



HONG LAI HUAT  
GROUP LIMITED  
達來發集團有限公司

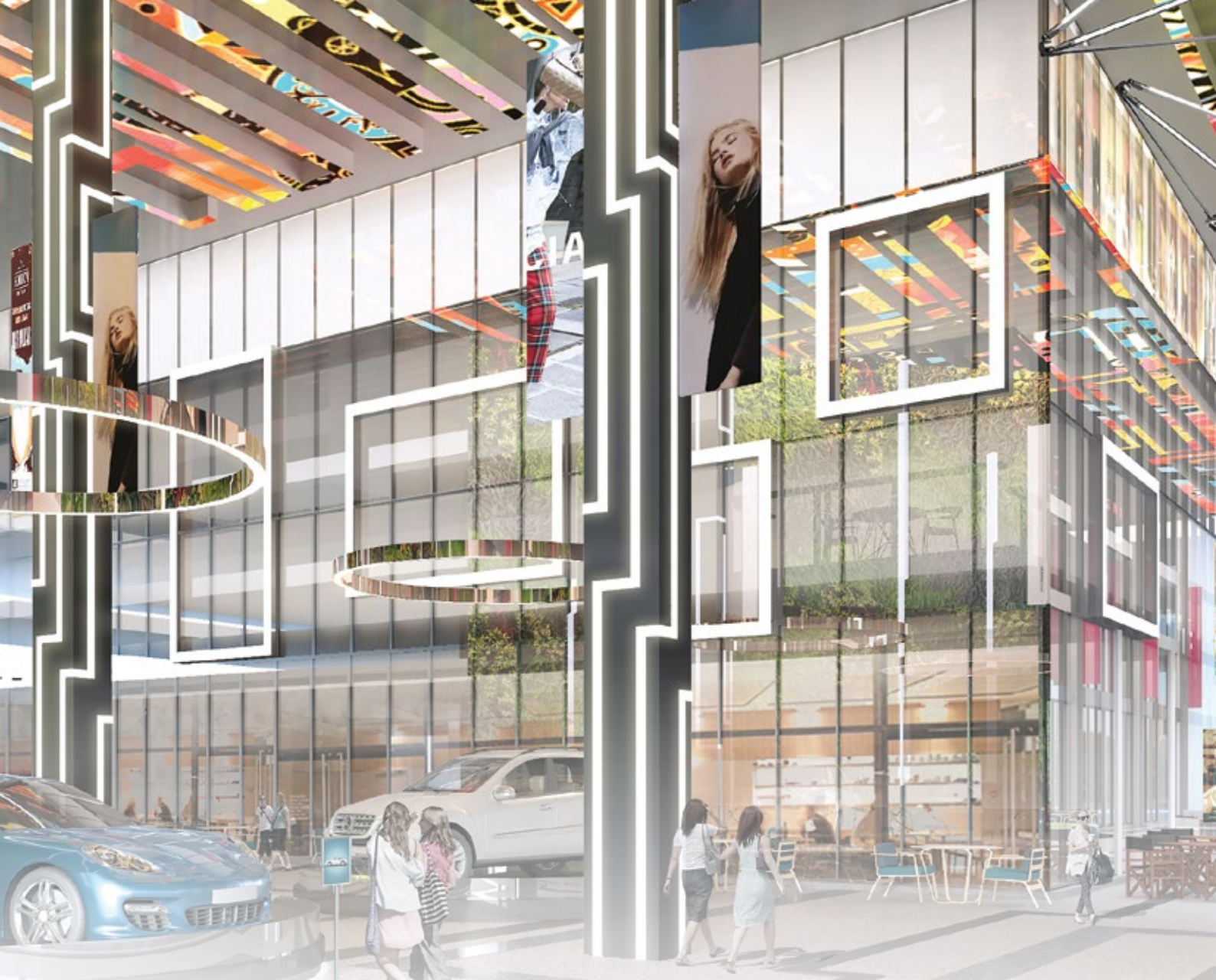
SGX MAINBOARD ICTO.SI

# Rising Above the Horizon

ANNUAL REPORT 2018







## CONTENTS

<b>01</b>	Corporate Profile & Our Presence	<b>39</b>	Statements of Financial Position
<b>02</b>	Message to Shareholders by Chairman	<b>41</b>	Consolidated Statement of Comprehensive Income
<b>03</b>	Message to Shareholders by Deputy Chairman & CEO	<b>42</b>	Statements of Changes in Equity
<b>04</b>	Financial Highlights	<b>45</b>	Consolidated Statement of Cash Flow
<b>05</b>	Corporate Structure	<b>47</b>	Notes to the Financial Statements
<b>06</b>	Operations Review	<b>127</b>	Statistics of Shareholdings
<b>08</b>	Board of Directors	<b>129</b>	Notice of Annual General Meeting
<b>10</b>	Key Developments		Proxy Form
<b>13</b>	Report on Corporate Governance		
<b>28</b>	Directors' Statement		
<b>31</b>	Independent Auditor's Report		



## CORPORATE PROFILE

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**Hong Lai Huat Group Limited** is a well-established and reputable real estate and property developer with 30 years of successful track record. Established since 1998, 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 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 estimated 10,000 hectares of farmland that is capable to cultivate cassava, as well as a cassava starch production factory on site capable of producing 120 tons of starch on a daily basis.

The Group also expanded into property development in Cambodia with the development of its first freehold mixed-use project – D'Seaview, in Sihanoukville. One of the largest mixed-use developments in Sihanoukville, D'Seaview comprises 737 residential units and 64 commercial units. In November 2019, the Group announced the signing of a joint cooperation agreement to launched its second mixed development project in the capital city of Cambodia, Phnom Penh.

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

## OUR PRESENCE

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# MESSAGE TO SHAREHOLDERS BY CHAIRMAN

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“ In FY2018, we have hit a record high revenue of S\$34,386,000 compared to those in the last 5 years. This is 173% increase compared to FY2017 as the Property and Real Estate Division contributed 89% of the Group's overall revenue in FY2018, mainly due to the progressive revenue recognition from project D'Seaview with its handover date in FY2019. ”



**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.

The Group is pleased to have achieved certain milestones in FY2018, most notably the roof topping out ceremony for project D'Seaview, our first mixed development project in Cambodia. The construction works are progressing well and we look forward to handover all the units to our buyers by the end of FY2019. Second in line would be the joint venture agreement signed with Royal Group of Companies for the launch our second mixed development project in the capital city of Cambodia, Phnom Penh. The new project shall have an estimated saleable area of 80,000 sqm. The Group believes that this partnership will be a successful one just like 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.

In FY2018, we have hit a record high revenue of S\$34,386,000 compared to those in the last 5 years. This is 173% increase compared to FY2017 as the Property and Real Estate Division contributed 89% of the Group's overall revenue in FY2018, mainly due to the progressive revenue recognition from project D'Seaview with its handover date in FY2019. Furthermore, we believe the new mixed

development project in Phnom Penh will continue to support the company's growth and better position Hong Lai Huat as an experience 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 as well as the new breed of cassava sticks acquired from Thailand. The company will continue to focus on the cultivation and harvesting of fresh cassava and refinement of the cassava starch production facility in Cambodia.

Going forward, the Group will continue to explore meaningful project opportunities in the Property and Real Estate market in Singapore and Indochina as well as sourcing for meaningful partnerships with major international corporation on the 10,000 ha cassava plantations farm in Aoral District, Kingdom of Cambodia.

**Dr Wang Kai Yuen**  
Chairman of the Board

## MESSAGE TO SHAREHOLDERS BY DEPUTY CHAIRMAN & CEO

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“ First and foremost, I am pleased to report that FY2018 has been an outstanding year for all of us at Hong Lai Huat Group Limited. This would not have been possible without our shareholders continuous support towards the Group over the years. ”



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

### DEAR SHAREHOLDERS,

First and foremost, I am pleased to report that FY2018 has been an outstanding year for all of us at Hong Lai Huat Group Limited. This would not have been possible without our shareholders continuous support towards the Group over the years. Revenue growth was the highest on a 5 yearly comparison, bulk of this was contributed from the strong sales in our property and real estate division in Cambodia and the remaining contributed from the steady growth of our agriculture division.

In June 2018, we held the roof topping out ceremony for the first mixed development project D'Seaview in Sihanoukville Cambodia, this was an important milestone for the project and we now look forward to complete the entire construction in FY2019. In August 2018, we have concluded the divestment of an investment property in Cambodia for US\$22.06m. On 1st November, we signed a joint cooperation agreement with Royal Group of Companies to jointly developed our second mixed development project in the capital city of Cambodia, Phnom Penh which we have soft launched this April. This new project will continue to support the growth of our Property and Real Estate Division in Cambodia.

On the other hand, we are also pleased to share that the cultivation of fresh cassava on the Group's plantation farm in Aoral District, Kampong Speu Province is progressing well with a new breed of cassava sticks introduced that generates higher yield. We are expecting to expand the cultivation area this year which hopefully to double our yield of the fresh cassava.

Going forward, the Group will continue to source for new property development opportunities in the Kingdom of Cambodia and Indochina as well as explore meaningful collaboration opportunities with major international corporation on the cassava plantation farm in Cambodia.

### LOOKING AHEAD

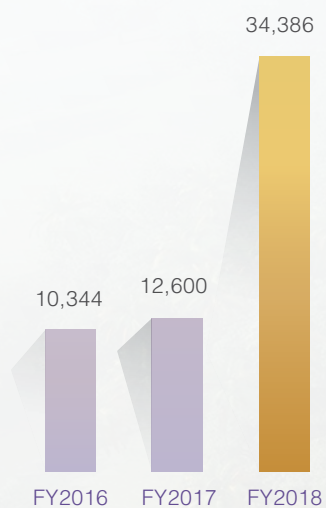
We would like to express our heartfelt appreciation to the Board, management and all staffs at Hong Lai Huat Group Limited. Special thanks also go to the management team and our employees for their dedication and hard work in FY2018. To all our business associates, suppliers, bankers and shareholders, we thank you for your continued support and especially the unwavering confidence in us by our shareholders. We will continue to work diligently to create a greater value for all shareholders.

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

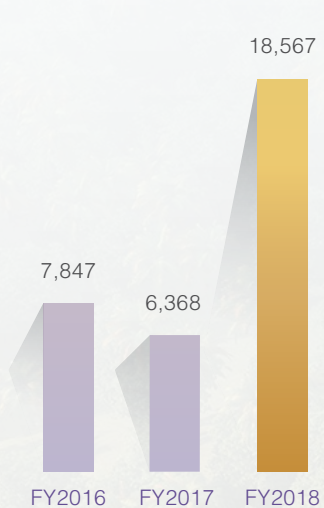


# FINANCIAL HIGHLIGHTS

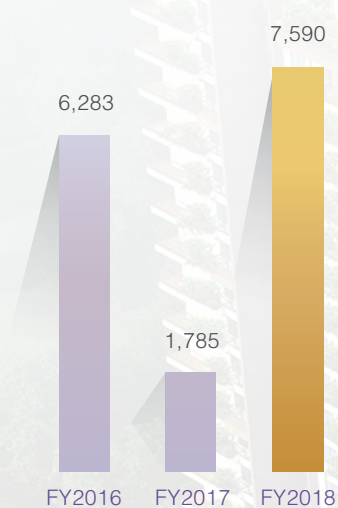
### REVENUE (\$'000)



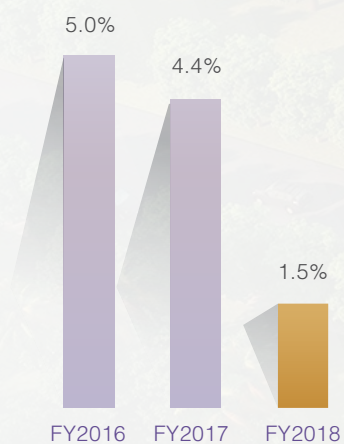
### GROSS PROFIT (\$'000)



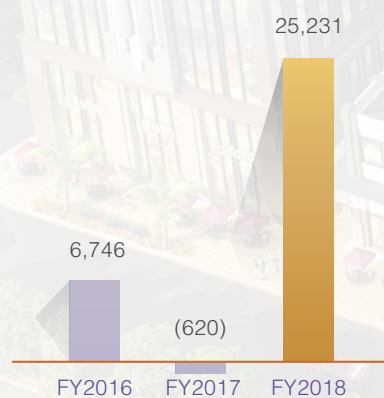
### NET PROFIT (\$'000)



### DEBT LEVEL (%)



### CASH EQUIVALENT (S\$'000)







**HONG LAI HUAT  
GROUP LIMITED**

逢来發集团有限公司

SGX MAINBOARD (CTO.5H)



# OPERATIONS REVIEW

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## REVIEW OF INCOME STATEMENTS

### REVENUE

The Group's revenue increased from \$12.6 million in FY 2017 to \$34.4 million in FY 2018, driven by stronger property sales in Cambodia. The property development and real estate division accounted for 89% of the Group's revenue in FY 2018.

### GROSS PROFIT

The Group's gross profit increased from \$6.4 million in FY 2017 to \$18.6 million in FY 2018 mainly due to a sales increase in the property development division.

### OTHER INCOME

The Group's other income decreased from \$15.3 million in FY 2017 to \$8.6 million in FY 2018 mainly due to the higher fair value gain of the investment properties in FY 2017.

### SELLING & ADMINISTRATIVE EXPENSES

The Group's distribution and selling expenses relates to the sales and marketing activities of the property development division, increased from \$1.6 million in FY 2017 to \$4.3 million in FY 2018. Administrative expenses increased from \$10.0 million in FY 2017 to \$13.2 million in FY 2018, mainly driven by professional fees paid out in property development division, depreciation and upkeep of farm machinery in Cambodia agriculture division.

### OTHER EXPENSES

The decrease in other expenses from \$5.0 million in FY 2017 to \$4.5 million in FY 2018 mainly due to net foreign exchange gain of \$1.2 million in FY 2018 compared to net foreign exchange loss of \$3.0 million in FY 2017.

### FINANCE COSTS

Finance cost reduced from \$0.5 million in FY 2017 to \$0.4 million in FY 2018 due to repayment of bank borrowings.





### REVIEW OF FINANCIAL POSITION

The Group's investment properties decreased from \$37.9 million as at end FY 2017 to \$12.5 million in FY 2018 due to sale of the Group's investment property in FY 2018. The sale of asset was completed during the year.

Biological assets of \$5.1 million relate to immature cassava that have yet to be harvested.

Trade receivables increased from \$0.6 million as at end FY 2017 to \$2.8 million for FY 2018 mainly due to increase billings of our property sales in Cambodia.

Trade payables reduced from \$7.3 million as at end FY 2017 to \$5.2 million for FY 2018 mainly due to reduction in progressive claims from contractors and accruals for unbilled contractor progressive claims.

Other payables and accruals decrease from \$2.5 million at the end of FY 2017 to \$1.6 million for FY 2018 mainly due to the deposit collected upon signing of the Sale and Purchase agreement for the disposal of asset classified as held for trading in FY 2017.

Loans and borrowings for the Group decreased from \$5.2 million as at end FY 2017 to \$1.9 million in FY 2018 as a result of loan repayments.

The net assets of the Group increased from \$120 million as at end FY 2017 to \$129 million in FY 2018 mainly due to net profit of \$7.6 million and \$1.6 million gain in foreign currency translation reserve in FY 2018.

### REVIEW OF CASH FLOW STATEMENT

Net cash flows from operating activities generated a net cash surplus of \$0.1 million in FY 2018 compared to a net cash outflow of \$8.2 million in FY 2017. The surplus was mainly due to an increase in operating profit.

Net cash generated from investing activities was \$28.5 million for FY 2018, mainly due to proceeds from sales of investment property and asset classified as held for sale.

Net cash used in financing activities was \$2.8 million, mainly due to repayment of bank loans and convertible loan notes redeemed.

As a result, the balance of cash and cash equivalents at the end of the year increased by \$25.9 million as compared to the end of previous year, to \$25.2 million.

## BOARD OF DIRECTORS

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### **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, Emas Offshore Limited and China Aviation Oil (Singapore) Corporation Ltd. 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 and Director of Grace Semiconductor Manufacturing Corp, China; and the Founder and Director 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.



### **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.



## BOARD OF DIRECTORS

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### **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 Institute of Management University and Vice President of The Economic Society of Singapore. He was the Group Managing Director of Auric Pacific Group Limited and Overseas Union Enterprise Limited. He was also the Director for Sim Kee Boon Institute for Finance Economics and an Independent Director for SHS Limited.



### **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.



### **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 SINGAPORE



D'FRESCO



DALMIRA



D'CASTILIA



D'ECOSIA



D'LITHIUM



CLEMENTI FACTORY



SUNSHINE PLACE



YEOW 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



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 will be completed in FY2019.

ROYAL PLATINUM



ROYAL Platinum 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 800 over freehold residential and commercial units.

## KEY DEVELOPMENTS

### AGRICULTURE DIVISION

#### AGRICULTURE DIVISION (CAMBODIA)



Aoral Farm Property is a plot of concessional agriculture land with buildings and four main workshop areas. With a total land area of approximately 10,000 hectares, it is located at Aoral District, Kampong Speu Province, Cambodia.

The Aoral District consists predominately of agriculture farmlands and small villages. It is around National Road 44 and National Road 132, with the Aoral Wildlife Sanctuary area a stone's throw away. The farmland is strategically located between Phnom Penh, the capital of Cambodia and Sihanoukville, 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 1<sup>st</sup> July 2018.



# REPORT ON CORPORATE GOVERNANCE

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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. In a broader aspect, the Code of Corporate Governance 2012 (the “Code”) will assist to reinforce the Singapore Government’s policy to create a regulatory framework that strengthens our capital markets, including rules impacting corporate reporting. The Company has adhered to the principles and guidelines of the Code as it serves as a practical guide defining Directors’ duties and responsibilities.

## **Principle 1: The Board’s Conduct of Affairs**

Currently, the Board comprises 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 in this Annual Report.

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

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

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

- a. provide entrepreneurial leadership, set strategic objectives and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- b. establish a framework of prudent and effective controls which enables risk to be assessed and managed;
- 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.

# REPORT ON CORPORATE GOVERNANCE

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

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

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

The number of Directors' and Board Committees' meetings and the record of attendance of each Director during the financial year ended 31 December 2018 ("FY2018") are as follows:

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

## **Principle 2: Board Composition and Guidance**

Currently, the Board comprises 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 Chuen, David, Mr. Lien We King and Ms. Kohe Hasan. The Independent Directors are not associated in any way with any of the substantial shareholders of the Company.

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

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

## **Principle 3: Chairman and Chief Executive Officer**

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

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



# REPORT ON CORPORATE GOVERNANCE

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

The Chairman is responsible for, among other statutory duties,

- a. directing meetings of the Board;
- b. ascertaining that Board papers or information that were prepared by the Management or Executive Directors to the Board Members are adequate for their review and objective judgment;
- c. reviewing all announcements prior its release via SGXNET;
- d. exercising control over the quality, quantity and timeliness of the flow of information between the Management and the Board as well as between the Company and shareholders; and
- e. assisting in ensuring compliance with the guidelines on corporate governance.

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

#### **Principle 4: Board Membership**

#### **Principle 5: Board Performance**

The NC comprises 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 Nominating Committee are:

- a. to determine the criteria and review all nominations for the appointment or re-appointment of members of the Board of Directors; the CEO of the Company; members of the various Board committees, for the purpose of proposing such nominations to the Board for its approval;
- b. to determine annually the independence of the Directors;
- c. to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval;
- d. to decide whether a Director is able to and has been adequately carrying out his or her duties as a Director of the Company particularly when the Director has multiple Board representations; and
- e. to assess the effectiveness of the Board as a whole, and the contribution by each individual Director to the effectiveness to the Board.

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

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

# REPORT ON CORPORATE GOVERNANCE

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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 role and essential and desirable competencies for a particular appointment;
- b. the NC identifies the need for a new Director taking into consideration the appropriate number of Directors to allow for effective decision-making;
- c. the NC identifies potential candidates who may fill the role, taking into 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.

Except for Dr. Wang Kai Yuen and Dr. Chen Seow Phun, John, none of the Independent Non-executive Directors have served on the Board for a period exceeding nine years from the date of their appointments. Dr. Wang Kai Yuen and Dr. Chen Seow Phun, John have served as Independent Directors of the Company for more than nine years since their initial appointments on 01 May 2006 and 11 August 2006 respectively. The Board has subjected their independence to rigorous review.

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

- a. The considerable amount of experience and wealth of knowledge that the independent director brings to the Company.
- b. The attendance and active participation in the proceedings and decision making process of the Board and Committee meetings.
- c. Provision of continuity and stability to the Management at the Board level as the independent director has developed deep insight into the business of the Company and possesses experience and knowledge of the business.
- d. The qualification and expertise provides reasonable checks and balances for the Management.
- e. The independent director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company. He is adequately prepared and responsive and heavily involved in the discussions at the meeting.
- f. The independent director provides overall guidance to Management and act as safeguard for the protection of Company's assets and shareholders' interests.



# REPORT ON CORPORATE GOVERNANCE

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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.

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

Information regarding the Board of Directors can be found on page 8 to page 9 of the Annual Report.

## ***Principle 6: Access to Information***

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

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

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

## ***Principle 7: Remuneration Matters***

### ***Principle 8: Level and mix of remuneration***

### ***Principle 9: Disclosure of Remuneration***

The RC comprises 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.

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

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

# REPORT ON CORPORATE GOVERNANCE

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

Name of Directors	Remuneration Band	Salary	Bonus	Other Benefits	Directors' Fee	Total
Dr. Wang Kai Yuen	\$0 to \$249,999	–	–	–	100%	100%
Dato' Dr. Ong Bee Huat, Johnny	\$500,000 to \$749,999	79%	8%	13%	–	100%
Mr Ong Jia Ming	\$0 to \$249,999	91%	9%	0%	–	100%
Prof. Wong Wen-Young, Winston	\$0 to \$249,999	–	–	–	100%	100%
Dr. Chen Seow Phun, John	\$0 to \$249,999	–	–	–	100%	100%
Dr. Lee Kuo Chuen, David	\$0 to \$249,999	–	–	–	100%	100%

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

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

Currently, the Group does not have any employee share option scheme or other long-term incentives for Directors. The remuneration of the top five key management personnel (who are not Directors or the CEO) in the bands of S\$250,000 are shown in the table below:–

Key Executive	Salary	Bonus	Other Benefits	Total
Below \$250,000				
Mr Ong Jia Jing	85%	8%	7%	100%
Mr Leong Kok Shin	87%	6%	7%	100%
Mr Lim Lay Soon	88%	4%	8%	100%
Mr Tan San Hoe	84%	8%	8%	100%
Mr Ong Bee Wah	99%	0%	1%	100%

For FY2018, the aggregate total remuneration paid to the key management personnel (who are not Directors or the CEO) amounted to \$477,887.



# REPORT ON CORPORATE GOVERNANCE

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

Key Executive and relationship with Director	Remuneration Band	Salary	Bonus	Other Benefits	Total
Ong Jia Ming Son of Dato' Dr. Ong Bee Huat, Johnny	\$100,000 to \$149,999	91%	9%	0%	100%
Ong Jia Jing Son of Dato' Dr. Ong Bee Huat, Johnny	\$100,000 to \$149,999	85%	8%	7%	100%
Ong Bee Wah Brother of Dato' Dr. Ong Bee Huat, Johnny	\$50,000 to \$99,999	99%	0%	1%	100%
Winston Wong Junior Son of Prof. Wong Wen-Young, Winston	\$50,000 to \$99,999	100%	–	–	100%

## **Principle 10: Accountability**

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

## **Principle 14: Shareholder Rights and Responsibilities**

### **Principle 15: Communication with Shareholders**

### **Principle 16: Conduct of Shareholder meetings**

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

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

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

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

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

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

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

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

# REPORT ON CORPORATE GOVERNANCE

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

The Company has declared a final dividend of 0.5 cents per share in respect of the financial year ended 31 December 2018.

## **Principle 11: Risks Management and Internal Controls**

## **Principle 12: Audit Committee**

## **Principle 13: Internal Audit**

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

- a. reviews the audit plan of the Group's internal and external auditors;
- b. reviews with the internal and external auditors on their findings, if any on the Company's system of internal accounting controls;
- c. reviews with the internal and external auditors on the scope and results of the audit as well as its cost effectiveness;
- d. reviews the co-operation given by the Group's officers to the internal and external auditors;
- e. reviews with the internal and external auditors on any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company or the Group's results or financial position;
- f. reviews the quarterly and full-year financial results announcements and annual financial statements of the Group and the external auditors' report thereon before their submission to the Board for adoption;
- g. monitors the extent of the Group's compliance with the Listing Manual;
- h. nominates internal and external auditors for re-appointment and reviews their independence;
- i. reviews interested person transactions, if any;
- j. reviews the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any formal announcements relating to its financial performance;
- k. reviews the adequacy of the internal controls (financial and operational) and risk management policies and systems established by the Management;
- l. reviews the effectiveness of the internal audit function; and
- m. makes recommendations to the Board on the appointment, reappointment and removal of the internal and external auditor, and approving the remuneration and terms of engagement of the internal and external auditors.

For FY2018, the external auditors' remuneration in respect of audit services provided to the Group amounted to \$176,695. There were no non-audit services provided to the Group during the year. The AC confirms that it has undertaken a review of all non-audit services, if any, provided by external auditors and such services would not, in the AC's opinion, affect the independence of the external auditors. Further the AC confirms that the Company complied with Rules 712 and 715 of the Listing Manual in relation to its appointment of auditors.

# REPORT ON CORPORATE GOVERNANCE

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

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

The Management has put in place reasonably adequate internal control systems to provide the Board with reasonable assurance against material misstatement or loss. Supplementary to the internal control systems, the Management has also implemented the Whistle-Blowing policy and procedures which provides for the well defined mechanism and accessible channel by which employees and consultants may in confidence, raise concerns about possible improprieties in financial reporting which may cause financial or non financial loss to the Group or other matters such as dishonesty, fraud, corruption, illegal acts, breaches of legislation and laws, unethical conduct, unsafe work practices. The AC ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow up action. In addition, the Board has also relied to a certain extent, the review by the 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.

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

The Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems are adequate in addressing the financial, operational, compliance and information technology risks of the Group, and provide reasonable assurance in safeguarding its assets and shareholders' investments and against any material misstatement or loss as at 31 December 2018.

## ***Dealing in Securities***

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

## ***Material Contracts***

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

## ***Interested Person Transactions***

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

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



# REPORT ON CORPORATE GOVERNANCE

**Table A**

The Directors named below are retiring and being eligible, offer themselves for re-election at the forthcoming AGM:

Name of Director	Wong Wen-Young Winston	Ong Bee Huat	Lien We King	Kohe Noor Binte Mahmoodul Hasan
Date of Appointment	27 February 2007	25 June 2007	1 March 2019	1 March 2019
Date of last re-election	28 April 2017	25 April 2016	N/A	N/A
Age	67	49	44	38
Country of principal residence	Taiwan	Singapore	Singapore	Singapore
The Board's comments on the Nominee Committee's ("NC's) recommendation for re-election	The Board of Directors of the Company has accepted the NC's recommendation and considered Prof. Wong's performance as a Non-Executive Director of the Company.	The Board of Directors of the Company has accepted the NC's recommendation and considered Dato Dr Ong's performance as an Executive Deputy Chairman.	The Board of Directors of the Company has accepted the NC's recommendation and considered Mr Lien as a Non-Executive Independent Director of the Company.	The Board of Directors of the Company has accepted the NC's recommendation and considered Ms Hasan as a Non-Executive Independent Director of the Company
Whether appointment is executive, and if so, the area of responsibility	Non-Executive.	Executive. Responsible for the formulation of the Group's corporate strategies and expansion plans.	Non-Executive.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Director	Executive Deputy Chairman and Chief Executive Officer, NC Member and RC Member.	Non-Executive Director Independent Director, AC Member, NC Member and RC Member.	Non-Executive Director Independent Director, AC Member, NC Member and RC Member.
Professional qualifications	PhD (Physics) and Doctor of Science <i>honoris causa</i> from Imperial College of Science & Technology, University of London	Doctor of Business Administration from Wisconsin International University of the United States	Nil	Qualified Lawyer (qualified in Singapore and England and Wales)

## REPORT ON CORPORATE GOVERNANCE

Name of Director	Wong Wen-Young Winston	Ong Bee Huat	Lien We King	Kohe Noor Binte Mahmoodul Hasan
Working experience and occupation(s) during the past 10 years	CEO of Grace T.H.W. Group	Executive Director of Hong Lai Huat Group Limited  Executive Deputy Chairman & Group CEO of Hong Lai Huat Group Limited	Dec 2015 to Present: Managing Director, Bridgewater Holdings Pte Ltd  July 2014 to Present: Executive Director, Mothership.sg  Jan 2013 to Jun 2014: Director, Pacific Equity Group Pte Ltd  Jan 2008 to Dec 2012: Managing Director, Forde Media International Pte Ltd	2016 to Present: Director, Resource Law LLC  2015 to Present: Partner, Reed Smith LLP  (Resource Law LLC and Reed Smith LLP are in a Formal Law Alliance.)  2013 to 2015: Partner, Oon & Bazul LLP  2008 to 2013: Senior Associate, Norton Rose Fulbright LLP  2004 to 2007: Associate, Rajah & Tann LLP
Shareholding interest in the listed issuer and its subsidiaries	6.24%	18%	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Wong Jr Winston (Regional Business Development Manager, Son of Prof. Wong Wen-Young Winston)	Ong Bee Wah (Agriculture Director, Brother of Dato Dr Ong Bee Huat)  Ong Jia Ming (Executive Director, Elder son of Dato Dr Ong Bee Huat)  Ong Jia Jing (Group Business Development Manager and Director of all subsidiaries, Younger son of Dato Dr Ong Bee Huat)	No	No
Conflict of interest (including any competing business)	No	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes

# REPORT ON CORPORATE GOVERNANCE

Name of Director	Wong Wen-Young Winston	Ong Bee Huat	Lien We King	Kohe Noor Binte Mahmoodul Hasan
Other Principal Commitments Including Directorships	<u>Past (for the last 5 years)</u> No  <u>Present</u> No	<u>Past (for the last 5 years)</u> No  <u>Present</u> No	<u>Past (for the last 5 years)</u> No  <u>Present</u> No	<u>Past (for the last 5 years)</u> No  <u>Present</u> No

The general statutory disclosures of the Directors are as follows:

Question	Wong Wen-Young Winston	Ong Bee Huat	Lien We King	Kohe Noor Binte Mahmoodul Hasan
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No



## REPORT ON CORPORATE GOVERNANCE

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Question	Wong Wen-Young Winston	Ong Bee Huat	Lien We King	Kohe Noor Binte Mahmoodul Hasan
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No

# REPORT ON CORPORATE GOVERNANCE

Question	Wong Wen-Young Winston	Ong Bee Huat	Lien We King	Kohe Noor Binte Mahmoodul Hasan
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :  (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or  (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or  (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or  (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,  (v) in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No  No  No  No  No	No  No  No  No  No	No  No  No  No  No	No  No  No  No  No

## REPORT ON CORPORATE GOVERNANCE

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Question	Wong Wen-Young Winston	Ong Bee Huat	Lien We King	Kohe Noor Binte Mahmoodul Hasan
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No
<b>Disclosure applicable to the appointment of Director only.</b>				
Any prior experience as a director of an issuer listed on the Exchange?	No	No	No	No
If yes, please provide details of prior experience.	N/A	N/A	N/A	N/A
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Prof. Wong has planned to attend SID training.	Dato Dr Ong has planned to attend SID training.	Mr Lien has planned to attend SID training.	Ms Hasan has planned to attend SID training.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A	N/A	N/A	N/A



# DIRECTORS' STATEMENT

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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, 2018.

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 39 to 126 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, 2018, 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)

In accordance with Articles 88 and 89 of the Company's Articles of Association, Dato Dr. Ong Bee Huat, Prof Wong Wen-Young, Winston, Ms. Kohe Noor Binte Mahmoodul Hasan, and Mr. Lien We King retire and, being eligible, offer themselves for re-election.

## 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 January 21, 2019
	At the beginning of financial year	At the end of financial year *	At the beginning of financial year	At the end of financial year	
<b>HONG LAI HUAT Group Limited</b>					
<b>Ordinary shares</b>					
Dr. Wang Kai Yuen	7,303,000	243,433	-	-	-
Dr. Wong Wen-Young, Winston	415,255,500	13,841,850	-	-	-
Dato' Dr. Ong Bee Huat	1,000,000,000	33,440,000	-	2,048,500	2,537,100
Mr. Ong Jia Ming	264,854,150	8,828,471	-	-	-

\* As a result of the share consolidation completed on May 15, 2018, every thirty existing shares held by shareholders were consolidated into one consolidated share.

The directors' interests in the shares and options of the Company at January 21, 2019 were the same at December 31, 2018 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 was granted.

(b) *Option exercised*

During the financial year, there were no shares of the Company 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 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

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### 6. Auditors

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

.....  
Dato' Dr. Ong Bee Huat  
Director

.....  
Dr. Wang Kai Yuen  
Director

April 8, 2019



# INDEPENDENT AUDITOR'S REPORT

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To the Members of Hong Lai Huat Group Limited  
For the financial year ended 31 December 2018

## 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, 2018, 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 39 to 126.

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, 2018 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 2018

Key audit matters	How the matter was addressed in the audit
<p><b>Valuation of biological assets</b></p> <p>The Group recognises the unharvested cassava as biological assets at fair value less cost to sell, which amounted to \$5.1 million as at December 31, 2018. 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"> <li>• assessed the competency, capability and objectivity of the independent valuer;</li> <li>• 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;</li> <li>• 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</li> <li>• 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.</li> </ul> <p>The related disclosures are made in Notes 3 and 13 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 2018

Key audit matters	How the matter was addressed in the audit
<p><b>Valuation of investment properties</b></p> <p>As at December 31, 2018, the Group has investment properties amounting to \$12.5 million relating to land and property held in Cambodia and Singapore as disclosed in Note 16.</p> <p>The investment properties in Cambodia are stated at fair value based on independent external valuations using the direct comparison approach method. The fair value of the investment property in Singapore 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>These valuation processes 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, comparable and weightage given to each market price for the Cambodian investment properties; and estimating 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 in Singapore. The direct comparison method has been adopted to derive at the land premium for the remaining leasehold tenure of the Singapore property.</p> <p>Additionally, the ability of the Company to recover amounts of \$27.9 million (Note 9) due from certain subsidiaries is largely dependent on the value of these properties.</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> <li>• assessed the competency, capability and objectivity of the independent valuers engaged by management;</li> <li>• for the Cambodian investment properties, with the assistance of our internal valuation specialist, we evaluated the appropriateness of the valuation techniques used by the independent valuer for the respective investment properties. Taking into account the nature of each investment property, we benchmarked and compared the values used by the independent valuer to comparable property transactions, where available;</li> <li>• for the Singapore investment property, we 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</li> <li>• assessed the adequacy of the disclosures in respect of the inputs for the valuation and the valuation methodologies adopted by management and the independent valuers in relation to these investment properties.</li> </ul> <p>The related disclosures are made in Notes 3 and 16 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 2018

Key audit matters	How the matter was addressed in the audit
<p><b>Impairment assessment of property, plant and equipment</b></p> <p>The Group has significant machineries and equipment, motor vehicles, office equipment and furniture and fittings in Cambodia. The carrying amount of these assets amounted to \$83.7 million as at December 31, 2018.</p> <p>The Group assessed for impairment of property, plant and equipment 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 property, plant and equipment 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"> <li>• assessed the competency, capability and objectivity of the independent valuer engaged by management;</li> <li>• with the assistance of our internal valuation specialist, we evaluated the appropriateness of the valuation techniques used by the independent valuer for property, plant and equipment. 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</li> <li>• assessed the adequacy of the disclosures in respect of the inputs for the valuation and the valuation methodologies adopted by the independent valuer in relation to these property, plant and equipment.</li> </ul> <p>The related disclosures are made in Notes 3 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 2018

Key audit matters	How the matter was addressed in the audit
<p><b>Revenue recognition</b></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.</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"> <li>• evaluated the design and implementation of the relevant controls of the Group in respect of revenue recognition;</li> <li>• examined the standard Sale and Purchase Agreement ("SPA") and the legal letter for the enforceability of the terms and conditions in the agreement; and</li> <li>• 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</li> <li>• assessed the appropriateness of revenue recognised using cost-based input method of development property; and</li> <li>• 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</li> <li>• reviewed the disclosures for the adoption of the new SFRS(I) 15 in the financial statements.</li> </ul> <p>The related disclosures are made in Notes 3 and 26 to the financial statements.</p>

# INDEPENDENT AUDITOR'S REPORT

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To the Members of Hong Lai Huat Group Limited  
For the financial year ended 31 December 2018

## **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.



# INDEPENDENT AUDITOR'S REPORT

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To the Members of Hong Lai Huat Group Limited  
For the financial year ended 31 December 2018

## **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.
- 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.

# INDEPENDENT AUDITOR'S REPORT

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To the Members of Hong Lai Huat Group Limited  
For the financial year ended 31 December 2018

## **Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

- 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 8, 2019

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

Note	Group			Company			
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017	
	\$'000	\$'000 (Restated)	\$'000 (Restated)	\$'000	\$'000 (Restated)	\$'000 (Restated)	
<b>Assets</b>							
<b>Current assets</b>							
Cash and bank balances	6	25,231	2,021	6,746	2,270	639	272
Trade receivables	7	2,787	559	7,837	-	-	-
Other receivables and deposits	8	428	722	920	47	121	-
Prepayments		620	763	253	40	22	4
Amounts due from subsidiaries	9	-	-	-	27,909	30,422	99,626
Advances to a non-controlling shareholder	10	-	-	16	-	-	-
Investment securities	11	1,102	2	2	-	-	-
Inventories	12	105	496	687	-	-	-
Biological assets	13	5,129	7,350	-	-	-	-
Development property	14	18,892	15,098	18,290	-	-	-
		54,294	27,011	34,751	30,266	31,204	99,902
Assets classified as held for sale	16	-	2,807	-	-	-	-
Total current assets		54,294	29,818	34,751	30,266	31,204	99,902
<b>Non-current assets</b>							
Other receivables and deposits	8	41	40	-	-	-	-
Property, plant and equipment	15	83,018	85,041	35,619	308	171	216
Investment properties	16	12,505	37,880	80,070	731	617	618
Intangible assets		7	11	-	-	-	-
Investment in subsidiaries	17	-	-	-	77,160	77,160	1,000
Total non-current assets		95,571	122,972	115,689	78,199	77,948	1,834
<b>Total assets</b>		149,865	152,790	150,440	108,465	109,152	101,736
<b>Liabilities and equity</b>							
<b>Current liabilities</b>							
Trade payables	20	5,228	7,336	1,459	-	-	-
Other payables and accruals	21	1,645	2,463	5,547	375	462	494
Amount due to subsidiaries	9	-	-	-	11,437	11,846	8,594
Provision for taxation		26	313	169	-	-	-
Bank loans and overdraft	18	686	3,301	1,706	-	-	-
Finance lease liabilities	19	105	122	77	25	45	51
Total current liabilities		7,690	13,535	8,958	11,837	12,353	9,139
<b>Non-current liabilities</b>							
Bank loans and overdraft	18	1,245	1,931	4,485	-	-	-
Finance lease liabilities	19	900	1,092	708	94	-	45
Convertible bonds	22	-	1,996	-	-	1,996	-
Deferred tax liabilities	23	11,109	14,517	12,971	23	-	-
Total non-current liabilities		13,254	19,536	18,164	117	1,996	45



# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group			Company		
		December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
			(Restated)	(Restated)		(Restated)	(Restated)
<b>Capital, reserves and non-controlling interests</b>							
Share capital	24	123,131	123,131	123,131	123,131	123,131	123,131
Retained earnings (Accumulated losses)		6,506	(1,084)	(2,869)	(26,161)	(27,873)	(30,120)
Capital reserve	25	414	418	414	(459)	(455)	(459)
Asset revaluation reserve	25	2,775	2,775	2,665	-	-	-
Foreign currency translation reserve	25	(3,905)	(5,521)	-	-	-	-
Equity attributable to owners of the Company		128,921	119,719	123,341	96,511	94,803	92,552
Non-controlling interests		-	-*	(23)	-	-	-
<b>Total equity</b>		<b>128,921</b>	<b>119,719</b>	<b>123,318</b>	<b>96,511</b>	<b>94,803</b>	<b>92,552</b>
<b>Total liabilities and equity</b>		<b>149,865</b>	<b>152,790</b>	<b>150,440</b>	<b>108,465</b>	<b>109,152</b>	<b>101,736</b>

\* Balance less than \$1,000.

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	<b>Note</b>	<b>Group</b>	
		<b>2018</b>	<b>2017</b>
		\$'000	\$'000 (Restated)
<b>Revenue</b>	26	34,386	12,600
Cost of sales		(15,819)	(6,232)
Gross profit		18,567	6,368
Other income	27	8,575	15,304
Distribution and selling expenses		(4,260)	(1,583)
Administrative expenses		(13,232)	(10,012)
Other expenses		(4,493)	(4,969)
Finance costs	28	(384)	(469)
<b>Profit before income tax</b>		4,773	4,639
Income tax benefit (expense)	29	2,817	(2,854)
<b>Profit for the year</b>	30	7,590	1,785
<b>Other comprehensive income:</b>			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange differences on translation of foreign operations		1,616	(5,521)
<b>Other comprehensive income (loss) for the year, net of tax</b>		1,616	(5,521)
<b>Total comprehensive income (loss) for the year</b>		9,206	(3,736)
<b>Profit attributable to:</b>			
- Owners of the Company		7,590	1,785
- Non-controlling interests		-	-
		7,590	1,785
<b>Total comprehensive income (loss) attributable to:</b>			
- Owners of the Company		9,206	(3,736)
- Non-controlling interests		-	-
		9,206	(3,736)
<b>Earnings per share (cents)</b>			
Basic	31	3.420	0.812
Diluted	31	3.420	0.812

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Group	Share Capital (Note 24)	Retained earnings (Accumulated losses) (Note 25)	Capital Reserve (Note 25)	Asset revaluation reserve (Note 25)	Foreign currency translation reserve (Note 25)	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)			
At January 1, 2017	94,602	(11,825)	414	40,521	7,087	130,799	(23)	130,776
(As previously reported)	-	44,943	-	(37,856)	(7,087)	-	-	-
Effects of adopting SFRS(I) 1 (Note 36)	-	-	-	-	-	-	-	-
Restatements (Note 38)	28,529	(35,987)	-	-	-	(7,458)	-	(7,458)
At January 1, 2017 (Restated)	123,131	(2,869)	414	2,665	-	123,341	(23)	123,318
<b>Total comprehensive income (loss) for the year</b>								
Profit for the year	-	2,050	-	-	-	2,050	-	2,050
(As previously reported)	-	(265)	-	-	-	(265)	-	(265)
Restatements (Note 38)	-	1,785	-	-	-	1,785	-	1,785
Profit for the year (Restated)	-	-	-	-	(5,521)	(5,521)	-	(5,521)
Other comprehensive loss for the year	-	1,785	-	-	(5,521)	(3,736)	-	(3,736)
Total	-	-	-	-	-	-	-	-
<b>Transactions with owners, recognised directly in equity</b>								
Recognition of equity component of convertible bonds issued during the year	-	-	4	-	-	4	-	4
Total	-	-	4	-	-	4	-	4
Others	-	-	-	110	-	110	23	133
<b>Balance at December 31, 2017</b>	123,131	(1,084)	418	2,775	(5,521)	119,719	-*	119,719

\* Balance less than \$1,000.

# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

<b>Group</b>	<b>Share Capital</b> (Note 24) \$'000 (Restated)	<b>Retained earnings</b> (Accumulated losses) (Note 25) \$'000 (Restated)	<b>Capital Reserve</b> (Note 25) \$'000	<b>Asset revaluation reserve</b> (Note 25) \$'000 (Restated)	<b>Foreign currency translation reserve</b> (Note 25) \$'000	<b>Equity attributable to owners of the Company</b> \$'000	<b>Non-controlling interests</b> \$'000	<b>Total equity</b> \$'000
At January 1, 2018	123,131	(1,084)	418	2,775	(5,521)	119,719	-*	119,719
<b>Total comprehensive income (loss) for the year</b>								
Profit for the year	-	7,590	-	-	-	7,590	-	7,590
Other comprehensive loss for the year	-	-	-	-	1,616	1,616	-	1,616
<b>Total</b>	-	7,590	-	-	1,616	9,206	-	9,206
<b>Transactions with owners, recognised directly in equity</b>								
Reversal of equity component of convertible bonds redeemed during the year	-	-	(4)	-	-	(4)	-	(4)
<b>Total</b>	-	-	(4)	-	-	(4)	-	(4)
Others	-	-	-	-	-	-	-	-
<b>Balance at December 31, 2018</b>	123,131	6,506	414	2,775	(3,905)	128,921	-	128,921

\* Balance less than \$1,000.



# STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	<b>Share capital</b> (Note 24)	<b>Accumulated Losses</b> (Note 25)	<b>Capital reserve</b> (Note 25)	<b>Total equity</b>
	\$'000	\$'000	\$'000	\$'000
	(Restated)	(Restated)		
<b>Company</b>				
At January 1, 2017				
(As previously reported)	94,602	(1,591)	(459)	92,552
Restatements (Note 38)	28,529	(28,529)	-	-
<b>At January 1, 2017 (Restated)</b>	123,131	(30,120)	(459)	92,552
Profit for the year, representing total comprehensive income for the year	-	2,247	-	2,247
<i>Transaction with owners, recognised directly in equity</i>				
Recognition of equity component of convertible bonds issued during the year	-	-	4	4
<b>At December 31, 2017 (Restated)</b>	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)
<b>At December 31, 2018</b>	123,131	(26,161)	(459)	96,511

See accompanying notes to financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	\$'000	\$'000 (Restated)
<b>Operating activities</b>		
Profit before income tax	4,773	4,639
Adjustments for:		
Interest expense	384	469
Bad debts written off	-	68
Depreciation of property, plant and equipment	3,777	3,767
Loss on fair value of biological assets	4,181	1,073
Loss (Gain) on change in fair value of investment properties	15	(12,918)
(Gain) Loss on disposal of property, plant and equipment, net	(95)	778
Gain on disposal of subsidiaries	-	(575)
(Gain) Loss on disposal of investment properties	(565)	126
Gain on change in fair value of quoted investment	(100)	-
Foreign exchange adjustments	(954)	1,124
Interest income	(46)	(46)
Written-off of property, plant and equipment	85	-
Operating cash flows before movement in working capital	11,455	(1,495)
Trade receivables	(2,228)	(335)
Other receivables and deposits	294	92
Prepayments	143	(510)
Inventories	391	185
Biological assets	(1,800)	(1,181)
Development property	(3,794)	(7,424)
Trade payables	(2,108)	5,878
Other payables and accruals	(818)	(2,903)
Cash generated from (used in) operations	1,535	(7,693)
Interest paid	(384)	(469)
Income tax paid	(1,074)	(90)
Interest received	46	46
Net cash from (used in) operating activities	123	(8,206)
<b>Investing activities</b>		
Purchase of intangible assets	-	(11)
Purchase of property, plant and equipment	(454)	(334)
Purchase of investment securities	(1,000)	-
Proceeds from disposal of subsidiaries	-	351
Proceeds from sale of property, plant and equipment	502	290
Proceeds from disposal of investment properties	26,563	2,218
Proceeds from disposal of assets classified as held for sale	2,857	-
Net cash from investing activities	28,468	2,514

# CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	\$'000	\$'000 (Restated)
<b>Financing activities</b>		
Repayment of bank loans	(660)	(3,600)
Repayment for finance leases	(103)	(87)
Proceeds from issuance of convertible bonds	-	2,000
Repayment for convertible loan notes redeemed	(2,000)	-
Net cash used in financing activities	<u>(2,763)</u>	<u>(1,687)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	25,828	(7,379)
Effect of exchange rate changes on balances held in foreign currencies	23	13
(Overdrawn) cash and cash equivalents at beginning of year	(620)	6,746
<b>Cash and cash equivalents (overdrawn) at end of year</b>	<u>25,231</u>	<u>(620)</u>

6

Non-cash transactions:

- (1) In 2017, the Group took over the crops from a third party which were used to fully offset the outstanding receivable amounting to \$7,545,000 (Note 7).
- (2) During the year, the Group acquired property, plant and equipment with an aggregate cost of \$587,000 (2017 : \$907,000) of which \$133,000 (2017 : \$573,000) was acquired under finance lease arrangements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 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 are disclosed in Note 17 to the financial statements.

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, 2018 were authorised for issue by the Board of Directors on April 8, 2019.

For all periods up to and including the year ended December 31, 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended December 31, 2018 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 36.

## 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 and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

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 share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *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 2018

**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 2018

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 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 (before January 1, 2018)

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are mainly classified as "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

## Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables, cash and bank balances and short-term deposits) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

## Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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.

## **(ii) Financial assets (from January 1, 2018)**

### 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.

### 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).



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

## *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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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.

## *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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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.

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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## *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
- e) the disappearance of an active market for that financial asset because of financial difficulties.

## *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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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
- External credit ratings where available.

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.

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. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

# NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2018

## **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.

### *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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 27) 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).

## *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 27) or "other expenses" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

# NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2018

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.

## **Convertible bonds**

Convertible bonds are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

## **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 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.

## 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 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.

**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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

**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.

**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
Land use rights	-	Over the lease period of 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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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.

**Impairment of tangible assets** - At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

**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 as disclosed in Note 26;
- Development of properties; and
- Rental income.

(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. Such contracts are entered into before construction of the residential properties begins. 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.

(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.

(e) *Dividend income*

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

**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.

**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, 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

(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.

(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 29.

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, 2018 are \$3,043,000 (2017 : \$313,000) and \$10,072,000 (2017 : \$14,738,000) respectively.

### **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.

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. 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, 2018 is disclosed in Note 14.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

*(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, 2018 is disclosed in Note 13 to the financial statements.

*(c) Fair value of investment properties*

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged independent real estate valuation experts ("Valuers") to assess the fair values as at December 31, 2018 and 2017. 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, 2018 is disclosed in Note 16 to the financial statements.

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

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

Management has engaged an independent external valuer to determine the recoverable amounts of the property, plant and equipment 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 amount of the property, plant and equipment as at December 31, 2018 is disclosed in Note 15 to the financial statements.

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

The Group reviews the estimated useful lives of property, plant and equipment 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*

Determining whether investments in subsidiaries are impaired requires an estimation of the value-in-use of these investments. The value-in-use calculation requires the Company 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 amount of investments in subsidiaries is disclosed in Note 17 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

During the financial year, 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 27 to the financial statements. Consequently, no revenue has been recognised by the Group in relation to the sale of its hotel in the development.

## 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:

	<u>Group</u>			<u>Company</u>		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>						
Financial assets at amortised cost	28,446	-	-	30,226	-	-
Financial assets measured at FVTPL	1,102	-	-	-	-	-
Investment securities	-	2	2	-	-	-
Loans and receivables (including cash and bank balances)	-	3,302	15,519	-	31,182	99,898
<b>Financial liabilities</b>						
Payables at amortised cost	9,110	14,549	9,309	11,931	12,351	9,184
Convertible bonds	-	1,996	-	-	1,996	-

(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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 \$19,000 (2017 : \$52,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

## **(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 33, if the full guaranteed amount is claimed by the counterparty to the guarantee is \$1,931,000 (2017 : \$5,232,000). 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## *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:

	December 31, 2018		December 31, 2017		January 1, 2017	
	\$'000	%	\$'000	%	\$'000	%
Singapore	-	-	-	-	148	1.9
Cambodia	2,787	100.0	559	100.0	7,689	98.9
Total	2,787	100.0	559	100.0	7,837	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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

<b>Group</b>	Average effective interest rate %	On demand or within 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Adjustment* \$'000	Total \$'000
<b>December 31, 2018</b>						
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 5.39	179	1,002	-	(176)	1,005
		<u>7,120</u>	<u>2,305</u>	<u>-</u>	<u>(315)</u>	<u>9,110</u>
<b>December 31, 2017</b>						
Trade and other payables	-	8,103	-	-	-	8,103
Bank loans and overdrafts (Variable rate)	6.52	3,628	2,060	-	(456)	5,232
Finance lease (fixed rate)	5.25 to 5.39	138	1,336	-	(260)	1,214
Convertible Bonds	5.00	-	2,208	-	(212)	1,996
		<u>11,869</u>	<u>5,604</u>	<u>-</u>	<u>(928)</u>	<u>16,545</u>
<b>January 1, 2017</b>						
Trade and other payables	-	2,333	-	-	-	2,333
Bank loans and overdrafts (Variable rate)	6.18	1,967	4,959	-	(735)	6,191
Finance lease (fixed rate)	5.16	81	923	-	(219)	785
		<u>4,381</u>	<u>5,882</u>	<u>-</u>	<u>(954)</u>	<u>9,309</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

	Average effective interest rate %	On demand or within 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Adjustment* \$'000	Total \$'000
<b>Company</b>						
<b>December 31, 2018</b>						
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>-</u>	<u>(12)</u>	<u>11,931</u>
<b>December 31, 2017</b>						
Trade and other payables	-	12,306	-	-	-	12,306
Finance lease (fixed rate)	5.25	46	-	-	(1)	45
Convertible bonds (fixed rate)	5.00	-	2,208	-	(212)	1,996
		<u>12,352</u>	<u>2,208</u>	<u>-</u>	<u>(213)</u>	<u>14,347</u>
<b>January 1, 2017</b>						
Trade and other payables	-	9,088	-	-	-	9,088
Finance lease (fixed rate)	5.25	51	50	-	(5)	96
		<u>9,139</u>	<u>50</u>	<u>-</u>	<u>(5)</u>	<u>9,184</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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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.

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.

	<b>Group</b>		<b>Company</b>	
	<b>Profit before tax</b>	<b>Profit before tax</b>	<b>Profit before tax</b>	<b>Profit before tax</b>
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
USD - strengthen 5% (2017 : 5%)	1,680	1,055	420	694
USD - weaken 5% (2017 : 5%)	(1,680)	(1,055)	(420)	(694)

## **(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 2018

(b) *Assets measured at fair value*

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

	<b>Quoted prices in active markets for identical instruments (Level 1)</b>	<b>Significant observable inputs other than quoted prices (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000
<b>December 31, 2018</b>				
Investment securities at fair value through profit or loss (Note 11)	1,102	-	-	1,102
<b>December 31, 2017</b>				
Investment securities at fair value through profit or loss (Note 11)	2	-	-	2
<b>January 1, 2017</b>				
Investment securities at fair value through profit or loss (Note 11)	2	-	-	2

Determination of fair values

Investment securities at fair value through profit or loss (Note 11): Fair values are determined directly by reference to the published market bid price of quoted equity instruments at the end of the reporting period.

(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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## (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, 2018, 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

<b>Group</b>	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
<u>December 31, 2018</u>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	2,787	-	2,787
Other receivables	8	Performing	12-month ECL	469	-	469
				<u>3,256</u>	<u>-</u>	<u>3,256</u>

<b>Company</b>	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
<u>December 31, 2018</u>						
Other receivables	8	Performing	12-month ECL	47	-	47
Amount due from subsidiaries	9	Performing	12-month ECL	27,909	-	27,909
				<u>27,956</u>	<u>-</u>	<u>27,956</u>

- (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.

## (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%.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

	<b>Group</b>		
	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000
Bank loans (Note 18)	1,931	5,232	6,191
Finance lease liabilities (Note 19)	1,005	1,214	785
	<u>2,936</u>	<u>6,446</u>	<u>6,976</u>
Equity attributable to the owners of the Company	127,162	119,719	123,341
Non-controlling interests	-	-	(23)
Total equity	<u>127,162</u>	<u>119,719</u>	<u>123,318</u>
Gearing ratio	<u>2%</u>	<u>5%</u>	<u>6%</u>

## 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*

	Note	<b>Group</b>	
		2018	2017
		\$'000	\$'000
Personnel expenses	(i)	394	352
Interest expense on convertible bonds and loans from a director	(ii)	<u>80</u>	<u>20</u>

- (i) Personnel expenses of \$394,000 (2017 : \$352,000) 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 (2017 : \$20,000) was paid to a director in relation to the convertible bonds issued to a director (2017 : convertible bonds issued to a director).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## Compensation of key management personnel

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

	<b>Group</b>	
	2018 \$'000	2017 \$'000
Short term employee benefits	1,332	1,353
Central Provident Fund contributions	53	50
	<u>1,385</u>	<u>1,403</u>
<i>Comprise amounts paid to:</i>		
Directors of the Company	1,122	1,171
Other key management personnel	263	232
	<u>1,385</u>	<u>1,403</u>

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

	<b>Group</b>			<b>Company</b>		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Cash at banks and on hand	7,394	1,268	5,968	2,270	639	272
Short-term fixed deposits with financial institutions	17,837	753	778	-	-	-
	<u>25,231</u>	<u>2,021</u>	<u>6,746</u>	<u>2,270</u>	<u>639</u>	<u>272</u>
Less: bank overdrafts (Note 18)	-	(2,641)	-	-	-	-
Cash and cash equivalents (overdrawn) in the statement of cash flows	<u>25,231</u>	<u>(620)</u>	<u>6,746</u>	<u>2,270</u>	<u>639</u>	<u>272</u>

Cash at banks and fixed deposits earn interest at floating rates based on daily deposit rates of 0.50% (December 31, 2017 : 0.50%, January 1, 2017 : 0.50%) per annum. Fixed deposits are held for varying periods of between 1 to 3 months.

## 7. TRADE RECEIVABLES

	<b>Group</b>		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Unbilled receivables (contract assets) Outside parties	2,769	556	170
Trade receivable from the sale of goods	-	-	7,667
	18	3	-
	<u>2,787</u>	<u>559</u>	<u>7,837</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## From January 1, 2018

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.

Loss allowance for trade receivables 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 (December 31, 2017 : 30 days, January 1, 2017 : 30 days).

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. None of the trade receivables that have been written off is subject to enforcement activities.

There is no material impact to the Group on the initial application of SFRS(I) 9.

## Before January 1, 2018

The trade receivables are non-interest bearing and are generally on 30 days' credit term (2017: 30 days). They are recognised at their original invoice amounts which represent their fair value on initial recognition.

As at January 1, 2017, 96% of the Group's trade receivables amounting to \$7,545,000 was due from a third party pertaining to one of the co-operation agreements entered into by a subsidiary for cultivation of cassava. In accordance with the agreement, repayment terms are either by way of cash or the equivalent value in crop upon harvest. The amount is non-interest bearing and recognised at its contractual value which represent the fair value on initial recognition. During the year, the Group terminated the co-operation agreement with the third party in view that the party was not able to fulfil the terms of the agreement. The Group took over the crops from the third party which were used to fully offset the outstanding receivable.

As at December 31, 2017, included in the Group's trade receivable balances are debtors with a carrying amount of \$3,000 (January 1, 2017 : \$7,763,000) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, management believes that there is no allowance for doubtful debts required.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

The table below is an analysis of trade receivables as at:

	<b>Group</b>	
	December 31, 2017	January 1, 2017
	\$'000	\$'000
Not past due and not impaired	556	74
Past due but not impaired <sup>(i)</sup>	3	7,763
	559	7,837

(i) Aging of receivables that are past due but not impaired:

1 to 30 days	-	398
31 to 60 days	1	313
>61 days	2	7,052
Total	3	7,763

## 8. OTHER RECEIVABLES AND DEPOSITS

	<b>Group</b>			<b>Company</b>		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other receivables and deposits - Current	428	722	920	47	121	-
Deposits - Non-current	41	40	-	-	-	-
	469	762	920	47	121	-

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).

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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 9. AMOUNTS DUE FROM (TO) SUBSIDIARIES

	<u>Company</u>		
	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000
Due from subsidiaries:			
- Trade	-	-	11,998
- Non-trade	27,909	30,422	90,325
	27,909	30,422	102,323
Less: Allowance for doubtful debts	-	-	(2,697)
	27,909	30,422	99,626
Due to subsidiaries:			
- Non-trade	(11,437)	(11,846)	(8,594)

### Before January 1, 2018

The balances due from/(to) subsidiaries are unsecured, interest-free, repayable on demand and are to be settled in cash. As at December 31, 2017, included in amount due from subsidiaries was an amount of \$10,624,000 (January 1, 2017 : \$81,490,000) due from key subsidiaries in the agriculture division. In 2017, the Company reclassified \$76,160,000 of amount due from a subsidiary, net of allowance for doubtful debts, to investment as this amount is not likely to be settled in the foreseeable future.

### From January 1, 2018

The balances due from (to) subsidiaries are unsecured, interest-free, repayable on demand and are to be settled in cash. As at December 31, 2017, included in amount due from subsidiaries is an amount of \$11,838,000 due from key subsidiaries in the agriculture division.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 10. ADVANCES TO A NON-CONTROLLING SHAREHOLDER

	<b>Group</b>		
	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000
Advances to a non-controlling shareholder - non-trade	-	-	16

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

## 11. INVESTMENT SECURITIES

	<b>Group</b>		
	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000
<i>Financial assets at fair value through profit and loss</i> - equity instruments (quoted)	1,102	2	2

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 \$100,000 (December 31, 2017 : \$Nil, January 1, 2017 : \$Nil) have been included in profit or loss for the year as part of "other income".

## 12. INVENTORIES

	<b>Group</b>		
	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000
Raw materials	1	3	46
Consumables	100	122	176
Machineries and spare parts	2	318	349
Finished goods	2	53	116
	105	496	687

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 13. BIOLOGICAL ASSETS

	<b>Group</b>		
	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000
At beginning of year	7,350	-	206
Transfer from a third party	-	7,545	-
Additions*	1,800	1,181	-
Decreases due to harvest**	-	-	(206)
Loss on fair value of biological assets	(4,181)	(1,073)	-
Exchange differences	160	(303)	-
At end of year (measured at Level 3)	<u>5,129</u>	<u>7,350</u>	<u>-</u>

\* These are additions to cassava during the year.

\*\* These are decrease in sugar cane plantations in 2016.

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

<b>Description</b>	<b>Fair value as at December 31, 2018</b> (\$'000)	<b>Valuation techniques</b>	<b>Key unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
Biological assets	\$5,129 (December 31, 2017 : \$7,350, January 1, 2017 : \$Nil)	Income approach (December 31, 2017 : Income approach, January 1, 2017 : NA)	Selling prices of comparable sales less costs to harvest: \$87 (December 31, 2017 : \$57, January 1, 2017 : \$Nil)  Production yield: 25 ton/hectare (December 31, 2017 : 25 ton/hectare, January 1, 2017 : NA)  Cultivation area: 3,249 hectares (December 31, 2017 : 4,000 hectares, January 1, 2017 : Nil)	The estimated fair value increases with higher comparable selling prices, production yield and cultivation area.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 14. DEVELOPMENT PROPERTY

	<b>Group</b>		
	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000
Freehold land	1,197	12,391	12,583
Development costs	17,695	13,323	5,707
	18,892	25,714	18,290
Reclassified to investment properties (Note 16)	-	(10,616)	-
	<u>18,892</u>	<u>15,098</u>	<u>18,290</u>

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)
				\$'000
Land in Preah Sihanouk Province, Cambodia	100%	9,818	92,566	66% (2019)

During the year, the Group has received only partial payment from the buyer, who has failed to make the requisite payment for the purchase of the hotel in the development. The Group terminated the sale and purchase agreement entered into between the Group and the buyer. The Group continues to record the hotel as part of development property.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 15. PROPERTY, PLANT AND EQUIPMENT

<u>Group</u>	Lease- hold land \$'000	Land use rights \$'000	Leasehold improve- ments \$'000	Building and structure \$'000	Computers \$'000	Furniture and fittings \$'000	Machinery and equipment \$'000	Motor vehicles <sup>(a)</sup> \$'000	Office equipment \$'000	Re-no- vation \$'000	Freehold land \$'000	Total \$'000
<b>Cost:</b>												
As at January, 1 2017	-	1,190	22,995	686	93	123	20,872	1,431	132	162	-	47,684
Reclassification	20,743	(1,190)	(19,553)	-	-	-	-	-	-	-	-	-
Additions	-	-	121	20	27	1	257	473	1	7	-	907
Reclassified from investment properties (Note 16)	52,844	-	-	2,472	-	-	706	-	-	-	1,673	57,695
Disposals	-	-	(1,670)	(686)	(5)	(10)	(1,091)	(541)	(10)	(30)	-	(4,043)
Translation differences	(3,129)	-	(151)	(123)	(3)	(11)	(1,593)	(63)	(8)	(51)	(58)	(5,190)
As at December 31, 2017	70,458	-	1,742	2,369	112	103	19,151	1,300	115	88	1,615	97,053
(Restated)	-	-	-	-	10	28	-	445	12	92	-	587
Additions	-	-	-	-	-	(8)	(757)	(317)	-	(17)	-	(1,099)
Disposals	-	-	-	-	-	-	(354)	-	-	-	-	(354)
Write-off	-	-	-	-	-	-	-	-	-	-	-	-
Translation 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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

<b>Group</b>	<b>Lease- hold land \$'000</b>	<b>Land use rights \$'000</b>	<b>Leasehold improve- ments \$'000</b>	<b>Buildings and structures \$'000</b>	<b>Computers \$'000</b>	<b>Furniture and fittings \$'000</b>	<b>Machinery and equipment \$'000</b>	<b>Motor vehicles<sup>(a)</sup> \$'000</b>	<b>Office equipment \$'000</b>	<b>Re-no- vation \$'000</b>	<b>Freehold land \$'000</b>	<b>Total \$'000</b>
<b>Accumulated depreciation:</b>												
As at January 1, 2017	-	1,190 (1,190)	326	686	44	67	8,904	747	74	27	-	12,065
Reclassification Charge for the year	1,311	-	107	146	15	15	1,949	195	13	16	-	3,767
Disposals	(1,188)	-	(58)	(686)	(4)	(8)	(554)	(462)	(10)	(5)	-	(2,975)
Translation differences	(35)	-	(26)	(7)	-	(7)	(726)	(29)	(4)	(11)	-	(845)
As at December 31, 2017	1,278	-	349	139	55	67	9,573	451	73	27	-	12,012
(Restated) 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)
Translation 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
<b>Carrying amount:</b>												
As at December 31, 2018	68,940	-	1,318	2,116	48	43	7,987	767	31	118	1,650	83,018
As at December 31, 2017	69,180	-	1,393	2,230	57	36	9,578	849	42	61	1,615	85,041
As at January 1, 2017	-	-	22,669	-	49	56	11,968	684	58	135	-	35,619



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## Company

### **Cost:**

	Computers \$'000	Furniture and fittings \$'000	Motor vehicle \$'000	Office equipment \$'000	Renovation \$'000	Total \$'000
As at January 1, 2017	50	11	192	25	13	291
Additions	9	-	-	-	-	9
As at December 31, 2017	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

### **Accumulated depreciation:**

As at January 1, 2017	33	11	3	17	11	75
Charge for the year	11	-	38	4	1	54
As at December 31, 2017	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

### **Carrying amount:**

As at December 31, 2018	12	23	193	3	77	308
As at December 31, 2017	15	-	151	4	1	171
As at January 1, 2017	17	-	189	8	2	216

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

(a) Assets held under finance leases

The Group and the Company have property, plant and equipment under finance leases (Note 19) with net carrying amounts of \$78,773,000 (December 31, 2017: \$78,068,000, January 1, 2017: \$189,000) and \$192,000 (December 31, 2017: \$151,000, January 1, 2017: \$189,000) respectively. The motor vehicles under lease arrangement are pledged as security for the related finance lease liabilities.

(b) Reclassification of property from investment properties

In 2017, the joint co-operation with Zhong Fu International Investment (Cambodia) Ltd ("Zhong Fu") was terminated and the Group took over the remaining hectares of the farmland and commenced its own cassava plantation. The Group also took over certain plant and equipment which were previously under the lease arrangement with Zhong Fu. In accordance with SFRS(I) 1-40 *Investment Property*, these property, plant and equipment have been reclassified to property, plant and equipment with its fair value at the date of change in use being the deemed cost for subsequent accounting and depreciation in accordance with SFRS(I) 1-16 *Property, Plant and Equipment*.

## 16. INVESTMENT PROPERTIES

	<u>Group</u>		<u>Company</u>	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	\$'000	\$'000 (Restated)	\$'000	\$'000
At beginning of year	37,880	80,070	617	618
Reclassified to property, plant and equipment (net)	-	(57,695)	-	-
Reclassified from development property (Note 14)	-	10,616	-	-
Reclassified to assets held for sale <sup>(i)</sup>	-	(2,807)	-	-
Disposed during the year <sup>(ii)</sup>	(25,392)	(2,344)	-	-
Net (loss) gains from fair value adjustments recognised in profit or loss (Note 27)	(15)	12,918	113	-
Exchange differences	32	(2,878)	1	(1)
At end of year	12,505	37,880	731	617

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

These include the following related to investment properties classified under Level 3 of the fair value hierarchy:

	<b>Group</b>			<b>Company</b>		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(Loss) Gain from fair value adjustments included in profit or loss (net)	(15)	12,918	5,381	113	-	342

The Group's investment properties are held under freehold and 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 properties all of which are leased out under operating leases, amounted to \$1,100,000 (2017 : \$1,085,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties amounted to \$181,000 (2017 : \$300,000).

- (i) On November 9, 2017, management resolved to dispose one of the Group's investment properties to an outside party. The Group had entered into a sales and purchase agreement during the year and as at December 31, 2017, the application for the transfer of the title deed was in progress and the sale of the asset was likely to be completed within the following twelve months. The Group completed the transaction in 2018.

The proceeds of disposal less costs of sales were approximate to the fair value of the relevant asset classified as held for sale.

- (ii) In August 2018, the Group had entered into a Sales and Purchase Agreement in August 2018 for the sale of land located in Preah Sihanouk Province, Cambodia. The property with total land area of 22,065 m<sup>2</sup> was sold at a consideration sum of about US\$22.06 million (\$29.71 million). On December 12, 2018, the Group had received full payment from the buyer, and the title transfer of the Land to the Buyer has also been completed.

# NOTES TO THE FINANCIAL STATEMENTS

## For the financial year ended 31 December 2018

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

Description and location	Existing use	Tenure	Land area	Fair value as at December 31, 2018 (\$'000)	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
(a) Land at Kmougne Village, Kmougne Commune, Sean Sock District, Phnom Penh City, Cambodia, Plot no: 1157 (20% interest owned by the Group)	Vacant land	Freehold	6,667 m <sup>2</sup>	731 (December 31, 2017: 618, January 1, 2017: 618)	Direct comparison method	Adjustment factors for transacted price of comparable properties (sqm): \$399 to \$405 (December 31, 2017: \$314 to \$799, January 1, 2017: \$374 to \$900)	The estimated fair value increases with higher comparable prices.
(b) Land at Tropaing Chheu Neang Village, Peuk Commune, Ang Snoul District, Kandal Province, Cambodia Factory and warehouse at Tropaing Chheu Neang Village, Peuk Commune, Ang Snoul District, Kandal Province, Cambodia	Industrial land	Freehold	8,499 m <sup>2</sup> (2017: 8,499 m <sup>2</sup> )	1,774 (December 31, 2017: 1,270, January 1, 2017: 3,638)	Direct comparison method Depreciated replacement cost method	Adjustment factors for transacted price of comparable properties (sqm): \$57 to \$273 (2017: \$55 to \$125)  Market price (sqm): \$137 to \$690 (2017: \$97 to \$180)	The estimated fair value increases with higher comparable prices.  The estimated fair value increases with higher construction costs.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

Description and location	Existing Use	Tenure	Land Area	Fair value as at December 31, 2018 (\$'000)	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
(c) 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 <sup>2</sup>	10,000 (December 31, 2017 : 10,600; January 1, 2017 : \$Nil) 2017 : 10,600)	Combination of depreciated replacement cost and direct comparison method  (December 31, 2017 and January 1, 2017: Income approach)	Differential premium: \$1,445,640 (December 31, 2017 : \$Nil; January 1, 2017 : \$Nil)	The estimated fair value increases with higher construction costs and comparable prices.
(d) Land at Phum 1, Sangkat Iek 3, Khan Mittaphheap Preah Sihanouk Province, Cambodia - reclassified from development properties	Vacant land	Freehold	22,065 m <sup>2</sup>	Nil (December 31, 2017 : 25,392; January 1, 2017 : Nil)	Direct comparison method  (December 31, 2017 and January 1, 2017: Income approach)	Adjustment factors for transacted price of comparable properties (sqm): \$Nil (December 31, 2017 : \$1,270 to \$2,673)	(December 31, 2017 and January 1, 2017: The estimated fair value varies inversely against the capitalisation yield)  The estimated fair value increases with higher comparable prices.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

Description and location	Existing Use	Tenure	Land Area	Fair value as at December 31, 2018	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
(e) Land at Prek Village, Amleang Commune, Thpong District, Kampong Speu Province, Cambodia	Reclassified from investment properties to assets classified as held for sale (Note 16)	Freehold	450 hectares	Nil (December 31, 2017 : Nil; January 1, 2017 : 5,334)	Direct comparison method	Adjustment factors for transacted price of comparable properties (sqm): Nil (December 31, 2017 : \$Nil; January 1, 2017 : \$0.46 to \$1.38)	The estimated fair value increases with higher comparable prices.
Buildings and infrastructure at Prek Village, Amleang Commune, Thpong District, Kampong Speu Province, Cambodia				Depreciated replacement cost method	Market price (sqm): \$Nil (December 31, 2017 : \$Nil; January 1, 2017 : \$83 to \$180)	The estimated fair value increases with higher construction costs.	



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

Description and location	Existing Use	Tenure	Land Area	Fair value as at December 31, 2018 (\$'000)	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
(f) Land at Aoral District in Kampong Speu Province, Cambodia	Reclassified from investment properties to property, plant and equipment (Note 16(c)) as at December 31, 2017	50 years concession	7,585 hectares	Nil (December 31, 2017 : Nil; January 1, 2017 : 69,264)	Direct comparison December 31, method January 1, method	Adjustment factors for transacted price of comparable properties (sqm): \$Nil (December 31, 2017 : \$Nil; January 1, 2017 : \$0.46 to \$0.97)	The estimated fair value increases with higher comparable prices.
Buildings and infrastructure at Aoral District in Kampong Speu Province, Cambodia					Depreciated replacement cost method	Market price (sqm): \$Nil (December 31, 2017 : \$Nil; January 1, 2017 : \$83 to \$235)	The estimated fair value increases with higher construction costs.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

Description and location	Existing Use	Tenure	Land Area	Fair value as at December 31, 2018 (\$'000)	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
(g) Land at Tropiang Cho Commune, Aoral District in Kampong Speu Province, Cambodia	Reclassified from investment properties to property, plant and equipment (Note 16)	Freehold	403 hectares	\$Nil (December 31, 2017 : \$Nil; January 1, 2017 : \$1,747)	Direct comparison December 31, method	Adjustment factors for transacted price of comparable properties (sqm): \$Nil (December 31, 2017 : \$Nil; January 1, 2017 : \$Nil)	The estimated fair value increases with higher comparable prices.

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

- A legal mortgage provided to a bank, over the freehold land in (b) above.
- A first mortgage provided to a bank over the leasehold property in (c) above.

These mortgages are provided in respect of the Group's loans and borrowings. Details of these bank loans are disclosed in Note 18.

# NOTES TO THE FINANCIAL STATEMENTS

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For the financial year ended 31 December 2018

## Valuation of investment properties at fair value

The fair values of the Group's investment property at December 31, 2018 and 2017 and January 1, 2017 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 value 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, except for the investment property in Singapore

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 2018

## 17. INVESTMENT IN SUBSIDIARIES

(a) Investment in subsidiaries comprises:

	December 31,	<b>Company</b> December 31,	January 1,
	2018	2017	2017
	\$'000	\$'000	\$'000
Unquoted equity shares, at cost	23,969	23,969	23,969
Loans to subsidiaries	76,160	76,160	-
Less: Impairment losses	(22,969)	(22,969)	(22,969)
	<u>77,160</u>	<u>77,160</u>	<u>1,000</u>

*Movement in impairment loss:*

At beginning and end of year	<u>22,969</u>	<u>22,969</u>	<u>22,969</u>
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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:

<b>Name of subsidiaries</b>	<b>Principal activities</b>	<b>Country of incorporation and place of business</b>	<b>Proportion of ownership interest and voting power held</b>		
			December 31, 2018	December 31, 2017	January 1, 2017
			%	%	%
<u>Held by the Company</u>					
Hong Lai Huat International Pte Ltd *	Investment holding	Singapore	100	100	100
HLH Agri International Pte Ltd *	Investment holding	Singapore	100	100	100
HLH Development Pte Ltd *	Investment holding	Singapore	100	100	100

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Proportion of ownership interest and voting power held		
			December 31, 2018	December 31, 2017	January 1, 2017
			%	%	%
<u>Held by HLH Agri International Pte Ltd</u>					
HLH Agri R&D Pte Ltd*	Agricultural research and experimentation	Singapore	100	100	100
HLH Global Trading Pte Ltd *	Dormant	Singapore	100	100	100
Tieling HLH Agri Processing Co. Ltd (China) <sup>@</sup>	Dormant	China	-	-	85
HLHI (Cambodia) Company Limited <sup>**⑴</sup>	Investment holding, property investment	Cambodia	49	49	49
HLH Agriculture (Cambodia) Co.Ltd <sup>**</sup>	Agriculture plantation, processing and distribution	Cambodia	100	100	100
HLHS (Cambodia) Co. Ltd <sup>^@</sup>	Dormant	Cambodia	70	70	70
<u>Held by HLH Development Pte Ltd</u>					
Hong Lai Huat Development (Cambodia) Limited <sup>⑴@</sup>	Property development and real estate	Cambodia	49	49	49
<u>Held by Hong Lai Huat International Pte Ltd</u>					
Public Housing Development (Cambodia) Limited <sup>⑴@</sup>	Investment holding, property investment	Cambodia	49	49	49

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Proportion of ownership interest and voting power held		
			December 31, 2018 %	December 31, 2017 %	January 1, 2017 %
<u>Held by Hong Lai Huat International Pte Ltd</u>					
PH One Development (Cambodia) Limited ** <sup>(i)</sup>	Property development and real estate	Cambodia	49	49	49
PH Two Development (Cambodia) Limited <sup>(i)</sup> @	Property development and real estate	Cambodia	-	-	49
New Building Products (Cambodia) Ltd <sup>(i)</sup> @	Import/export of construction materials	Cambodia	-	-	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.

<sup>(i)</sup> 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 Tieling HLH Agri Processing Co. Ltd (China) and 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 2018

## 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		
		December 31, 2018	December 31, 2017	January 1, 2017
Investment holding, property investment	Singapore	3	3	3
	Cambodia	2	2	2
Agricultural research and experimentation, agriculture plantation, processing and distribution	Singapore	1	1	1
	Cambodia	1	1	1
Property development and real estate	Cambodia	2	2	3
Import/export of construction materials	Cambodia	-	-	1
Dormant	Singapore	1	1	1
		<u>10</u>	<u>10</u>	<u>12</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 18. BANK LOANS AND OVERDRAFT

	Year of maturity	December 31, 2018 \$'000	<b>Group</b> December 31, 2017 \$'000	January 1, 2017 \$'000
<b>Current</b>				
Bank loans:				
SGD bank loan 1 at base rate - 0.6% p.a. <sup>(a)</sup>	2021	686	660	629
USD bank loan 1 at base rate + 1.75% p.a. <sup>(b)</sup>	2020	-	-	205
USD bank loan 2 at base rate + 4.25% p.a. <sup>(c)</sup>	2018	-	-	872
USD bank overdraft at base rate + 2.0% p.a. <sup>(d)</sup> (Note 6)	-	-	2,641	-
		<u>686</u>	<u>3,301</u>	<u>1,706</u>
<b>Non-current</b>				
Bank loans:				
SGD bank loan 1 at base rate - 0.6% p.a. <sup>(a)</sup>	2021	1,245	1,931	2,591
USD bank loan 1 at base rate + 1.75% p.a. <sup>(b)</sup>	2020	-	-	574
USD bank loan 2 at base rate + 4.25% p.a. <sup>(c)</sup>	2018	-	-	1,320
		<u>1,245</u>	<u>1,931</u>	<u>4,485</u>
Total bank loans		<u>1,931</u>	<u>5,232</u>	<u>6,191</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 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.

	<b>Non-cash changes</b>					
	<b>January 1, 2018</b>	<b>Financing cash flow (i)</b>	<b>Increase in finance lease (ii)</b>	<b>Equity component of convertible bonds</b>	<b>Foreign exchange movement</b>	<b>December 31, 2018</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Overdraft (Note 18)	2,641	(2,641)	-	-	-	-
Bank loans (Note 18)	2,591	(660)	-	-	-	1,931
Finance leases (Note 19)	1,214	(231)	-	-	22	1,005
Convertible bonds (Note 22)	1,996	(2,000)	-	4	-	-
	<u>8,442</u>	<u>(5,532)</u>	<u>-</u>	<u>4</u>	<u>22</u>	<u>2,936</u>

	<b>Non-cash changes</b>					
	<b>January 1, 2017</b>	<b>Financing cash flow (i)</b>	<b>Increase in finance lease (ii)</b>	<b>Equity component of convertible bonds</b>	<b>Foreign exchange movement</b>	<b>December 31, 2017</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Overdraft (Note 18)	-	2,641	-	-	-	2,641
Bank loans (Note 18)	6,191	(3,600)	-	-	-	2,591
Finance leases (Note 19)	785	(87)	573	-	(57)	1,214
Convertible bonds (Note 22)	-	2,000	-	(4)	-	1,996
	<u>6,976</u>	<u>954</u>	<u>573</u>	<u>(4)</u>	<u>(57)</u>	<u>8,442</u>

- (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 finance lease includes new leases entered and the interest portion of the outstanding finance lease.

# NOTES TO THE FINANCIAL STATEMENTS

## For the financial year ended 31 December 2018

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

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. The loan bears interest at 5.10% (December 31, 2017 : 4.75%, January 1, 2017: 4.5%) per annum, during the year. It is repayable in 72 equal instalments and will be fully repaid in September 2021, in accordance with the terms of the loan agreement.

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

The loan was secured by a legal charge over the Group's investment property at Tropaing Chheu Neang Village (Note 16) and corporate guarantee by the Company. The loan bore interest at 8% per annum for the year ended December 31, 2017. It was fully repaid in October 2017.

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

This loan was secured by way of the following:

- charge and assignment over all bank accounts of two subsidiaries;
- assignment of all receivables of two subsidiaries;
- charge over all ordinary shares of a subsidiary;
- legal mortgage over freehold land of a subsidiary at Prek Village, Amleang Commune (Note 15);
- charge over specified lists of vehicles, machineries and equipment of two subsidiaries; and
- assignment of interests in insurance policies of two subsidiaries.

The loan was repayable over a 3-year period and bore interest at 6.8% per annum for the year ended December 31, 2017. It was fully repaid on November 30, 2017.

(d) Bank overdrafts at base + 2.0% p.a.

The bank overdrafts was secured by a legal charge over vacant development land at Preah Sihanouk Province and corporate guarantee by the Company. It bore interest at 8.25% per annum and was repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 19. FINANCE LEASE LIABILITIES

	<b>Group</b>			
	<u>Minimum lease payments</u> December 31, 2018	<u>Minimum lease payments</u> December 31, 2017	<u>Minimum lease payments</u> December 31, 2018	<u>Minimum lease payments</u> December 31, 2017
	\$'000	\$'000	\$'000	\$'000
Amounts payable under finance leases:				
Within one year	179	138	81	144
In the second to fifth year inclusive	1,002	1,336	923	861
Less: Future finance charges	1,181	1,474	1,004	1,005
Present value of lease obligations	(176)	(260)	(219)	N/A
	<u>1,005</u>	<u>1,214</u>	<u>785</u>	<u>1,214</u>
		(Restated)		(Restated)
				77
				708
				785
				N/A
				785
Less: Amount due for settlement within 12 months (shown under current liabilities)				(122)
Amount due for settlement after 12 months				861
				<u>1,092</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

	<b>Company</b>					
	<b>Minimum lease payments</b>			<b>Present value of minimum lease payments</b>		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amounts payable under finance leases:						
Within one year	30	46	51	25	45	51
In the second to fifth years inclusive	101	-	50	94	-	45
	<u>131</u>	<u>46</u>	<u>101</u>	<u>119</u>	<u>45</u>	<u>96</u>
Less: Future finance charges	(12)	(1)	(5)	N/A	N/A	N/A
Present value of lease obligations	<u>119</u>	<u>45</u>	<u>96</u>	119	45	96
Less: Amount due for settlement within 12 months (shown under current liabilities)				<u>(25)</u>	<u>(45)</u>	<u>(51)</u>
Amount due for settlement after 12 months				<u>94</u>	<u>-</u>	<u>45</u>

The Group has finance leases for motor vehicles (Note 15). The leases have remaining term of approximately 1 to 2 years. The lease agreements do not have terms of renewal and purchase options.

The effective interest rates for the finance leases range from 5.25% to 5.39% (December 31, 2017: 5.25% to 5.39%, January 1, 2017: 4.35% to 5.25%) per annum.

In addition, the Group has finance leases for the 50 years' concession leasehold land at Aoral District in Kampng Speu Province, Cambodia (Note 16(f)). The lease has remaining unexpired term of 41 years. The effective interest rate for the finance lease is 9% (December 31, 2017: 9%, January 1, 2017: 9%).

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 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 8.25% per annum (2017 : 7.55% per annum). These obligations are denominated in Singapore dollars.

## 20. TRADE PAYABLES

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

## 21. OTHER PAYABLES AND ACCRUALS

	<u>Group</u>			<u>Company</u>		
	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000	December 31, 2018 \$'000	December 31, 2017 \$'000	January 1, 2017 \$'000
Other payables	330	266	388	21	20	118
Deposits received	686	1,379	309	-	2	-
Contract liability	13	317	4,364	-	-	-
Accrued operating expenses	616	501	486	354	440	376
Total other payables and accruals	1,645	2,463	5,547	375	462	494

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

## 22. CONVERTIBLE BONDS

On January, 18, 2017, the Group issued convertible bonds of \$4.0 million to the Chief Executive Officer of the Group. The convertible bonds bore interest at the rate of 5 per cent per annum and was convertible at the option of the holder of the Convertible Bonds, at any time commencing from the date falling after 12 months from the issue date of the Convertible Bonds to three years from the issue date of the Convertible Bonds.

In August 2017, \$1.0 million of the \$4.0 million convertible bonds was subscribed with maturity date being January 18, 2020. The subscribed bonds were then transferred to a third party on the same day.

Further on December 21, 2017, another \$1.0 million of the \$4.0 million convertible bonds was subscribed by the Chief Executive Officer of the Group, with maturity date being January 18, 2020.

The convertible bonds can be converted into new shares based on fixed conversion price of \$0.01 per share, subject to adjustments determined by the Board, in the events of rights, bonus, consolidation or other capitalisation issues.

The net proceeds from the issue of the Bonds had been split between the liability element and an equity component in the year ended December 31, 2017.

The convertible bonds were fully redeemed on August 15, 2018.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 23. DEFERRED TAX LIABILITIES

As disclosed in Notes 15 and 16, the Group recognised a gain on revaluation of land and buildings and a gain on change in fair value of investment properties during the current and prior financial years. The deferred tax liabilities as at December 31, therefore relate to the following:

	<b>Revaluation of land and building</b>	<b>Gain on change in fair value of investment properties</b>	<b>Total</b>
	\$'000	\$'000	\$'000
<b>Group</b>			
At January 1, 2017 (Restated)	9,805	3,166	12,971
Charge to profit or loss for the year	-	2,584	2,584
Exchange differences	(893)	(145)	(1,038)
At December 31, 2017 (Restated)	8,912	5,605	14,517
Credit to profit or loss for the year	(345)	(656)	(1,001)
Adjustment	-	(2,720)	(2,720)
Exchange differences	231	82	313
	<u>8,798</u>	<u>2,311</u>	<u>11,109</u>

The Group has tax losses of approximately \$24,751,000 (December 31, 2017: \$41,853,000, January, 1: \$47,402,000) that are available for offset against future taxable profits of the Group for which deferred tax assets amounting to approximately \$4,702,000 (December 31, 2017: \$8,371,000, January 1, 2017: \$8,972,000) 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 for which deferred tax liabilities have not been recognised is \$463,000 (December 31, 2017: \$2.0 million, January 1, 2017: \$585,000). 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 2018

## 24. SHARE CAPITAL

	<b>Group and Company</b>			
	2018	2017	2018	2017
	<b>No. of ordinary shares</b>		<b>\$'000</b>	
<b>Issued and paid-up:</b>				
At beginning of year				
(as previously reported)	6,658,068,582	6,658,068,582	123,131	94,602
Share consolidation	(6,436,135,390)	-	-	-
Restatement (Note 38)	-	-	-	28,529
At beginning and end of year <sup>(i)</sup>	<u>221,933,192</u>	<u>6,658,068,582</u>	<u>123,131</u>	<u>123,131</u>

<sup>(i)</sup> Number of ordinary shares based on The Central Depository's records.

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.

## 25. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 26. 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 34):

	<u>Location</u>	<u>2018</u>	<u>2017</u>
		<u>\$'000</u>	<u>\$'000</u>
<u>Recognised at point in time</u>			
Sale of crops	Cambodia	2,107	1,828
Sale of crops	Singapore	745	912
<u>Recognised over time</u>			
Sale of development of properties	Cambodia	30,434	8,775
Rental income from lease of resort	Singapore	1,100	1,085
		<u>34,386</u>	<u>12,600</u>

## 27. OTHER INCOME

	<u>Group</u>	
	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Interest income from bank deposits	46	46
Gain on change in fair value of quoted investment	100	-
(Loss) Gain on change in fair value of investment properties (Note 16)	(15)	12,918
Gain on disposal of property, plant and equipment	95	778
Gain on disposal of investment properties	565	126
Gain on disposal of subsidiary	-	575
Net foreign exchange gain	1,236	-
Forfeiture of progressive deposits from property sales	5,970	-
Other sundry income	578	861
	<u>8,575</u>	<u>15,304</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 is 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 2018

## 28. FINANCE COSTS

	<b>Group</b>	
	2018	2017
	\$'000	\$'000
Interest expense on:		
- Bond interest	80	20
- Finance leases	14	80
- Bank loans	290	369
	384	469

## 29. INCOME TAX (BENEFIT) EXPENSE

	<b>Group</b>	
	2018	2017
	\$'000	\$'000
Current tax	852	831
Deferred tax (Note 23)	(1,001)	2,584
	(149)	3,415
Under (Over) provision in respect of prior years:		
- current tax	52	(561)
- deferred tax	(2,720)	-
Tax (benefit) expense	(2,817)	2,854

Domestic income tax is calculated at 17% (2017 : 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:

	<b>Group</b>	
	2018	2017
	\$'000	\$'000
Profit before income tax	4,773	4,639
Income tax expense calculated at 17% (2017 : 17%)	811	789
Effect of income not subject to taxation	-	(23)
Non-deductible expenses	2,347	2,915
Utilisation of previously unrecognised tax losses	(3,669)	(601)
Effect of unused tax losses not recognised as deferred tax assets	-	45
Effect of different tax rates of subsidiaries operating in other jurisdictions	362	290
Under (Over) provision in respect of prior years		
- current tax	52	(561)
- deferred tax	(2,720)	-
Income tax (benefit) expense recognised in profit or loss	(2,817)	2,854

# NOTES TO THE FINANCIAL STATEMENTS

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## For the financial year ended 31 December 2018

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

In December 2013, HLHA entered into an agreement with a third party for crop cultivation at its Kampong Speu agricultural land in Cambodia. Management considered the revenue generated under the agreement as distribution of profit from the said agreement and would qualify as QIP income under the Cambodian tax law. The concept of such an agreement was presently not well recognised in Cambodia and as such, there was no clear tax guidance on such arrangements. Additionally, HLHA had unrecognised carried forward tax loss benefits that is subject to conditions of utilisation encapsulated in the tax legislation. The QIP expired on December 31, 2017.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 30. PROFIT FOR THE YEAR

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

	<b>Group</b>	
	2018	2017
	\$'000	\$'000
Personnel expenses:		
- Salaries and bonuses	2,124	969
- Central Provident Fund contribution	76	99
- Other short-term benefits	119	50
	<u>2,319</u>	<u>1,118</u>
Directors' fees:		
- of the Company	134	134
Directors' remuneration:		
- of the Company	849	1,037
- of the subsidiaries	-	169
Total directors' remuneration	<u>849</u>	<u>1,206</u>
Depreciation of property, plant and equipment (Note 15)	3,777	3,767
Rental of premises and office facilities	241	421
Legal and professional fees	2,261	351
Audit fees:		
- Paid to auditors of the Company	116	105
- Paid to other auditors	60	32
Non-audit fees:		
- Paid to auditors of the Company	-	14
- Paid to other auditors	2	29
Bad debts written off	-	68
Loss on fair value of biological assets	4,181	1,073
(Gain) Loss on disposal of investment property	(565)	126
Net foreign exchange (gain) loss	(1,236)	2,966
Loss (Gain) on change in fair value of investment property	15	(12,918)
(Gain) Loss on disposal of property, plant and equipment	<u>(95)</u>	<u>778</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 31. 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:

	<b>Group</b>	
	2018	2017
	\$'000	\$'000
<u>Earnings</u>		
Profit attributable to equity holders of the Company	7,590	1,785
Interest on convertible bonds (Note 22)	-	17
Earnings for the purposes of basic and diluted earnings per share	<u>7,590</u>	<u>1,802</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>221,933,192</u>	<u>221,933,192</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>221,933,192</u>	<u>221,933,192</u>
Earnings per share (cents)	<u>3.420</u>	<u>0.812</u>

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.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 32. COMMITMENTS

### (a) The Group as lessor

The Group entered into a management agreement with a third party company, granting the company the right to manage, operate, and collect revenue in relation to the Group's resort in Singapore. The third party company independent of the Group. As at December 31, 2018, this non-cancellable lease has remaining lease term of 30 months (2017 : 9 months).

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

	<b>Group</b>		
	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000
Within one year	1,200	810	1,080
Later than one year but not later than five years	1,800	-	810
	<u>3,000</u>	<u>810</u>	<u>1,890</u>

### (b) The Group as lessee

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

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 9,985 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 (2017: \$421,000). Future minimum lease payments payable under non-cancellable operating leases as described above as at December 31, 2018 and 2017 are as follows:

	<b>Group</b>		
	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	
Not later than one year	198	69	189
Later than one year but not later than five years	571	348	26
Later than five years	1,594	352	1,194
	<u>2,363</u>	<u>769</u>	<u>1,409</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## **Co-operation agreements**

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

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

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

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

In 2017, the above agreement was terminated and the Group took over the agricultural land and the cassava crops.

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

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

In 2017, the above agreement was terminated and the Group took over the agricultural land and the cassava crops.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 33. CONTINGENT LIABILITIES

The Company has provided corporate guarantees of \$1,931,000 (December 31, 2017 : \$5,232,000, January 1, 2017 : \$6,313,000) 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.

## 34. 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 2018

	<b>Agriculture division</b>	<b>Property development and real estate division</b>	<b>Others</b>	<b>Adjustments and eliminations</b>	<b>Group</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>December 31, 2018</b>					
<b>Revenue</b>	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>
<b>Results:</b>					
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>
<b>Assets:</b>					
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>
<b>Segment liabilities</b>					
	<u>(16,022)</u>	<u>(4,428)</u>	<u>(494)</u>	<u>-</u>	<u>(20,944)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

	<b>Agriculture division</b>	<b>Property development and real estate division</b>	<b>Others</b>	<b>Adjustments and eliminations</b>	<b>Group</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>December 31, 2017</b>					
<b>Revenue</b>					
External sales	3,825	8,775	-	-	12,600
Inter-segment sales	912	-	2,880	(3,792)	-
	<u>4,737</u>	<u>8,775</u>	<u>2,880</u>	<u>(3,792)</u>	<u>12,600</u>
<b>Results:</b>					
Interest income	3	43	-	-	46
Gain (Loss) on disposal of property, plant and equipment	(778)	-	-	-	(778)
Gain on change in fair value of investment properties	-	12,918	-	-	12,918
Depreciation expense	(3,333)	(379)	(55)	-	(3,767)
Finance costs	(310)	(135)	(24)	-	(469)
Income tax benefit (expense)	323	(3,177)	-	-	(2,854)
Segment profit (loss)	<u>(11,465)</u>	<u>13,527</u>	<u>1,851</u>	<u>(2,128)</u>	<u>1,785</u>
<b>Assets:</b>					
Additions to non-current assets	500	398	9	-	907
Segment assets	<u>116,617</u>	<u>34,577</u>	<u>1,596</u>	<u>-</u>	<u>152,790</u>
<b>Segment liabilities</b>	<u>(12,910)</u>	<u>(17,653)</u>	<u>(2,508)</u>	<u>-</u>	<u>(33,071)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

	Agriculture division	Property development and real estate division	Others	Adjustments and eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>January 1, 2017</b>					
<b>Assets:</b>					
Additions to non-current assets	719	154	194	-	1,067
Segment assets	133,498	15,833	1,109	-	150,440
<b>Segment liabilities</b>	<b>(20,205)</b>	<b>(6,361)</b>	<b>(590)</b>	<b>-</b>	<b>(27,122)</b>

## Geographical information

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

	<u>Revenue</u>		<u>Non-current assets</u>		
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	1,845	1,997	11,661	11,732	11,757
Cambodia	32,541	10,603	83,910	111,240	103,932
<b>Total</b>	<b>34,386</b>	<b>12,600</b>	<b>95,571</b>	<b>122,972</b>	<b>115,689</b>

## 35. SUBSEQUENT EVENTS

- a) On March 5, 2019, the Group has announced that the joint venture between HLH Development Pte Ltd ("HLH Development"), a wholly owned subsidiary of the Group and Royal Group of Companies Limited, will soft launch the new mixed development project in the capital city of Cambodia, Phnom Penh in April 2019. The new project named "Royal Platinum" will consist of over 800 freehold residential and commercial units. The project site is located on a freehold plot of land measuring 8,221 square metres that is centrally located in the heart of Toul Kuok district.
- b) In respect of the current year, the directors propose a dividend of 0.5 cents per share. The dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$1.1 million.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 36. ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework - Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended December 31, 2018 and SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017). Additional disclosures are made for specific transition adjustments if applicable.

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than the election of certain transition options available under SFRS(I) 1.

The Group has elected to apply the short-term exemption under SFRS(I) 1.E1 to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of Financial Reporting Standards in Singapore ("FRS") 39 Financial Instruments: Recognition and Measurement are applied to financial instruments up to the financial year ended 31 December 2017. At the same time, the Group is exempted from complying with SFRS(I) 7 Financial Instruments: Disclosures for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under FRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

Management has elected the following transition exemption:

- SFRS(I) 3 Business Combinations has not been applied to acquisitions of subsidiaries that are considered businesses under SFRS(I) that occurred before January 1, 2017. The FRS carrying amounts of assets and liabilities determined in that business combination, that are required to be recognised under SFRS(I), are the deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SFRS(I). Assets and liabilities that do not qualify for recognition under SFRS(I) are excluded from the opening SFRS(I) statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of SFRS(I) recognition requirements.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## Reconciliations of equity and total comprehensive income

The effects of transition to SFRS(I) and the initial application of SFRS(I) are presented and explained below.

The Group and the Company has early adopted SFRS(I) 15 as at December 31, 2017.

### Group

(A) Impact on the Consolidated Statement of Financial Position as at January 1, 2017 (date of transition to SFRS(I))

	<b>As previously reported under FRS</b>	<b>Application of SFRS(I) 1</b>	<b>Restatement</b>	<b>As adjusted under SFRS (I) 1</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
			<b>(Note 38)</b>	
Reserves:				
- Foreign currency translation reserve <sup>(i)</sup>	7,087	(7,087)	-	-
- Asset revaluation reserve <sup>(ii)</sup>	40,521	(37,856)	-	2,665
- Retained earnings (Accumulated losses) <sup>(i)(ii)</sup>	(11,825)	44,943	(35,987)	(2,869)

(B) Impact on the Consolidated Statement of Financial Position as at December 31, 2017 (end of last period reported under FRS)

	<b>As previously reported under FRS</b>	<b>Application of SFRS(I) 1</b>	<b>Restatement</b>	<b>As adjusted under SFRS (I) 1</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
			<b>(Note 38)</b>	
Reserves:				
- Foreign currency translation reserve <sup>(i)</sup>	1,790	(7,087)	(224)	(5,521)
- Asset revaluation reserve <sup>(ii)</sup>	40,631	(37,856)	-	2,775
- Retained earnings (Accumulated losses) <sup>(i)(ii)</sup>	(9,775)	44,943	(36,252)	(1,084)

### Note to the reconciliations (SFRS(I) 1):

- (i) Management has elected to reclassify the balance of S\$7,087,000 in foreign exchange translation reserve to retained earnings as at January 1, 2017.
- (ii) Management has elected to adopt fair value as deemed cost for its property, consequentially reclassifying the asset revaluation reserve balance of \$37,856,000 to accumulated profits as at January 1, 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

- (C) Impact on Consolidated Statement of Profit and Loss and Other Comprehensive Income for the year ended December 31, 2017 (last financial year reported under FRS)

The transition to SFRS(I) and the initial application of SFRS(I) 9 has not had a material impact on the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

- (D) Impact on the Consolidated Statement of Cash Flows for the year ended December 31, 2017 (last financial year reported under FRS)

The transition to SFRS(I) and the initial application of SFRS(I) 9 has not had a material impact on the Consolidated Statement of Cash Flows.

## 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 and are expected to have an impact to the Group and the Company in the periods of their initial application.

Effective for annual periods beginning on or after 1 January 2019

- SFRS(I) 16 *Leases*.
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*.

Effective date is deferred indefinitely

- Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

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 except for the following:

### **SFRS(I) 16 Leases**

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

SFRS(I) 1-17 does not require the recognition of any right-of-use asset or liability for future payments for the operating leases the Group enters into. Under SFRS(I) 16, the Group may be required to recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. Additional disclosures may also be made with respect to leases, including any significant judgement and estimation made in distinguishing between leases and service contracts, on the basis of whether an identified asset controlled by the customer exists. Management has performed a detailed analysis of the requirements of the initial application of SFRS(I) 16.

As at December 31, 2018, the Group and the Company have non-cancellable operating lease commitments as disclosed in Note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under SFRS(I) 16, and hence the Group and the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon application of SFRS(I) 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's and the Company's financial statements and management is currently assessing its potential impact.

## **SFRS(I) INT 23 Uncertainty over Income Tax Treatments**

The Interpretation provides guidance on determining the accounting tax position when there is uncertainty over income tax treatments.

The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a Group;
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used;
- proposed to be used, by an entity in its income tax filings;
- if probable, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; and
- if not probable, the entity should reflect the effect of uncertainty in determining its accounting tax position.

Management is currently assessing the possible impact of implementing SFRS(I) INT 23. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's and the Company's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt SFRS(I) INT 23 for financial year ended December 31, 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

## 38. RESTATEMENTS

Certain restatements have been made to the prior year's financial statements resulted from non-compliance with Singapore Companies Act and clarification of the tenure on a concession land in Cambodia.

As a result, certain line items have been restated in the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flow, and the related notes to the financial statements. Comparative figures have been restated to conform to the current year's presentation.

The items were restated as follows:

	<b>Group</b>		<b>Company</b>	
	Previously <u>reported</u> January 1, 2017 \$'000	After <u>restatement</u> January 1, 2017 \$'000	Previously <u>reported</u> January 1, 2017 \$'000	After <u>restatement</u> January 1, 2017 \$'000
<u>Statement of financial position</u>				
Investment properties <sup>(ii)</sup>	89,448	80,070	-	-
Deferred tax liabilities <sup>(ii)</sup>	14,891	12,971	(i)	(i)
Share capital <sup>(i)</sup>	94,602	123,131	94,602	123,131
Retained earnings (Accumulated losses) <sup>(i)(ii)</sup>	(11,825)	(2,869)	(1,591)	(30,120)

	<b>Group</b>		<b>Company</b>	
	Previously <u>reported</u> December 31, 2017 \$'000	After <u>restatement</u> December 31, 2017 \$'000	Previously <u>reported</u> December 31, 2017 \$'000	After <u>restatement</u> December 31, 2017 \$'000
<u>Statement of financial position</u>				
Property, plant and equipment <sup>(ii)</sup>	94,908	85,041	171	171
Deferred tax liabilities <sup>(ii)</sup>	16,437	14,517	-	-
Share capital <sup>(i)</sup>	94,602	123,131	94,602	123,131
Retained earnings (Accumulated losses) <sup>(i)(ii)</sup>	(9,775)	(1,084)	656	(27,873)

### Consolidated statement of other comprehensive income

Administrative expenses <sup>(ii)</sup>	(9,748)	(10,012)	-	-
Profit for the year	2,050	1,785	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

- (i) By way of a Circular to the Company's Shareholders dated April 2, 2015, the Company proposed a restructuring of its share capital under which the Company's issued and paid-up share capital of S\$105,425,589 comprising 197,860,328 issued and fully paid-up Shares (at the material time) would be restructured by way of a reduction of the sum of S\$28,528,762 such that the said amount would be set-off against the Company's accumulated losses (the "2015 Proposed Share Capital Restructuring").

The 2015 Proposed Share Capital Restructuring would have resulted in the elimination of the Company's accumulated losses to zero. The 2015 Proposed Share Capital Restructuring would:

- (a) not have resulted in any cash distribution to be made to the Shareholders (at the material time);
- (b) not have resulted in any cancellation of Shares;
- (c) not have resulted in a change in the number of Shares held by Shareholders (at the material time).

At the Extraordinary General Meeting held by the Company on April 20, 2015, the 2015 Proposed Share Capital Restructuring was unanimously passed by the Company's Shareholders (at the material time) by Ordinary Resolution. As the 2015 Capital Restructuring should have been carried out by way of a special resolution and the publicity requirements as set out in Regulation 6 of the Singapore Companies Regulations were also not complied with, the Company continues to retain accumulated losses of \$28,528,762 on its financial statements. In light of this, the Company has made prior year adjustments of the Company's financial statements for the relevant financial years where necessary.

No dividends have been paid to the Company's shareholders since the 2015 Proposed Share Capital Restructuring to date.

- (ii) In 2018, the Group received the physical title deeds to its concession land, which reflected a revision in the leasehold tenure from 70 years to 50 years effective from 2015. The Group has consulted its legal consultant and based on the advice received, management has assessed that the effective date of change should have been from 2015. Accordingly, management has restated the fair value of the concession land as at January 1, 2017, to reflect the revised leasehold tenure and the depreciation charged in the statement of other comprehensive income.

As at December 31, 2017 and January 1, 2017, carrying amount and depreciation charged relating to the concession land were erroneously recognised. Accordingly, management has restated the carrying amount and depreciation charged relating to the concession land in the respective years.

# STATISTICS OF SHAREHOLDINGS

As at 22 March 2019

ISSUED AND FULLY PAID-UP CAPITAL	–	S\$121,592,171
CLASS OF SHARES	–	ORDINARY SHARES
NUMBER OF SHARES	–	221,933,192
VOTING RIGHTS	–	ONE VOTE PER SHARE
NUMBER OF TREASURY SHARES AND SUBSIDIARY HOLDINGS HELD	:	NIL

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	461	7.06	18,127	0.01
100 – 1,000	1,117	17.11	615,102	0.28
1,001 – 10,000	3,421	52.42	15,044,365	6.78
10,001 – 1,000,000	1,506	23.07	76,028,255	34.25
1,000,001 and above	22	0.34	130,227,343	58.68
<b>TOTAL</b>	<b>6,527</b>	<b>100.00</b>	<b>221,933,192</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

TOP TWENTY SHAREHOLDERS	NO. OF SHARES	%
ONG BEE HUAT	33,440,000	15.07
CITIBANK NOMINEES SINGAPORE PTE LTD	16,978,695	7.65
WONG WEN-YOUNG	13,841,850	6.24
CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	11,894,825	5.36
ONG JIA MING	8,828,471	3.98
NG CHUEN GUAN	5,100,000	2.30
HSU HUNG-CHUN	4,000,000	1.80
ONG KIAN HENG	3,823,433	1.72
ANG POON BENG	3,681,285	1.66
DBS NOMINEES PTE LTD	3,582,818	1.61
TOH TIAM HOCK	3,331,688	1.50
ONG JIA JING	3,050,000	1.37
SOH CHIAP HOI	2,504,933	1.13
PHILLIP SECURITIES PTE LTD	2,396,686	1.08
NG YING TING	2,386,500	1.08
UOB KAY HIAN PTE LTD	2,016,882	0.91
UNITED OVERSEAS BANK NOMINEES PTE LTD	2,015,645	0.91
WAN CHUNG CONSTRUCTION (SINGAPORE) PTE LTD	1,990,800	0.90
OCBC NOMINEES SINGAPORE PTE LTD	1,583,019	0.71
ANG CHAI CHENG	1,386,666	0.62
	<b>127,834,196</b>	<b>57.60</b>

# STATISTICS OF SHAREHOLDINGS

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As at 22 March 2019

## SUBSTANTIAL SHAREHOLDERS AS AT 22 MARCH 2019

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
DATO DR. ONG BEE HUAT	33,440,000	15.07	6,500,000 <sup>(1)</sup>	2.93
WONG WEN-YOUNG	13,841,850	6.24		

**Notes:**

(1) Dato' Dr. Ong Bee Huat, aggregate deemed interest comprised 6,500,000 shares held by CGS-CIMB Securities (Singapore) Pte Ltd.

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 22 March 2019, 71.7% of the Company's issued ordinary shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.



# NOTICE OF ANNUAL GENERAL MEETING

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**NOTICE IS HEREBY GIVEN** that the Twentieth Annual General Meeting of the Company will be held on Tuesday, 30 April 2019 at 2.00 p.m. at Genting Hotel Jurong, 2 Town Hall Link, Level 1, Singapore 068516 to transact the following business: -

## AS ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2018 and the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final dividend of 0.5 cents per share in respect of the financial year ended 31 December 2018. **(Resolution 2)**
3. To re-elect the following Directors who retire by rotation pursuant to Article 89 of the Company's Constitution and who, being eligible, offer themselves for re-election:
  - (i) Prof. Wong Wen-Young, Winston **(Resolution 3)**
  - (ii) Dato Dr Ong Bee Huat **(Resolution 4)**

*[See Explanatory Note (i) and (ii)]*
4. To re-elect the following Directors who retire by rotation pursuant to Article 88 of the Company's Constitution and who, being eligible, offer themselves for re-election:
  - (i) Mr Lien We King **(Resolution 5)**
  - (ii) Ms Kohe Noor Binte Mahmoodul Hasan **(Resolution 6)**

*[See Explanatory Note (iii) and (iv)]*
5. To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**
6. To transact any other business which may be properly transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS:

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

7. To approve the payment of Directors' Fees of S\$134,000 for the financial year ended 31 December 2018 (2017: S\$134,000.00). **(Resolution 8)**
8. **Authority to issue shares in the capital of the Company under Section 161 of the Companies Act, Cap. 50 and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited ("SGX-ST"):** -

"That pursuant to Section 161 of the Companies Act, Cap. 50 and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors be and are hereby authorised and empowered to allot and issue shares and/or convertible securities that might or would require shares to be issued including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, where the maximum number of shares to be issued upon conversion is determinable at the time of the issue of such securities in the Company (whether by way of rights, bonus or otherwise or in pursuance of any offers, agreements or options made or granted by the Directors during the continuance of the authority conferred by this Resolution which might or would require shares and/or convertible securities to be issued during the continuance of the authority conferred by this Resolution or thereafter) at any time and from time to time thereafter to such persons and on such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit (notwithstanding the authority conferred by this Resolution may have ceased to be in force) provided that:

# NOTICE OF ANNUAL GENERAL MEETING

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- (i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares excluding treasury shares, as calculated in accordance with sub-paragraph (ii) below (“Issued Shares”), provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed 20% of the total number of Issued Shares;
- (ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under this Resolution, the percentage of Issued Shares shall be based on the total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (iv) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”  
*[See Explanatory Note (vi)]* **(Resolution 9)**

9. **Authority to grant options and to allot and issue shares under HLH Employee Share Option Scheme 2017**

“That authority be and is hereby given to the Directors to offer and grant options in accordance with the rules of HLH Employee Share Option Scheme 2017 and pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore), and to deliver existing shares (including treasury shares, if any) and allot and issue from time to time such number of new shares as may be required to be transferred or allotted and issued pursuant to the exercise of the options under the HLH Employee Share Option Scheme 2017.” *[See Explanatory Note (vi)]* **(Resolution 10)**

10. **Authority to grant awards and to allot and issue shares under HLH Performance Share Plan 2017**

“That authority be and is hereby given to the Directors to grant awards in accordance with the rules of HLH Employee Performance Share Plan 2017 and pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore), and to deliver existing shares (including treasury shares, if any) and allot and issue from time to time such number of new shares as may be required to be transferred or allotted and issued pursuant to the release of awards under the HLH Performance Share Plan 2017.” *[See Explanatory Note (vii)]* **(Resolution 11)**

11. **Proposed renewal of the Share Purchase Mandate**

THAT:

- (a) for the purposes of the Listing Rule, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire from time to time the Shares (excluding treasury shares) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
  - (i) market purchases transacted on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) through the ready market, and through one or more duly licensed stockbrokers appointed by the Company for the purpose (each, a “**Market Purchase**”); and/or
  - (ii) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme as may be determined or formulated by the Directors as they may consider fit and in the best interests of the Company, which scheme shall satisfy all the conditions prescribed by the Listing Manual (each, an “**Off-Market Purchase**”),

# NOTICE OF ANNUAL GENERAL MEETING

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and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act (Cap. 50) of Singapore (as modified, supplemented or amended from time to time) and the listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “**Share Purchase Mandate**”);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
- (i) the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier;
  - (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated;
  - (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by Shareholders in general meeting;
- (c) in this Ordinary Resolution:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five (5) Market Days (“Market Day” being a day on which SGX-ST is open for securities trading) on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporation action that occurs after the relevant five-day period;

“**Date of the making of the offer**” means the date on which the Company makes an offer for the purchase or acquisition of Shares from holder of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares; and

“**Prescribed Limit**” means that number of issued Shares representing ten per cent. (10%) of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date);

- (d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may in their/his absolute discretion consider expedient or necessary to give effect to the adoption of the Proposed Share Purchase Mandate and/or authorised by this Resolution.

[See Explanatory Note (viii)]

**(Resolution 12)**

BY ORDER OF THE BOARD

DATO' DR. ONG BEE HUAT  
Executive Deputy Chairman  
Singapore

12 April 2019

# NOTICE OF ANNUAL GENERAL MEETING

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## Explanatory Notes: -

- (i) Prof. Wong Wen-Young, Winston will, upon re-election as a Director of the Company, remain as a Non-Executive Director.
- (ii) Dato' Dr Ong Bee Huat will, upon re-election as a Director of the Company, remain as an Executive Deputy Chairman, a member of the Remuneration Committee and the Nominating Committee of the Company.
- (iii) Mr Lien We King will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, a member of the Audit Committee, the Remuneration Committee and the Nominating Committee of the Company.
- (iv) Ms Kohe Noor Binte Mahmoodul Hasan will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, a member of the Audit Committee, the Remuneration Committee and the Nominating Committee of the Company.
- (v) The Ordinary Resolution 9, if passed, will empower the Directors of the Company, from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the share capital of the Company and to make or grant convertible securities, and to issue shares in pursuance of such convertible securities, without seeking any further approval from shareholders in general meeting. The number of new shares which the Directors may allot and issue under this Resolution shall not exceed 50% of the total number of Issued Shares of which the aggregate number of Issued Shares to be allotted and issued other than on a pro rata basis to shareholders shall not exceed 20% of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.
- (vi) The Ordinary Resolution 10, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant options in accordance with the rules of the Employee Share Option Scheme (the "Scheme") and pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore) and to issue shares from time to time as may be required pursuant to the exercise of the options under the Scheme. The Scheme was first approved by the Shareholders at the Extraordinary General Meeting held on 28 April 2017. Details of the Scheme may also be found in the Circular to Shareholders dated 12 April 2017.
- (vii) The Ordinary Resolution 11, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to grant awards in accordance with the rules of the HLH Employee Performance Share Plan 2017 (the "Plan"), and pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore) and to issue shares from time to time as may be required pursuant to the exercise of the Options under the Plan. The Plan was first approved by the Shareholders at the Extraordinary General Meeting held on 28 April 2017. Details of the Plan may also be found in the Circular to Shareholders dated 12 April 2017.
- (viii) The Ordinary Resolution 12, if passed, will renew the mandate to permit the Company to purchase or otherwise acquire its issued ordinary shares on the terms and subject to the conditions of the Resolution. Further details are set out in Appendix 1 to Shareholders in relation to The Proposed Renewal of the Share Purchase Mandate.

## Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings (expressed as a percentage of the whole) to be represented by each proxy. However, if no such proportion is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.
3. The instrument appointing a proxy or proxies, duly executed, must be deposited at the Registered Office of the Company at 1 Gateway Drive #20-12/13 Westgate Tower Singapore 608531 not less than forty-eight (48) hours before the time fixed for the Meeting. A Depositor's name must be registered in the Depository Register maintained by the Central Depository (Pte) Limited **not less than seventy-two (72) hours** before the time appointed for the holding of the AGM in order for him to be entitled to vote at the AGM.
4. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorized.

# NOTICE OF ANNUAL GENERAL MEETING

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## Personal Data Privacy:

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

- (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"),
- (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# HONG LAI HUAT GROUP LIMITED

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

## ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT

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

\*I/We \_\_\_\_\_ NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_  
being \*member/members of **HONG LAI HUAT GROUP LIMITED** (the "**Company**"), hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing \*him/her, the Chairperson of the Meeting, as \*my/our \*proxy/proxies to attend and vote for \*me/us on \*my/our behalf, at the Twentieth Annual General Meeting ("**AGM**") of the Company to be held at Genting Hotel Jurong, 2 Town Hall Link, Level 1, Singapore 068516 on Tuesday, 30 April 2019 at 2.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Twentieth Annual General Meeting. In the absence of specific directions, your \*proxy/proxies will vote or abstain from voting as \*he/they may think fit, as \*he/they will on any other matter arising at the Twentieth Annual General Meeting.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 31 December 2018 and the Auditors' Report thereon.		
2	Declaration of Final Dividend of 0.5 cents per share for financial year ended 31 December 2018.		
3	Re-election of Prof. Wong Wen-Young Winston as Director of the Company.		
4	Re-election of Dato Dr Ong Bee Huat as a Director of the Company.		
5	Re-election of Mr Lien We King as Director of the Company.		
6	Re-election of Ms Kohe Noor Binte Mahmoodul Hasan as Director of the Company.		
7	Re-appointment of Deloitte & Touche LLP as Auditors of the Company.		
8	Approval of Directors' Fees of \$134,000.00 for the year ended 31 December 2018.		
9	Authority to allot and issue shares in the capital of the Company under Section 161 of the Companies Act, Cap 50.		
10	Authority to grant options and to allot and issue shares under HLH Employee Share Option Scheme 2017.		
11	Authority to grant awards and issue shares under HLH Performance Share Plan 2017.		
12	Proposed renewal of the Share Purchase Mandate.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

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



\_\_\_\_\_  
Signature(s) of Member(s) or  
Common Seal of Corporation

\* Delete accordingly

FOLD HERE FOR SEALING

PLEASE AFFIX  
POSTAGE  
STAMP HERE

The Company Secretary  
**HONG LAI HUAT GROUP LIMITED**  
1 Gateway Drive #20-12/13  
Westgate Tower  
Singapore 608531

FOLD HERE

**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings (expressed as a percentage of the whole) to be represented by each proxy. However, if no such proportion is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.
4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 1 Gateway Drive #20-12/13 Westgate Tower Singapore 608531 not less than forty-eight (48) hours before the time fixed for the Meeting
5. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorized.
6. A corporation which is a member may also authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
8. In the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at not less than seventy-two (72) hours before the time fixed for holding the Annual General Meeting as certified by the CDP to the Company.

**Personal Data Privacy:**

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

- (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"),
- (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



# CORPORATE INFORMATION

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## 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

**Helen Campos Thomas**

## 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

**United Overseas Bank Limited**  
**Maybank Cambodia**  
**Hong Leong Finance Limited**  
**CIMB Singapore**  
**Aceda 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

1 Gateway Drive  
#20-12/13  
Westgate Tower,  
Singapore 608531  
Tel: (65) 6861 0330  
Fax: (65) 6861 7746  
Email: [general@hlh.com.sg](mailto:general@hlh.com.sg)  
[www.hlh.com.sg](http://www.hlh.com.sg)

