
	\$'000	\$'000	\$'000	\$'000
Company				
At January 1, 2018	123,131	(27,873)	(455)	94,803
Profit for the year, representing total comprehensive income for the year	–	1,712	–	1,712
<i>Transaction with owners, recognised directly in equity:</i>				
Reversal of equity component of convertible bonds redeemed during the year	–	–	(4)	(4)
At December 31, 2018	123,131	(26,161)	(459)	96,511
Adjustment on adoption of SFRS(I) 16	–	(7)	–	(7)
At January 1, 2019	123,131	(26,168)	(459)	96,504
Profit for the year, representing total comprehensive income for the year	–	183	–	183
<i>Transaction with owners, recognised directly in equity:</i>				
Dividend (Note 26)	–	(1,110)	–	(1,110)
Share capital restructuring (Note 25)	(28,529)	28,529	–	–
Total	(28,529)	27,419	–	(1,110)
At December 31, 2019	94,602	1,434	(459)	95,577

See accompanying notes to financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

	Group	
	2019	2018
	\$'000	\$'000
Operating activities		
Profit before income tax	2,460	4,773
Adjustments for:		
Share of loss of joint venture	762	–
Interest expense	107	384
Depreciation of property, plant and equipment	1,785	3,777
Depreciation of right-of-use assets	2,028	–
(Gain) Loss on fair value of biological assets	(954)	2,872
Loss on change in fair value of investment property	1,000	15
Loss (Gain) on disposal of property, plant and equipment, net	8	(95)
Loss on change in fair value of assets classified as held for sale	36	–
Loss (Gain) on disposal of investment property	390	(565)
Loss (Gain) on change in fair value of quoted investment	941	(100)
Foreign exchange adjustments	452	(954)
Interest income	(255)	(46)
Write-off of property, plant and equipment	24	85
Operating cash flows before movement in working capital	8,784	10,146
Trade receivables	(12,436)	(2,228)
Other receivables and deposits	(1,465)	294
Prepayments	(710)	143
Inventories	(54)	391
Biological assets	569	(491)
Development property	(4,373)	(3,794)
Trade payables	306	(2,108)
Other payables and accruals	2,021	(818)
Cash (used in) from operations	(7,358)	1,535
Interest paid	(107)	(384)
Income tax paid	(1,165)	(1,074)
Interest received	255	46
Net cash (used in) from operating activities	(8,375)	123
Investing activities		
Investment in joint venture	(4,065)	–
Purchase of property, plant and equipment ⁽¹⁾	(431)	(454)
Purchase of right-of-use assets ⁽¹⁾	(110)	–
Purchase of investment securities	–	(1,000)
Proceeds from sale of property, plant and equipment	94	502
Proceeds from disposal of investment properties	1,364	26,563
Proceeds from disposal of assets classified as held for sale	–	2,857
Net cash (used in) from investing activities	(3,148)	28,468

See accompanying notes to financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

	Group	
	2019	2018
	\$'000	\$'000
Financing activities		
Dividend paid to owners of the Company	(1,110)	–
Repayment of bank loan	(693)	(660)
Repayment for leases liabilities	(228)	(103)
Repayment for convertible loan notes redeemed	–	(2,000)
Net cash used in financing activities	(2,031)	(2,763)
Net (decrease) increase in cash and cash equivalents	(13,554)	25,828
Effect of exchange rate changes on balances held in foreign currencies	(372)	23
Cash and cash equivalents (overdrawn) at beginning of year	25,231	(620)
Cash and cash equivalents at end of year	11,305	25,231

Non-cash transactions:

- (1) During the year, the Group acquired property, plant and equipment and right-of-use assets with an aggregate cost of \$647,000 (2018 : \$587,000) of which \$106,000 (2018 : \$133,000) was acquired under finance lease arrangements.

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1. GENERAL

The Company (Registration Number 199905292D) is incorporated in Singapore with its principal place of business and registered office at 1 Gateway Drive, #20-12/13 Westgate Tower, Singapore 608531. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries and joint venture are disclosed in Note 17 and Note 18 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2019 were authorised for issue by the Board of Directors on April 9, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act, Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs"). SFRS(I)s are issued by the Accounting Standards Council and comprise standards and interpretations that are equivalent to IFRSs issued by the International Accounting Standards Board. All references to SFRS(I)s and IFRSs are subsequently referred to as SFRS(I)s in these financial statements unless otherwise stated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- b) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- c) Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Adoption of new and revised standards - On January 1, 2019, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as discussed below.

SFRS(I) 16 Leases

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described below.

The date of initial application of SFRS(I) 16 for the Group is January 1, 2019.

The Group has applied SFRS(I) 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings at the date of initial application; and
- does not permit restatement of comparatives, which continue to be presented under SFRS(I) 1-17 and SFRS(I) INT 4.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 and SFRS(I) INT 4 will continue to be applied to those leases entered or changed before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in SFRS(I) 1-17 and SFRS(I) INT 4.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SFRS(I) 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on lessee accounting

Former operating leases

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 16 Leases (cont'd)

(b) Impact on lessee accounting (cont'd)

Former operating leases (cont'd)

Applying SFRS(I) 16, for all leases, the Group:

- a) Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SFRS(I) 16:C8(b)(ii), except for the right-of-use asset for office premises lease which was measured on a retrospective basis as if the Standard had been applied since the commencement date;
- b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS 1-36 Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes small items of office furniture and photocopiers), the group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within other operating expenses in the consolidated statement of profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying SFRS(I) 1-17.

- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the underlying asset is of low-value, or lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Former finance leases

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the leased assets and obligations under finance leases measured applying SFRS(I) 1-17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying SFRS(I) 16 from January 1, 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 16 Leases (cont'd)

(c) Impact on lessor accounting

SFRS(I) 16 does not change substantially how a lessor accounts for leases. Under SFRS(I) 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, SFRS(I) 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

(d) Financial impact of initial application of SFRS(I) 16

The lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on January 1, 2019 ranges from 5.00% to 9.00%.

The following table shows the operating lease commitments disclosed applying SFRS(I) 1-17 at December 31, 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	2018
	<u>\$'000</u>
<u>Group</u>	
Operating and finance lease commitments at December 31, 2018	2,363
Less: Short-term operating leases and operating leases of low value assets	(1,030)
Less: Effect of discounting the above amounts	(84)
Lease liabilities recognised at January 1, 2019	<u>1,249</u>
<u>Company</u>	
Operating lease commitments at 31 December 2018	244
Lease liabilities recognised at 1 January 2019	<u>244</u>

Right-of-use assets were measured at the amount equal to the lease liability, except for the right-of-use assets for office premises lease which was measured on a retrospective basis as if the standard had been applied since the commencement date. Consequently, right-of-use assets for office premises lease of \$244,000 were recognised on January 1, 2019, and the net impact on retained earnings of \$7,000 was recognised on January 1, 2019.

During the year, property, plant and equipment previously held under finance lease applying SFRS(I) 1-17, which amounted to \$69,253,000, have been reclassified to 'right-of-use assets' under SFRS(I) 16 at date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of consolidation - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's separate financial statements, investments in subsidiaries and joint venture are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

Business combinations - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

Financial instruments - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Amortised cost and effective interest method (cont'd)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the “other income” line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other income” line item (Note 28). Fair value is determined in the manner described in Note 4(b)(v).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other income” line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the “other income” line item;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other income” line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely investment holding, agricultural plantation, processing and distribution, and property development.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Significant increase in credit risk (cont'd)

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower; or
- b) a breach of contract, such as a default or past due event; or
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- Nature of business practice and legal framework in certain geographic region.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Financial assets (cont'd)

Measurement and recognition of expected credit losses (cont'd)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments (cont'd)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other income" (Note 28) or "other expenses" line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the Group as at fair value through profit or loss are recognised in profit or loss.

Fair value is determined in the manner described in Note 4(b)(v).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments (cont'd)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "other income" (Note 28) or "other expenses" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

Leases

Leases (Before January 1, 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases (cont'd)

Leases (Before January 1, 2019) (cont'd)

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leases (From January 1, 2019)

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment property. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

When a contract includes lease and non-lease components, the Group applies SFRS(I) 15 to allocate the consideration under the contract to each component.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases (cont'd)

Leases (From January 1, 2019) (cont'd)

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases (cont'd)

Leases (From January 1, 2019) (cont'd)

The Group as lessee (cont'd)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Depreciation for right-of-use assets are charged on the following bases:

Leasehold land	Over the lease period of 20 to 50 years
Office premise	Over the lease period of 3 years
Motor vehicles	Over the lease period of 3 to 5 years

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other operating expenses' in the statement of profit or loss.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-current assets held for sale - Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal Groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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 represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Biological assets - Biological assets relate to immature cassava that have yet to be harvested.

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

Biological assets 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 profit or loss for the period in which they arise.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment - Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land	Over the lease period of 20 to 50 years
Leasehold improvements	10 to 30 years
Building and structure	25 years
Computers	5 years
Furniture and fittings and office equipment	10 years
Machineries and equipment	10 to 20 years
Motor vehicles	3 to 10 years
Renovation	2 to 10 years

Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Investment properties - Investment properties, which are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes, are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Joint venture - A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of SFRS(I) 1-28 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When a Group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Impairment of assets - At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue - The Group recognises revenue from the following major sources:

- Sale of crops;
- Development of properties; and
- Rental income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) *Sale of crops*

For sale of crops, revenue is recognised at a point in time when control of the goods is transferred to the customers depending on the respective incoterms of each sales transaction.

(b) *Development of properties*

The Group constructs and sells residential properties under long-term contracts with customers. Under the terms of the contracts, the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue from construction of residential properties is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Management considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15.

The customer is invoiced on a milestone payment schedule. If the value of the services transferred by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the value of the services transferred, a contract liability is recognised.

(c) *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.

(d) *Interest income*

Interest income is recognised using the effective interest method.

Borrowing costs - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Employee leave entitlement - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income tax - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Foreign currency transactions and translation - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Cash and cash equivalents in the statement of cash flows - Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Revenue recognition

The Group recognises the revenue on the property development based on the input method under SFRS(I) 15.

In making their judgement, management considered the detailed criteria for the recognition of revenue set out in SFRS(I) 15 and, in particular, whether the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Critical judgements in applying the entity's accounting policies (cont'd)

(b) 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 Note 30.

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 December 31, 2019 are \$132,000 (2018 : \$26,000) and \$11,565,000 (2018 : \$11,109,000) respectively.

(c) Performance obligation to joint venture

During the year, the Group set up a joint venture company ("JV company") with the Royal Group of Companies Ltd ("Royal Group") in Cambodia for the development of a mixed-use development project. The land for the mixed-use development project is currently owned a third-party individual and held in escrow by an escrow agent.

Pursuant to the joint venture agreement signed between the Group and the Royal Group, the Group is to contribute construction costs and expenses amounting to US\$20,552,500, which is equivalent to the fair value of the land contributed by the Royal Group. Upon satisfaction of this condition, the ownership of the land would be released from escrow and transfer to the JV company.

Management of the Group had assessed and concluded that the Group has the ability to meet the stipulated US\$20,552,500 constructions costs and expenses, and that the JV company has control over the land.

Accordingly, the land has been recorded as part of the development property of the JV company and land costs have been expensed into profit or loss of the JV company in accordance with the progress-to-completion method used in revenue recognition, adjusting for units that have been sold.

In the event the Group is unable to meet the stipulated US\$20,552,500 constructions costs and expenses, the ownership of the land would be returned to the third-party individual.

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) Valuation of development properties

Development property of the Group is stated at cost less allowance for impairment in value or at the lower of cost and net realisable values, assessed on an individual property basis.

When it is probable that the total project costs will exceed the total projected revenue net of selling expenses, i.e. net realisable value, the amount in excess of net realisable value is recognised as an expense immediately.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Critical judgements in applying the entity's accounting policies (cont'd)

Key sources of estimation uncertainty (cont'd)

(a) Valuation of development properties (cont'd)

The process of evaluating the net realisable value for each property is subject to management's judgement and the effect of assumptions in respect of development plans, timing of sale and the prevailing market conditions, and factors specific to the construction of development property. Management performs cost studies for each project, taking into account the costs incurred to date, the development status and costs to complete each development project. Any future variation in plans, assumptions and estimates can potentially impact the carrying amounts of the respective properties

The carrying amount of the development property as at December 31, 2019 is disclosed in Note 13.

(b) *Valuation of biological assets*

The Group's biological assets are stated at fair value less estimated costs to sell, which has been estimated by management with the assistance of an independent valuer.

During the valuation process, the Group has made estimates relating to the unit selling price of the cassava, the production yield, the planted area and the harvesting cost.

The carrying amount of the Group's biological assets as at December 31, 2019 is disclosed in Note 12 to the financial statements.

(c) *Fair value of investment property*

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Group engaged independent real estate valuation experts ("Valuers") to assess the fair values as at December 31, 2019 and 2018. The valuation techniques used by the Valuers comprise the direct comparison approach, depreciated replacement cost method and income approach. The key assumptions used to determine the fair value of these investment properties and sensitivity analysis are provided in Note 4.

The carrying amount of the investment properties as at December 31, 2019 is disclosed in Note 16 to the financial statements.

(d) *Impairment assessment of property, plant and equipment ("PPE") and right-of-use ("ROU")*

The Group assesses whether there are any indicators of impairment for its PPE and ROU assets at each reporting date. PPE and ROU assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. PPE and ROU assets mainly comprise leasehold land and building, machineries and equipment, motor vehicles, office equipment, furniture and fittings in Cambodia and Singapore.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Critical judgements in applying the entity's accounting policies (cont'd)

Key sources of estimation uncertainty (cont'd)

(d) *Impairment assessment of property, plant and equipment ("PPE") and right-of-use ("ROU") (cont'd)*

Management has engaged an independent external valuer to determine the recoverable amounts of the PPE and ROU assets based on the fair value less cost of disposal. The determination of fair value less cost of disposal also involves significant assumptions and estimates which included, amongst others, condition and usage of the machineries and equipment and the estimated cost and time for replacement.

The carrying amounts of the PPE and ROU assets as at December 31, 2019 are disclosed in Note 14 and Note 15 to the financial statements respectively.

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

The Group reviews the estimated useful lives of PPE at the end of each reporting period. Changes in the expected level and future usage can impact the economic useful lives of these assets with consequential impact on the future depreciation charge.

(f) *Impairment of investments in subsidiaries and joint venture*

Determining whether investments in subsidiaries and joint venture are impaired requires an estimation of the value-in-use of these investments. The value-in-use calculation requires the Company and Group to estimate the future cash flows expected from these investments and a suitable discount rate in order to calculate present value. Management has evaluated the recoverability of these investments based on such estimates. The carrying amounts of investments in subsidiaries and joint venture are disclosed in Note 17 and Note 18 to the financial statements respectively.

(g) *Forfeiture of the progressive deposits from property sales*

In 2018, the Group's subsidiary, PH One Development (Cambodia) Limited had terminated the sales and purchase agreement with the buyer in respect of the sale of its hotel in its D'Seaview project in Sihanoukville, Cambodia. The termination resulted from the failure of the buyer in making requisite payments in accordance with the agreed payment schedule stipulated in the sales and purchase agreement. Management has engaged an external legal consultant to seek advice on the entitlement of the progressive deposits made by the buyer.

Based on the advice from the external legal consultant, the Group has assessed that it is within its legal rights to forfeit the deposits in accordance with the terms and conditions of the contract. The Group's assessment is based on the advice of legal consultant and the interpretation of Cambodian civil law.

The progressive deposits from property sales has been recognised as "other income" and disclosed in Note 28 to the financial statements. Consequently, no revenue has been recognised by the Group in relation to the sale of its hotel in the development.

During the financial year, the Phnom Penh Municipal Court has ruled in favour of the Group against the buyer (claimant). As at report date, no appeal has been made by the claimant subsequent to the court ruling.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Financial assets at amortised cost	28,462	28,487	27,064	30,226
Financial assets measured at FVTPL	161	1,102	–	–
Financial liabilities at amortised cost	9,091	9,110	9,762	11,931

(b) *Financial risk management policies and objectives*

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 reviews 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.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

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.

(i) *Interest rate risk management*

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.

Interest rate sensitivity

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 \$12,000 (2018 : \$19,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

(ii) *Credit risk management*

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 bank balances), 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 reputable financial institutions.

Exposure to credit risk

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities or if they operate within the same industry.

The maximum amount the Group could be forced to settle under the financial guarantee contract in Note 34, if the full guaranteed amount is claimed by the counterparty to the guarantee is \$1,238,000 (2018 : \$1,931,000). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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:

	2019		2018	
	\$'000	%	\$'000	%
Cambodia	15,223	100.0	2,787	100.0

(iii) *Liquidity risk management*

Liquidity risk refers to the risk that the Group may have insufficient resources to meet its financial liabilities as they fall due. The Group's strategy to manage liquidity risk is to ensure that the Group has sufficient funds to meet its potential liabilities as they fall due. This strategy has not changed from prior periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iii) Liquidity risk management (cont'd)

Liquidity and interest risk analyses

Non-derivative financial assets

The Group's and the Company's non-derivative financial assets are receivable within one year from the end of the reporting period and are non-interest bearing except as disclosed in Note 8.

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Effective interest rate	On demand or within 1 year	1 to 5 years	More than 5 years	Adjustment*	Total
	%	\$'000	\$'000		\$'000	\$'000
Group						
2019						
Trade and other payables	–	6,719	–	–	–	6,719
Bank loans and overdrafts (Variable rate) ⁽ⁱ⁾	5.10	732	569	–	(63)	1,238
	5.00 to					
Lease liabilities	9.00	262	465	2,694	(2,287)	1,134
		7,713	1,034	2,694	(2,350)	9,091

- (i) This loan is secured by a first mortgage over the Group's investment property at 10 Neo Tiew Lane 2 (Note 16) and corporate guarantee by the Company. As at December 31, 2019, the value of the property has not met the minimum value required by the loan covenant. As a result of the breach in loan covenant, the total sum outstanding is classified as current as at December 31, 2019. Subsequent to year end, the lender had unconditionally waived the right to demand repayment arising from the breach. All other terms of the loan agreement has remained status quo.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iii) Liquidity risk management (cont'd)

Non-derivative financial liabilities (cont'd)

	Average effective interest rate	On demand or within 1 year	1 to 5 years	Adjustment*	Total
	%	\$'000	\$'000	\$'000	\$'000
Group					
2018					
Trade and other payables	–	6,174	–	–	6,174
Bank loans and overdrafts (Variable rate)	5.10	767	1,303	(139)	1,931
Finance lease (fixed rate)	5.25 to 9.00	179	1,002	(176)	1,005
		<u>7,120</u>	<u>2,305</u>	<u>(315)</u>	<u>9,110</u>
Company					
2019					
Trade and other payables	–	9,535	–	–	9,535
Lease liabilities	5.00 to 5.25	116	127	(16)	227
		<u>9,651</u>	<u>127</u>	<u>(16)</u>	<u>9,762</u>
2018					
Trade and other payables	–	11,812	–	–	11,812
Finance lease (fixed rate)	5.25	30	101	(12)	119
		<u>11,842</u>	<u>101</u>	<u>(12)</u>	<u>11,931</u>

* The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability in the statement of financial position.

(iv) Foreign exchange risk management

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 United States dollar.

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 are not hedged as currency positions in United States Dollar are considered to be long-term in nature. The remaining exposure is not considered by management to be significant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) *Financial risk management policies and objectives)cont'd)*

(iv) *Foreign exchange risk management (cont'd)*

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.

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

Foreign currency sensitivity

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		Company	
	Profit before tax		Profit before tax	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
USD - strengthen 5% (2018 : 5%)	707	1,680	24	420
USD - weaken 5% (2018 : 5%)	(707)	(1,680)	(24)	(420)

(v) *Fair value of financial 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 than 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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

(v) *Fair value of financial assets and liabilities (cont'd)*

(b) *Assets measured at fair value*

Investment securities at fair value through profit or loss (Note 10): Fair values are determined directly by reference to the published market bid price of quoted equity instruments at the end of the reporting period and is classified as level 1 on the fair value hierarchy.

(c) *Fair value of financial assets and financial liabilities*

The carrying amounts of trade receivables, other receivables and deposits, cash and bank balances, trade payables, other payables and accruals, and amounts due to/from subsidiaries approximate their respective fair values due to their relatively short-term nature of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

There were no transfers between Level 1 and Level 2 of the fair value hierarchy in the period.

(vi) *Overview of the Group's exposure to credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at December 31, 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the maximum amount the Group would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised as disclosed in Note 4(b)(vi). The related loss allowance is disclosed in the respective notes to the financial statements.

In order to minimise credit risk, the Group develops and maintains the credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(vi) Overview of the Group's exposure to credit risk (cont'd)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12 month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL -credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
Group				\$'000	\$'000	\$'000
2019						
			Lifetime ECL (simplified approach)			
Trade receivables	7	(i)		15,223	–	15,223
Other receivables	8	Performing	12-month ECL	1,934	–	1,934
				<u>17,157</u>	<u>–</u>	<u>17,157</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(vi) Overview of the Group's exposure to credit risk (cont'd)

Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				\$'000	\$'000	\$'000
<u>2018</u>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	2,787	–	2,787
Other receivables	8	Performing	12-month ECL	469	–	469
				3,256	–	3,256
<u>Company</u>						
<u>2019</u>						
Other receivables	8	Performing	12-month ECL	48	–	48
Amount due from subsidiaries	9	Performing	12-month ECL	24,329	–	24,329
				24,377	–	24,377
<u>2018</u>						
Other receivables	8	Performing	12-month ECL	47	–	47
Amount due from subsidiaries	9	Performing	12-month ECL	27,909	–	27,909
				27,956	–	27,956

- (i) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 7 includes further details on the loss allowance for trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(c) Capital management policies and objectives

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 capital structure of the Group consists of equity attributable to owners of the parent, comprising issued capital, reserves and borrowings.

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 since the prior year.

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%.

The gearing ratio at the end of the reporting period is as follows:

	Group	
	2019	2018
	\$'000	\$'000
Bank loans (Note 19)	1,238	1,931
Lease liabilities (Note 22)	1,134	–
Finance lease liabilities (Note 23)	–	1,005
	2,372	2,936
Equity attributable to the owners of the Company, representing total equity of the Company	128,088	128,921
Gearing ratio	2%	2%

5. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions were entered into by the Group with related parties at terms agreed between the parties during the financial year. The balances with related parties are unsecured, interest-free and repayable on demand unless otherwise stated.

Transactions, arrangements and agreements involving directors and other related parties

		Group	
	Note	2019	2018
		\$'000	\$'000
Personnel expenses	(i)	404	394
Interest expense on convertible bonds and loans from a director	(ii)	–	80

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. RELATED PARTY TRANSACTIONS (cont'd)

Transactions, arrangements and agreements involving directors and other related parties (cont'd)

- (i) Personnel expenses of \$404,000 (2018 : \$394,000) were paid to individuals who are close family members of directors. These individuals are occupying managerial positions of the Company and its subsidiaries.
- (ii) Interest of \$80,000 was paid to a director in 2018 in relation to the convertible bonds issued to a director.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2019	2018
	\$'000	\$'000
Short term employee benefits	1,509	1,332
Central Provident Fund contributions	50	53
	1,559	1,385
Comprise amounts paid to:		
Directors of the Company	1,306	1,122
Other key management personnel	253	263
	1,559	1,385

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

6. CASH AND BANK BALANCES

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash at banks and on hand	6,485	7,394	2,687	2,270
Short-term fixed deposits with financial institutions	4,820	17,837	–	–
Cash and cash equivalents in the statement of cash flows	11,305	25,231	2,687	2,270

Cash at banks and fixed deposits earn interest at 0.88% to 5.25% (2018 : floating rates based on daily deposit rates of 0.50%) per annum. Fixed deposits are held for varying periods of between 1 to 12 months (2018: 1 to 3 months) , and are readily convertible to known amounts of cash with minimum charges.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. TRADE RECEIVABLES

	Group	
	2019	2018
	\$'000	\$'000
Unbilled receivables (contract assets)	15,152	2,769
Trade receivable from the sale of goods	71	18
	15,223	2,787

Amounts relating to construction contracts are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance - related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

The contract assets balance increased as the Group's development property project approached completion during the year with more services provided to property buyers ahead of the agreed payment schedules.

Loss allowance for trade receivables (including contract assets) has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The trade receivables are non-interest bearing and are generally on 30 days' credit term (2018 : 30 days). All trade receivables are not past-due as at December 31, 2019.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

8. OTHER RECEIVABLES AND DEPOSITS

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Other receivables and deposits - Current	1,894	428	48	47
Deposits - Non-current	40	41	—	—
	1,934	469	48	47

For purpose of impairment assessment, the other receivables are considered to have low credit risk as there has been no significant increase in the risk of default on the amounts due from since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8. OTHER RECEIVABLES AND DEPOSITS (cont'd)

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

9. AMOUNTS DUE FROM (TO) SUBSIDIARIES

	Company	
	2019	2018
	\$'000	\$'000
Due from subsidiaries:		
- Non-trade	24,329	27,909
Due to subsidiaries:		
- Non-trade	(9,085)	(11,437)

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

For purpose of impairment assessment, the other receivables are considered to have low credit risk as the timing of payment is controlled by the ultimate holding company taking into account cash flow management within the ultimate holding company's group of companies and there has been no significant increase in the risk of default on the amounts due from related parties since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses (ECL).

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

10. INVESTMENT SECURITIES

	Group	
	2019	2018
	\$'000	\$'000
Financial assets at fair value through profit and loss		
- equity instruments (quoted)	161	1,102

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. INVESTMENT SECURITIES (cont'd)

The investments above include investments in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

Changes in the fair value of financial assets at fair value through profit or loss, amounting to a loss of \$941,000 (2018 : gain of \$100,000) have been included in profit or loss for the year as part of "other expenses" (2018 : "other income").

11. INVENTORIES

	Group	
	2019	2018
	\$'000	\$'000
Raw materials	1	1
Consumables	73	100
Machineries and spare parts	2	2
Finished goods	83	2
	159	105

12. BIOLOGICAL ASSETS

	Group	
	2019	2018
	\$'000	\$'000
At beginning of year	5,129	7,350
Additions to cassava during the year	375	1,800
Gain (Loss) on fair value of biological assets	954	(2,872)
Decrease due to harvest	(930)	(1,309)
Exchange differences	(92)	160
At end of year (measured at Level 3)	5,436	5,129

The fair values of cassava 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. BIOLOGICAL ASSETS

Description	Fair value as at 2019 (\$'000)	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Biological assets	5,436 (2018 : 5,129)	Income approach	Selling prices of comparable sales less costs to harvest: \$109 (2018 : \$87) Production yield: 25 tons/hectare (2018 : 25 tons/hectare) Cultivation area: 3,081 hectares (2018 : 3,249 hectares)	The estimated fair value increases with higher comparable selling prices, production yield and cultivation area.

13. DEVELOPMENT PROPERTY

	Group	
	2019	2018
	\$'000	\$'000
Freehold land	1,021	1,197
Development costs	22,244	17,695
	23,265	18,892

Description and location	% owned	Site area (square metre)	Gross floor area (square metre)	Stage of completion as at end of reporting period (expected year of completion)
D'Seaview, a mixed-use development property in Preah Sihanouk Province, Cambodia	100%	9,818	92,566	96.5% (2020)

Development property is classified as current assets in accordance with SFRS(I) 1-1 as it is expected to be realised in the normal operating cycle of the Group.

In 2018, the Group terminated the sale and purchase agreement entered with a buyer who had failed to make requisite payment for the purchase of the hotel in the development.

During the financial year, the Phnom Penh Municipal Court has ruled in favour of the Group against the buyer (claimant). As at report date, no appeal has been made by the claimant subsequent to the court ruling.

As at December 31, 2019 and 2018, the Group continues to record the hotel as part of development property.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. PROPERTY, PLANT AND EQUIPMENT

	Lease- holdland	Leasehold improvements	Building and structure	Computers	Furniture and fittings	Machineries and equipment	Motor vehicles	Office equipment	Renovation	Freehold land	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group											
Cost:											
As at January 1, 2018	70,458	1,742	2,369	112	103	19,151	1,300	115	88	1,615	97,053
Additions	-	-	-	10	28	-	445	12	92	-	587
Disposals	-	-	-	-	(8)	(757)	(317)	-	(17)	-	(1,099)
Write-off	-	-	-	-	-	(354)	-	-	-	-	(354)
Exchange differences	1,528	38	53	1	2	417	15	2	2	35	2,093
As at December 31, 2018	71,986	1,780	2,422	123	125	18,457	1,443	129	165	1,650	98,280
Adjustments	1,101	-	430	-	-	(438)	-	-	-	-	1,093
Additions	-	-	-	9	-	82	311	6	23	-	431
Disposals	-	-	-	(7)	(6)	(206)	(105)	(9)	-	-	(333)
Write-off	-	(8)	-	-	(49)	(271)	-	(24)	-	-	(352)
Reclassification (Note 15)	(73,087)	30	-	-	-	-	(620)	-	-	-	(73,677)
Exchange differences	-	(28)	(44)	(1)	(1)	(275)	(13)	(1)	(1)	(25)	(389)
As at December 31, 2019	-	1,774	2,808	124	69	17,349	1,016	101	187	1,625	25,053

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Lease- holdland \$'000	Leasehold improvements \$'000	Building and structure \$'000	Computers \$'000	Furniture and fittings \$'000	Machineries and equipment \$'000	Motor vehicles \$'000	Office equipment \$'000	Renovation \$'000	Freehold land \$'000	Total \$'000
Accumulated depreciation:											
As at January 1, 2018	1,278	349	139	55	67	9,573	451	73	27	-	12,012
Charge for the year	1,622	104	127	20	20	1,519	319	24	22	-	3,777
Disposals	-	-	-	-	(5)	(582)	(103)	-	(2)	-	(692)
Write-off	-	-	-	-	-	(269)	-	-	-	-	(269)
Exchange differences	146	9	40	-	-	229	9	1	-	-	434
As at December 31, 2018	3,046	462	306	75	82	10,470	676	98	47	-	15,262
Adjustments	1,079	-	9	-	-	247	-	-	-	-	1,335
Charge for the year	-	94	229	11	3	1,303	104	5	36	-	1,785
Disposals	-	-	-	(3)	(2)	(170)	(53)	(3)	-	-	(231)
Write-off	-	-	-	-	(49)	(255)	-	(24)	-	-	(328)
Reclassification (Note 15)	(4,125)	7	-	-	-	-	(306)	-	-	-	(4,424)
Exchange differences	-	(8)	(9)	(1)	(1)	(182)	(7)	(1)	(1)	-	(210)
As at December 31, 2019	-	555	535	82	33	11,413	414	75	82	-	13,189
Carrying amount:											
As at December 31, 2019	-	1,219	2,273	42	36	5,936	602	26	105	1,625	11,864
As at December 31, 2018	68,940	1,318	2,116	48	43	7,987	767	31	118	1,650	83,018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Computers	Furniture and fittings	Motor vehicle	Office equipment	Renovation	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Company						
Cost:						
As at January 1, 2018	59	11	192	25	13	300
Additions	7	27	222	2	92	350
Disposal	–	(7)	(192)	–	(1)	(200)
As at December 31, 2018	66	31	222	27	104	450
Additions	5	–	–	2	23	30
Reclassification (Note 15)	–	–	(222)	–	–	(222)
As at December 31, 2019	71	31	–	29	127	258
Accumulated depreciation:						
As at January 1, 2018	44	11	41	21	12	129
Charge for the year	10	2	30	3	16	61
Disposal	–	(5)	(42)	–	(1)	(48)
As at December 31, 2018	54	8	29	24	27	142
Charge for the year	4	1	–	1	29	35
Reclassification (Note 15)	–	–	(29)	–	–	(29)
As at December 31, 2019	58	9	–	25	56	148
Carrying amount:						
As at December 31, 2019	13	22	–	4	71	110
As at December 31, 2018	12	23	193	3	77	308

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15. RIGHT-OF-USE ASSETS

	Leasehold land and improvements	Office premise	Motor vehicles	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
Cost				
As at January 1, 2019 on adoption of SFRS (I) 16	–	244	–	244
Reclassified from property, plant and equipment on adoption of SFRS(I) 16 (Note 14)	73,057	–	620	73,677
Additions	–	–	216	216
Exchange differences	(1,112)	–	–	(1,112)
As at December 31, 2019	71,945	244	836	73,025
Accumulated depreciation				
As at January 1, 2019	–	37	–	37
Reclassified from property, plant and equipment on adoption of SFRS(I) 16 (Note 14)	4,118	–	306	4,424
Depreciation charge	1,738	81	209	2,028
Currency translation differences	(1,145)	–	–	(1,145)
End of financial year	4,711	118	515	5,344
Carrying amount				
As at January 1, 2019	68,939	207	314	69,460
As at December 31, 2019	67,234	126	321	67,681
		Office premise	Motor vehicles	Total
		S\$'000	S\$'000	S\$'000
Company				
Cost				
As at January 1, 2019 and December 31, 2019		244	222	466
Accumulated depreciation				
As at January 1, 2019		37	29	66
Depreciation charge		81	46	127
As at December 31, 2019		118	75	193
Carrying amount				
As at January 1, 2019		207	193	400
As at December 31, 2019		126	147	273

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. INVESTMENT PROPERTIES

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
At beginning of year	12,505	37,880	731	617
Reclassified to assets held for sale (i)	(684)	–	(684)	–
Disposed during the year (ii)	(1,747)	(25,392)	–	–
Net (loss) gain from fair value adjustments recognised in profit or loss	(1,036)	(15)	(36)	113
Exchange differences	(38)	32	(11)	1
At end of year	9,000	12,505	–	731

Investment properties are classified under Level 3 of the fair value hierarchy.

The Group's investment property is held under leasehold interests.

There were no transfers between Levels 1 and 2 and into or out of Level 3 during the year.

The property rental income from the Group's investment property all of which are leased out under operating leases, amounted to \$1,200,000 (2018 : \$1,100,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property amounted to \$253,000 (2018 : \$181,000).

- (i) On January 6, 2020, the Group entered into a Sale and Purchase Agreement with third party for the sale of land located in Kmougne Village, Kmougne Commune, Sean Sock District, Phnom Penh City, Cambodia (20% interest owned by the Group). The Group's interest in the property was sold for \$684,000. The property was presented as asset held for sale on December 31, 2019. As at report date, the Group has received full payment from the buyer.
- (ii) In May 2019, the Group entered into a Sales and Purchase Agreement with third party for the sale of land located in Kandal Province, Cambodia. The property with total land area of 8,499 m² and a built-up area of 4,698m² factory was sold at a consideration sum of about US\$1.12 million (or \$1.75 million). As a result, the Group recorded a loss on disposal of investment property amounting to \$0.39 million.

As at December 31, 2019, title transfer of the Land to the Buyer has been completed and the Group has received full payment from the buyer.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. INVESTMENT PROPERTIES (cont'd)

The investment properties held by the Group as at December 31, 2019 and 2018 are as follows:

Description and location	Existing use	Tenure	Land area	Fair value as at 2019	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
				(\$'000)			
(a) Land at Kmoungne Village, Kmoungne Commune, Sean Sock District, Phnom Penh City, Cambodia, Plot no: 1157 (20% interest owned by the Group)	Reclassified from investment properties to assets classified as held for sale	Freehold	6,667 m ²	684 (2018 : 731)	Selling price (2018 : Direct comparison method)	Nil (2018 : Adjustment factors for transacted price of comparable properties (sqm): \$399 to \$405)	The estimated fair value increases with higher comparable prices.
(b) Land at 10 Neo Tiew Lane 2, D'Kranji Farm Resort, #01-05, Singapore 718813	Farm resort	Leasehold (20 years from May 9, 2007)	50,969 m ²	9,000 (2018 : 10,000)	Combination of depreciated replacement cost and direct comparison method (2018 : Combination of depreciated replacement cost and direct comparison method)	Differential premium: \$1,302,000 (2018 : \$1,445,640)	The estimated fair value increases with higher construction costs and comparable prices.
(c) Land at Tropang Chheu Neang Village, Peuk Commune, Ang Snoul District, Kandal Province, Cambodia Factory and warehouse at Tropang Chheu Neang Village, Peuk Commune, Ang Snoul District, Kandal Province, Cambodia	Industrial land	Freehold	Nil (2018 : 8,499 m ²)	Nil (2018 : 1,774)	Nil (2018 : Direct comparison method.)	Nil (2018 : Adjustment factors for transacted price of comparable properties (sqm): \$57 to \$273)	The estimated fair value increases with higher comparable prices.
					Depreciated replacement cost method.)	Market price (sqm): \$137 to \$690)	The estimated fair value increases with higher construction costs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. INVESTMENT PROPERTIES (cont'd)

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 first mortgage provided to a bank over the leasehold property in (b) above. This mortgage is provided in respect of the Group's loans and borrowings. Details of these bank loans are disclosed in Note 19.

Valuation of investment properties at fair value

The fair values of the Group's investment properties at December 31, 2019 and 2018 have been determined on the basis of valuations carried out at the respective year end dates by independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued, and not related to the Group. In estimating the fair values of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The Group's investment properties are classified as Level 3 of the fair value hierarchy as the fair value measurement of these investment properties are based on significant unobservable inputs.

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

Valuation policies and procedures

It is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 *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 elements of comparison 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) Income method that is based on estimated future cash flows arising from property rental, net of estimated operating expenses, with adjustments made for capitalisation yield, and discounted to present value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. INVESTMENT IN SUBSIDIARIES

(a) Investment in subsidiaries comprises:

	Company	
	2019	2018
	\$'000	\$'000
Unquoted equity shares, at cost	23,969	23,969
Loans to subsidiaries	76,160	76,160
Less: Impairment losses	(22,969)	(22,969)
	77,160	77,160
<i>Movement in impairment loss:</i>		
At beginning and end of year	22,969	22,969

The loans to subsidiaries are unsecured and interest-free. The settlement of the amounts are neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Company's net investment in the subsidiaries, they are stated at cost less impairment losses.

Details of the Group's significant subsidiaries at the end of the reporting period are as follows:

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Proportion of ownership interest and voting power held	
			2019	2018
			%	%
<u>Held by the Company</u>				
Hong Lai Huat International Pte Ltd *	Investment holding.	Singapore	100	100
HLH Agri International Pte Ltd *	Investment holding.	Singapore	100	100
HLH Development Pte Ltd *	Investment holding.	Singapore	100	100
<u>Held by HLH Agri International Pte Ltd</u>				
HLH Agri R&D Pte Ltd*	Property investment.	Singapore	100	100
HLH Global Trading Pte Ltd *	Dormant.	Singapore	100	100
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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. INVESTMENT IN SUBSIDIARIES (cont'd)

(a) Investment in subsidiaries comprises: (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Proportion of ownership interest and voting power held	
			2019	2018
			%	%
<u>Held by HLH Development Pte Ltd</u>				
Hong Lai Huat Development (Cambodia) Limited ^{(i) @}	Property development and real estate.	Cambodia	49	49
<u>Held by Hong Lai Huat International Pte Ltd</u>				
Public Housing Development (Cambodia) Limited ^{(i) @}	Investment holding, property investment.	Cambodia	49	49
<u>Held by Hong Lai Huat International Pte Ltd</u>				
PH One Development (Cambodia) Limited ^{** (i)}	Property development and real estate.	Cambodia	49	49

* Audited by Deloitte & Touche LLP, Singapore.

** Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

@ 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.

The non-controlling interests of HLHS (Cambodia) Co. Ltd are not material to the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. INVESTMENT IN SUBSIDIARIES (cont'd)

- (a) Investment in subsidiaries comprises: (cont'd)

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Place of incorporation and operation	Number of wholly- owned subsidiaries held by the Company	
		2019	2018
Investment holding, property investment.	Singapore	3	3
	Cambodia	2	2
Agricultural research and experimentation, agriculture plantation, processing and distribution.	Singapore	1	1
	Cambodia	1	1
Property development and real estate.	Cambodia	2	2
Dormant.	Singapore	1	1
		10	10

18. INVESTMENT IN JOINT VENTURE

	Group 2019
	\$'000
Unquoted equity shares, at cost	4,065
Share of post-acquisition loss	(762)
Exchange differences	12
	3,315

Name of joint venture	Principal activities	Country of incorporation and place of business	Proportion of ownership interest and voting power held
			2019
			%
<u>Held by HLH Development Pte Ltd</u>			
Royal Hong Lai Huat One Company Limited ^{@@}	Property development and real estate.	Cambodia	49

@ Audited by overseas practices of Deloitte Touche Tohmatsu Limited for consolidation purposes. Not required to be audited under the laws of the country of incorporation.

- (i) A director of the Company holds 1% interest in the joint venture, in trust for the Group, pursuant to deeds of trust agreement between the director and the companies in the Group. The above joint venture is accounted for using the equity method in these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. INVESTMENT IN JOINT VENTURE (cont'd)

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with SFRS(I)s.

	2019
	<u>\$'000</u>
Current assets	35,640
Non-current assets	1,617
Current liabilities	(6,808)
Non-current liabilities	(247)
	<u>30,202</u>

The above amounts of assets and liabilities include the following:

	2019
	<u>\$'000</u>
Cash and cash equivalents	2,082
Trade and other receivables	1,291
Property, plant and equipment and right-of-use assets	1,617
Development properties	31,848
Trade and other payables	(6,389)
Lease liabilities	(247)

	2019
	<u>\$'000</u>
Revenue	848
Loss before income tax	(1,944)
Loss for the year	(1,524)

The above profit (loss) for the year include the following:

Depreciation and amortisation	19
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Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in these consolidated financial statements:

	Group
	2019
	<u>\$'000</u>
Net assets of the joint venture	30,202
Less: advance capital injection by joint venture partner	(23,572)
Proportion of the Group's ownership interest in the joint venture	3,315
Carrying amount of the Group's interest in the joint venture	<u>3,315</u>

Pursuant to the joint venture agreement, the Group is committed to contribute construction costs and expenses amounting to US\$20,552,500, which is equivalent to the fair value of the land contributed by the joint venture partner. Upon satisfaction of this condition, the ownership of the land would be released from escrow and transfer to the JV company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. BANK LOANS AND OVERDRAFT

	Group	
	2019	2018
	\$'000	\$'000
<u>Current</u>		
Bank loans:		
SGD bank loan 1 at base rate - 0.6% p.a. ^(a)	1,238	686
<u>Non-current</u>		
Bank loans:		
SGD bank loan 1 at base rate - 0.6% p.a. ^(a)	–	1,245
	–	1,245
Total bank loans	1,238	1,931

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

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

The loan bears interest at 5.10% (2018 : 5.10%) 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.

This loan is secured by a first mortgage over the Group's investment property at 10 Neo Tiew Lane 2 (Note 16) and corporate guarantee by the Company. As at December 31, 2019, the value of the property has not met the minimum value required by the loan covenant. As a result of the breach in loan covenant, the total sum outstanding as at December 31, 2019 is classified as current.

Subsequent to year end, the lender had accepted the lower valuation of the investment property and has unconditionally waived the right to demand repayment arising from the breach. All other terms of the loan agreement has remained status quo.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. BANK LOANS AND OVERDRAFT (cont'd)

	Non-cash changes					
	December 31, 2018	Effect of SFRS(I) 16 adoption	January 1, 2019	Financing cash flow ⁽ⁱ⁾	Increase in lease liabilities ⁽ⁱⁱ⁾	Foreign exchange movement
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank loans (Note 19)	1,931	–	1,931	(693)	–	–
Lease liabilities (Note 22)	1,005	244	1,249	(228)	106	7
	2,936	244	3,180	(921)	106	7

	Non-cash changes				
	January 1, 2018	Financing cash flow ⁽ⁱ⁾	Equity component of convertible bonds	Foreign exchange movement	December 31, 2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Overdraft (Note 19)	2,641	(2,641)	–	–	–
Bank loans (Note 19)	2,591	(660)	–	–	1,931
Finance leases (Note 23)	1,214	(231)	–	22	1,005
Convertible bonds	1,996	(2,000)	4	–	–
	8,442	(5,532)	4	22	2,936

(i) The cash flows make up the net amount of proceeds from bank loans, overdraft and repayments of loans in the statement of cash flows.

(ii) The increase in lease liabilities include new leases entered and the interest portion of the outstanding lease liabilities.

20. TRADE PAYABLES

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

21. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Other payables	551	330	27	21
Deposits received	633	686	–	–
Contract liabilities	1,848	13	–	–
Accrued operating expenses	634	616	423	354
Total other payables and accruals	3,666	1,645	450	375

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

Contract liabilities arise from development property project have increased due to collections from buyers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. LEASE LIABILITIES

	Group	Company
	2019	2019
	\$'000	\$'000
<u>Group as a lessee</u>		
Maturity analysis:		
Within one year	262	116
Later than one year but not later than five years	465	127
After five years	2,694	–
	3,421	243
Less: Unpaid interest	(2,287)	(16)
	1,134	227
Analysed as:		
Current	248	106
Non-current	886	121
	1,134	227

The Group does not face a significant liquidity risk with regard to its lease liabilities.

23. FINANCE LEASE LIABILITIES

	2018			
	Minimum lease payments		Present value of minimum lease payments	
	Group	Company	Group	Company
	\$'000	\$'000	\$'000	\$'000
Amounts payable under finance leases:				
Within one year	179	30	144	25
In the second to fifth year inclusive	1,002	101	861	94
	1,181	131	1,005	119
Less: Future finance charges	(176)	(12)	N/A	N/A
Present value of lease obligations	1,005	119	1,005	119
Less: Amount due for settlement within 12 months (shown under current liabilities)			(144)	(25)
Amount due for settlement after 12 months			861	94

As at December 31, 2018, the Group has finance leases for motor vehicles (Note 14). The leases have remaining term of approximately 1 to 5 years. The lease agreements do not have terms of renewal and purchase options. The effective interest rates for the finance leases range from 5.25% to 5.39% per annum.

In addition, the Group has finance leases for the 50 years' concession leasehold land at Aoral District in Kampong Speu Province, Cambodia. The lease has remaining unexpired term of 40 years. The effective interest rate for the finance lease is 9% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. FINANCE LEASE LIABILITIES (cont'd)

Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 15). The average discount rate implicit in the leases is 5.25% per annum. These obligations are denominated in Singapore dollars.

24. DEFERRED TAX LIABILITIES

As disclosed in Notes 14 and 16, the Group recognised a loss on change in fair value of investment properties during the current and prior financial years. The deferred tax liabilities as at December 31, therefore relate to the following:

	Revaluation of land and building	Gain (loss) on change in fair value of investment properties	Total
	\$'000	\$'000	\$'000
Group			
At January 1, 2018	8,912	5,605	14,517
Adjustment	–	(2,720)	(2,720)
Credit to profit or loss for the year	(345)	(656)	(1,001)
Exchange differences	231	82	313
At December 31, 2018	8,798	2,311	11,109
Adjustment	–	936	936
Credit to profit or loss for the year	(343)	(206)	(549)
Exchange differences	51	18	69
	8,506	3,059	11,565

The Group has tax losses of approximately \$21,258,000 (2018 : \$24,751,000) that are available for offset against future taxable profits of the Group for which deferred tax assets amounting to approximately \$3,765,000 (2018 : \$4,702,000) 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.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries and joint venture for which deferred tax liabilities have not been recognised is \$902,000 (2018 : \$3,350,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

25. SHARE CAPITAL

	Group and Company			
	2019	2018	2019	2018
	No. of ordinary shares		\$'000	\$'000
Issued and paid-up:				
At beginning of year	221,933,192	6,658,068,582	123,131	123,131
Share capital restructuring	–	(6,436,135,390)	(28,529)	–
At beginning and end of year ⁽ⁱ⁾	221,933,192	221,933,192	94,602	123,131

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

On May 15, 2018, the Company completed the consolidation of thirty existing shares to one consolidated share. As a result of the exercise, the issued share capital of the Company comprises 221,933,192 shares.

On April 30, 2019, the Company completed the share capital reduction by way of off-setting against the Company's accumulated losses. As a result of the exercise, the share capital and accumulated losses of the Company is reduced by \$28,528,762.

26. RESERVES

Capital Reserve

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.

Asset Revaluation Reserve

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.

Foreign Currency Translation Reserve

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.

Dividends

In respect of the financial year ended December 31, 2018, a dividend of 0.5 cents per share was declared by the Directors and approved by the Shareholders at the 2018 Annual General Meeting.

On July 2, 2019, the dividend of 0.5 cents per share (total dividend \$1.1 million) was paid to shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. REVENUE

Disaggregation of revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 35):

	Location	2019	2018
		\$'000	\$'000
<u>Recognised at point in time</u>			
Sale of crops	Cambodia	1,534	2,107
Sale of crops	Singapore	–	745
<u>Recognised over time</u>			
Sale of development of properties	Cambodia	26,587	30,434
Rental income from lease of resort	Singapore	1,200	1,100
Other revenue	Singapore	22	–
		<u>29,343</u>	<u>34,386</u>

28. OTHER INCOME

	Group	
	2019	2018
	\$'000	\$'000
Interest income from bank deposits	255	46
Gain on change in fair value of quoted investment	–	100
Gain on fair value of biological assets (Note 12)	954	–
Gain on disposal of property, plant and equipment	–	95
Gain on disposal of investment properties	–	565
Net foreign exchange gain	–	1,236
Forfeiture of progressive deposits from property sales	62	5,970
Other sundry income	105	563
	<u>1,376</u>	<u>8,575</u>

On December 11, 2018, PH One Development (Cambodia) Limited (“PH One”), a subsidiary of the Group has terminated the sale and purchase agreement (“SPA”) entered between PH One and the buyer of its hotel in its D’Seaview project in Sihanoukville, Cambodia. The termination by PH One resulted from the failure by the buyer to make the requisite payments for the purchase of the D’Seaview project in accordance with the clauses in the SPA.

As a result, PH One has forfeited the three progress payments deposits made by the buyer amounting to US\$4.2million (approximately \$6.0 million) and recorded as other income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. FINANCE COSTS

	Group	
	2019	2018
	\$'000	\$'000
Interest expense on:		
- Bond interest	–	80
- Lease liabilities	24	14
- Bank loans	83	290
	<u>107</u>	<u>384</u>

30. INCOME TAX EXPENSE (BENEFIT)

	Group	
	2019	2018
	\$'000	\$'000
Current tax	1,200	852
Deferred tax (Note 24)	(549)	(1,001)
	<u>651</u>	<u>(149)</u>
Under (Over) provision in respect of prior years:		
- current tax	–	52
- deferred tax	–	(2,720)
Tax expense (benefit)	<u>651</u>	<u>(2,817)</u>

Domestic income tax is calculated at 17% (2018 : 17%) of the estimated assessable income for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting profit as follows:

	Group	
	2019	2018
	\$'000	\$'000
Profit before income tax	<u>2,460</u>	<u>4,773</u>
Income tax expense calculated at 17% (2018 : 17%)	418	811
Effect of income not subject to taxation	(206)	–
Non-deductible expenses	1,268	2,347
Utilisation of previously unrecognised tax losses	(985)	(3,669)
Effect of different tax rates of subsidiaries operating in other jurisdictions	156	362
Under (Over) provision in respect of prior years:		
- current tax	–	52
- deferred tax	–	(2,720)
Income tax (benefit) expense recognised in profit or loss	<u>651</u>	<u>(2,817)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

30. INCOME TAX (BENEFIT) EXPENSE (cont'd)

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 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.

31. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Group	
	2019	2018
	\$'000	\$'000
Personnel expenses:		
- Salaries and bonuses	3,366	3,522
- Central Provident Fund contribution	102	111
- Other short-term benefits	303	144
	3,771	3,777
Directors' fees:		
- of the Company	170	134
Directors' remuneration:		
- of the Company	1,136	849
- of the subsidiaries	140	–
Total directors' remuneration	1,276	849
Rental of premises and office facilities	32	241
Legal and professional fees	246	2,261
Audit fees:		
- Paid to auditors of the Company	128	116
- Paid to other auditors	67	60
Non-audit fees:		
- Paid to auditors of the Company	–	–
- Paid to other auditors	–	2
Loss (Gain) on disposal of investment property	390	(565)
Net foreign exchange loss (gain)	705	(1,236)
Loss (Gain) on disposal of property, plant and equipment	8	(95)

Key management and directors' remuneration included above is disclosed in Note 5.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

32. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the ordinary shares of the Company is based on the following data:

	Group	
	2019	2018
	\$'000	\$'000
Earnings		
Profit attributable to equity holders of the Company	1,809	7,590
Earnings for the purposes of basic and diluted earnings per share	1,809	7,590
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	221,933,192	221,933,192
Weighted average number of ordinary shares for the purposes of diluted earnings per share	221,933,192	221,933,192
Earnings per share (cents)	0.815	3.420

On May 15, 2018, the Company completed the consolidation of thirty existing shares to one consolidated share. As a result of the exercise, the issued share capital of the Company comprises 221,933,192 shares.

33. COMMITMENTS

(a) *The Group as lessor*

Disclosure required by SFRS(I) 16

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease terms of 3 years. The lessee was granted the right to manage, operate, and collect revenue in relation to the Group's resort in Singapore. The third party company is independent of the Group. As at December 31, 2019, this non-cancellable lease has remaining lease term of 18 months (2018 : 30 months).

Maturity analysis of operating lease payments:

	Group
	2019
	\$'000
Year 1	1,200
Year 2	600
	1,800

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. COMMITMENTS (cont'd)

(a) The Group as lessor (cont'd)

Disclosure required by SFRS(I) 1-17

At the end of the reporting period, the Group has contracted with the tenant for the future minimum lease payments:

	Group 2018
	<u>\$'000</u>
Within one year	1,200
Later than one year but not later than five years	1,800
	<u>3,000</u>

(b) The Group as lessee

Disclosure required by SFRS(I) 16

At December 31, 2019, the Group is committed to \$84,000 for short-term leases.

Disclosure required by SFRS(I) 1-17

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.

In 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 8,999.5 hectares for a period of 70 years. Under the concession agreement, the subsidiary shall pay US\$5 per hectare per annum from year 2014 to year 2058 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 profit or loss for the financial year ended December 31, 2018 amounted to \$241,000. Future minimum lease payments payable under non-cancellable operating leases as described above as at December 31, 2018 are as follows:

	Group 2018
	<u>\$'000</u>
Within one year	198
Later than one year but not later than five years	571
Later than five years	1,594
	<u>2,363</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. COMMITMENTS (cont'd)

(c) *The Group as joint venture partner*

During the year, the Group set up a joint venture company ("JV company") with the Royal Group of Companies Ltd ("Royal Group") in Cambodia for the development of a mixed-use development project.

Pursuant to the joint venture agreement signed between the Group and the Royal Group, the Group is to contribute construction costs and expenses amounting to US\$20,552,500.

34. CONTINGENT LIABILITIES

The Company has provided corporate guarantees of \$1,238,000 (2018 : \$1,931,000) 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.

35. SEGMENT INFORMATION

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.

(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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. SEGMENT INFORMATION (cont'd)

	Agriculture division	Property development and real estate division	Others	Adjustments and eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Revenue					
External sales	2,756	26,587	–	–	29,343
Inter-segment sales	–	–	2,900	2,900)	–
	<u>2,756</u>	<u>26,587</u>	<u>2,900</u>	<u>(2,900)</u>	<u>29,343</u>
Results					
Interest income	121	370	59	(295)	255
Loss on disposal of property, plant and equipment	(6)	(2)	–	–	(8)
Loss on disposal of investment properties	(390)	–	–	–	(390)
Loss on change in fair value of investment securities	–	(941)	–	–	(941)
Depreciation expense ⁽ⁱ⁾	(3,456)	(196)	(161)	–	(3,813)
Finance costs	(178)	(177)	(47)	295	(107)
Income tax benefit (expense)	431	(1,088)	6	–	(651)
Segment profit (loss)	<u>(2,526)</u>	<u>6,808</u>	<u>183</u>	<u>(2,656)</u>	<u>1,809</u>
Assets					
Additions to non-current assets ⁽ⁱ⁾	297	4,385	30	–	4,712
Segment assets ⁽ⁱ⁾	<u>96,111</u>	<u>51,379</u>	<u>3,867</u>	<u>–</u>	<u>151,357</u>
Segment liabilities ⁽ⁱ⁾	<u>(15,198)</u>	<u>(7,377)</u>	<u>(694)</u>	<u>–</u>	<u>(23,269)</u>

(i) The Group initially applied SFRS(I) 16 on January 1, 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, the Group recognised \$244,000 of right-of-use assets and \$244,000 of liabilities from those lease contracts on January 1, 2019. The assets and liabilities are included in the "Others" segment as at December 31, 2019.

The Group has applied SFRS(I) 16 using the modified retrospective approach, under which comparative information is not restated (Note 2).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. SEGMENT INFORMATION (cont'd)

	Agriculture division	Property development and real estate division	Others	Adjustments and eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
2018					
Revenue	3,952	30,434	–	–	34,386
External sales					
Inter-segment sales	745	–	2,600	(3,345)	–
	<u>4,697</u>	<u>30,434</u>	<u>2,600</u>	<u>(3,345)</u>	<u>34,386</u>
Results					
Interest income	102	152	140	(348)	46
Gain (Loss) on disposal of property, plant and equipment	130	(25)	7	–	112
Gain on disposal of investment properties	–	565	–	–	565
Gain on change in fair value of investment securities	–	100	–	–	100
Depreciation expense	(3,491)	(248)	(58)	–	(3,797)
Finance costs	(156)	(409)	(165)	346	(384)
Income tax benefit (expense)	(171)	2,988	–	–	2,817
Segment profit (loss)	<u>(7,163)</u>	<u>14,497</u>	<u>1,622</u>	<u>(1,366)</u>	<u>7,590</u>
Assets					
Additions to non-current assets	51	186	350	–	587
Segment assets	<u>101,044</u>	<u>41,517</u>	<u>3,284</u>	<u>–</u>	<u>149,865</u>
Segment liabilities	<u>(16,022)</u>	<u>(4,428)</u>	<u>(494)</u>	<u>–</u>	<u>(20,944)</u>

Geographical information

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

	Revenue		Non-current assets	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Singapore	1,222	1,845	12,709	11,661
Cambodia	28,121	32,541	79,191	83,910
Total	<u>29,343</u>	<u>34,386</u>	<u>91,900</u>	<u>95,571</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. SUBSEQUENT EVENTS

The COVID-19 outbreak which has escalated subsequent to the reporting period has resulted in some disruptions to the Group's businesses, affecting supply chains for property development and real estate division, and operations for agriculture division.

Given the dynamic nature of the circumstances, the related financial impact on the Group's subsequent financial statements and duration could not be reasonably estimated at this time as the situation is fluid and rapidly evolving. The related impacts, if any, will be reflected in the Group's 2020 financial statements. Notwithstanding this, management has assessed that the Group and Company is still able to maintain sufficient liquidity to enable the Group and Company to continue as a going concern for at least the next 12 months from the end of the reporting period.

37. STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective:

Effective for annual periods beginning on or after January 1, 2020

- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements* and SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*.
- Amendments to SFRS(I) 3 *Business Combinations: Definition of a Business*.
- Amendments to References to the Conceptual Framework in SFRS(I) Standards.

Management anticipates that the adoption of the above SFRS(I), SFRS(I) INT and amendments to SFRS(I) s in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

STATISTICS OF SHAREHOLDINGS

As at 24 March 2020

ISSUED AND FULLY PAID-UP CAPITAL	–	S\$94,601,971
NUMBER OF SHARES ISSUED	–	221,933,192
CLASS OF SHARES	–	ORDINARY SHARES
VOTING RIGHTS	–	ONE VOTE PER SHARE

The Company does not hold any treasury shares and subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	502	7.95	20,309	0.01
100 – 1,000	1,092	17.29	598,229	0.27
1,001 – 10,000	3,273	51.81	14,406,268	6.49
10,001 – 1,000,000	1,426	22.57	71,642,500	32.28
1,000,001 and above	24	0.38	135,265,886	60.95
TOTAL	6,317	100.00	221,933,192	100.00

TWENTY LARGEST SHAREHOLDERS

TOP TWENTY SHAREHOLDERS	NO. OF SHARES	%
ONG BEE HUAT	36,605,600	16.49
WONG WEN-YOUNG	13,841,850	6.24
PHILLIP SECURITIES PTE LTD	10,591,486	4.77
RAFFLES NOMINEES (PTE) LIMITED	10,471,485	4.72
ONG JIA MING	8,828,471	3.98
CITIBANK NOMINEES SINGAPORE PTE LTD	5,975,779	2.69
NG CHUEN GUAN	5,530,000	2.49
ONG KIAN HENG	5,348,333	2.41
DBS NOMINEES PTE LTD	4,127,118	1.86
HSU HUNG-CHUN	4,000,000	1.80
ANG POON BENG	3,681,285	1.66
TOH TIAM HOCK	3,331,688	1.50
HONG LEONG FINANCE NOMINEES PTE LTD	2,956,000	1.33
CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	2,794,435	1.26
SOH CHIAP HOI	2,504,933	1.13
NG YING TING	2,298,500	1.04
WAN CHUNG CONSTRUCTION (SINGAPORE) PTE LTD	1,990,800	0.90
JIB SPECIALIST CONSULTANTS PTE LTD	1,755,500	0.79
UNITED OVERSEAS BANK NOMINEES PTE LTD	1,601,028	0.72
ONG JIA JING	1,501,500	0.68
	129,735,791	58.46

STATISTICS OF SHAREHOLDINGS

As at 24 March 2020

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 24 March 2020)

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
DATO' DR. ONG BEE HUAT, JOHNNY	36,605,600	16.49	7,892,200 ⁽¹⁾	3.56
PROF. WONG WEN-YOUNG, WINSTON	13,841,850	6.24	—	—

Notes:

- (1) Dato' Dr. Ong Bee Huat, aggregate deemed interest comprised 7,892,200 shares held by Haitong International Securities (Singapore) Pte. Ltd.

COMPLIANCE WITH RULE 723 OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") LISTING MANUAL

Based on information available and to the best knowledge of the Company as at 24 March 2020, approximately 67.15% of the ordinary shares of the Company are held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

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 Lien We King
(Independent Director, appointed on 1 March 2019)

Ms Kohe Hasan
(Independent Director, appointed on 1 March 2019)

SECRETARY

Ms Liew Meng Ling

SHARE REGISTRAR & SHARE TRANSFER OFFICE

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758
Did: (65) 6593-4825
Main: (65) 6593-4848
Fax: (65) 6593-4847

REGISTERED OFFICE

1 Gateway Drive
#20-12/13
Westgate Tower,
Singapore 608531

BANKERS

RHB Bank Berhad
United Overseas Bank Limited
Maybank Cambodia
Hong Leong Finance Limited
CIMB Singapore
Acleda Bank
Canadia Bank PLC
Phillip Bank PLC
Maybank Singapore

AUDITORS

Deloitte & Touche LLP
6 Shenton Way, OUE Downtown 2 #33-00
Singapore 068809
Engagement partner: Tsia Chee Wah
(since financial year ended 31 December 2017)





HONG LAI HUAT
GROUP LIMITED

達來發集團有限公司

INCORPORATED IN SINGAPORE

Hong Lai Huat Group Limited

1 Gateway Drive
#20-12/13

Westgate Tower,
Singapore 608531

Tel: (65) 6861 0330

Fax: (65) 6861 7746

Email: general@hlh.com.sg

www.honglaihuatgroup.com