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HONG LAI HUAT GROUP LIMITED

SGX MAINBOARD (CTO.SI)

逢來發集團有限公司

ANNUAL REPORT

2020

CONTENTS

CORPORATE **PROFILE**

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

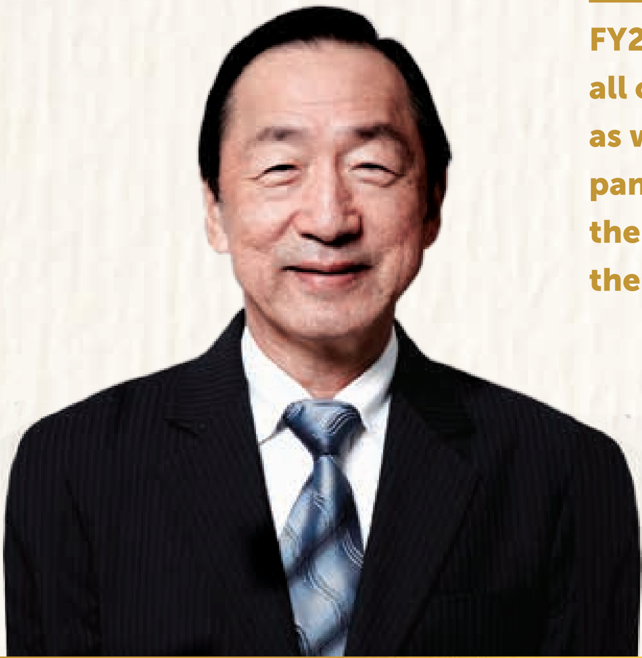
As of today, more than 95% of the Group's business operation focusses primarily in the Kingdom of Cambodia for its Property, Real Estate and Agricultural business while the remaining 5% remains in Singapore with its hospitality farm resort located at Kranji Countryside.

Today the Group has a total portfolio of more than 1500 residential and 100 commercial units developing in Cambodia in its fast growing province Sihanoukville as well as the capital city of Phnom Penh. The Group also operates a massive landbank with the size of nearly 100 million sqm located in Kampong Speu Province that focus on the cultivation of fresh cassava.

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

OUR **PRESENCE**

MESSAGE TO SHAREHOLDERS BY CHAIRMAN



FY2020 was truly a turbulent year for all of us at Hong Lai Huat Group Limited as we felt the full impact of Covid-19 pandemic on our business operations in the Kingdom of Cambodia especially on the Property and Real Estate Division.

DEAR SHAREHOLDERS,

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

FY2020 was truly a turbulent year for all of us at Hong Lai Huat Group Limited as we felt the full impact of Covid-19 pandemic on our business operations in the Kingdom of Cambodia especially on the Property and Real Estate Division. With all the border control, travelling and quarantine restrictions in place, many of our international investors were not able to travel to Cambodia as easily as before to visit our projects for investment or to explore strategic partnerships.

We had also experienced slower handover progress for our first completed mixed-use project D'Seaview for the overseas buyers and sales have slowed down for the balance units of D'Seaview as well as the newly launched Royal Platinum project due to all the border restrictions. As a result, we have suffered significant losses in FY2020 primarily due to the impact of the Covid-19 pandemic.

Hence, the Group had to undertake several changes in our business operation in order to sustain our operation for the period till the end of the Covid pandemic. For example, the management team had launched an online portal for property buyers to allow them to view the virtual showroom of our Cambodia projects and the actual site location. This will ensure the safety of our staffs and continue to make progress for the sales of our property units. The management team has also been actively engaging real estate agencies across Indo-China to run webinars to actively promote the Group's project in Cambodia.

On a positive note, the construction of the Royal Platinum mixed use project is progressing steadily despite the ongoing pandemic. Secondly, revenue had increased for our Agriculture Division in FY2020 as compared to FY2019 as a result of higher orders received for the tapioca starch. The Agriculture Division will continue to put its focus on the cultivation of fresh cassava in its plantation in Cambodia.

Going forward, the Group remains optimistic about the recovery of the Cambodia market and will continue to explore meaningful project opportunities in the Property and Real Estate market in the Kingdom of Cambodia post covid.

DR. WANG KAI YUEN
Chairman of the Board

MESSAGE TO SHAREHOLDERS
BY DEPUTY CHAIRMAN & CEO

We had an extremely challenging and difficult period in FY2020 on our business operations as a result of the Covid-19 pandemic in the Kingdom of Cambodia. Many potential partnership with strategic investors were put on hold due to the border control, travelling and quarantine restrictions that were put in place.

DEAR SHAREHOLDERS,

On behalf of the Board and the management team, I sincerely thank you for your continued support towards Hong Lai Huat Group Limited over the years.

We had an extremely challenging and difficult period in FY2020 on our business operation as a result of the Covid-19 pandemic in the Kingdom of Cambodia. Many potential partnership with strategic investors were put on hold due to the border control, travelling and quarantine restrictions that were put in place. The management team had also experienced difficulties in handing over the units of project D'Seaview to our foreign buyers and sales have slowed down for both D'Seaview as well as Royal Platinum as a result of all the border restriction that were put in place. This had cause the Group to suffered significant losses in FY2020 primarily due to the impact of the Covid-19 pandemic.

Hence, the management team had to worked on several methods to adapt to the fast changing environment in the market and to better prepare ourselves for a post-covid world. For example, we had utilised the effectiveness of the Internet to launch an online sales portal which showcase our projects so buyers can view the virtual showroom, make enquiry, purchase the units via the portal directly, virtual tour of the actual site and signing of agreements online. We had also conducted several webinars to all potential property purchasers and allow the units owner to view their completed units virtually. Such measures were put in place to align with the safety precautions as announced by the Royal Government of Cambodia and to also ensure the safety of all our staffs.

On a positive note, we are working closely with our contractor to ensure that the Royal Platinum project will continue to progress as per schedule despite the pandemic. Revenue had increased for our Agriculture Division in FY2020 as compared to FY2019 as a result of higher orders received for the tapioca starch. The Agriculture Division will continue to put its focus on the cultivation of fresh cassava on its plantation land in Cambodia.

Going forward, the Group has sufficient liquidity to meet its near-term debt obligations and operation needs. Though the business has been affected by the ongoing COVID-19 pandemic, the Group remains optimistic about the recovery in the Cambodia's market especially with the vaccination program already started in Cambodia. The Group will also continue to exercise prudence in non-essential capital and operating expenditure.

Dato Dr Ong Bee Huat
Executive Deputy Chairman of the Board

OPERATIONS REVIEW

REVIEW OF INCOME STATEMENTS

Revenue

Revenue decreased by $21.3 million from $29.3 million in FY2019 to $8.0 million in FY2020, mainly due to a reduction in property sales as a result of the COVID-19 pandemic, and a lower percentage of progressive revenue recognition from the Group's D'Seaview project in Cambodia, which was completed in FY2020.

Gross profit

Gross profit decreased by $11.4 million from $14.9 million in FY2019 to $3.5 million in FY2020. This was mainly due to the reduction in revenue in FY2020. Gross profit margin decreased by 7% from 51% in FY2019 to 44% in FY2020.

Other income

Other income decreased by $0.6 million from $1.4 million in FY2019 to $0.8 million in FY2020, mainly due to an absence of a fair value gain on biological assets of $1.0 million in FY2019, partially offset by an increase in government grants received of $0.2 million in FY2020.

Distribution and selling expenses

Distribution and selling expenses decreased by $0.5 million from $0.8 million in FY2019 to $0.3 million in FY2020, mainly due to lower sales and marketing activities and estate agencies commission paid out for the property segment.

Administrative expenses

Administrative expenses increased by $0.7 million from $9.0 million in FY2019 to $9.7 million in FY2020, mainly due to higher professional fees incurred and strata title transfer fee paid out for the property segment.

Other expenses

Other expenses decreased by $1.2 million from $3.1 million in FY2019 to $1.9 million in FY2020, mainly due to fair value loss of $0.9 million on investment in quoted shares in FY2019 as compared to a fair value loss of $0.06 million in FY2020, and net foreign exchange loss of $0.7 million in FY2019 as compared to a net foreign exchange loss of $0.2 million in FY2020. This was partially offset by a fair value loss of $0.3 million on biological assets in FY2020 which was absent in FY2019.

Share of loss of joint venture

Share of loss of joint venture increased by $0.1 million from $0.8 million in FY2019 to $0.9 million in FY2020. The share of loss of joint venture was mainly due to slower sales as a result of the COVID-19 pandemic and a lower percentage of progressive revenue recognition from the Group's Royal Platinum project in Cambodia.

Loss for the year

As a result of the above, the Group reported a loss attributable to owners of the Company of $8.5 million in FY2020, as compared to a profit attributable to owners of the Company of $1.8 million in FY2019.

REVIEW OF FINANCIAL POSITION

Assets

Trade receivables and contract assets decreased by $9.1 million from $15.2 million in FY2019 to $6.1 million in FY2020, mainly due to collection of balances due from buyers of D'Seaview units.

Prepayments increased by $24.8 million from $1.3 million in FY2019 to $26.1 million in FY2020, mainly due to payment to acquire a plot of freehold land with the total land size of approximately 1.2 hectares located in the Toul Kork District in Phnom Penh City, Cambodia (the "freehold land), which is proposed to be used for the Group's 3rd mixed-use development project. The Group is expecting to complete the land acquisition in first half of FY2021.

The Group completed the D'Seaview project and had transferred the unsold completed units from development properties to completed development properties held for sale in FY2020.

Biological assets of $5.5 million relate to cassava that have yet to be harvested.

OPERATIONS REVIEW

Liabilities

Other payables and accruals and contract liabilities increased by $4.5 million from $3.7 million in FY2019 to $8.2 million in FY2020, mainly due to strata title transfer fees payable on properties handed over to buyers, Guarantee Rental Return (the "GRR") payable to property buyers under GRR scheme and amount payable on the acquisition of freehold land.

Bank loans increased by $6.8 million from $1.2 million in FY2019 to $8.0 million in FY2020, mainly due to new bank loans obtained in FY2020.

New controlling shareholder loan of $14.3 million was obtained in FY2020. The loan was intended to be a bridge to fund the acquisition of the freehold land, and the working capital of Public Housing Development (Cambodia) Limited, a wholly owned subsidiary of the Company in the interim, pending further fundraising by the Company.

As a result of the above, the Group's net assets decreased by $10.5 million from $128.1 million in FY2019 to $117.6 million in FY2020.

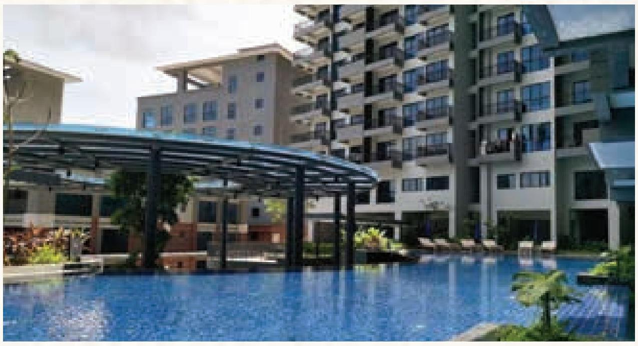
REVIEW OF CASH FLOW STATEMENT

Net cash deficit from operating activities were $18.7 million for FY2020, mainly due to acquisition of freehold land, partially offset by an increase in collection due from buyers of D'Seaview units.

Net cash used in investing activities was $4 million for FY2020, mainly due to investment in joint venture.

Net cash from financing activities was $21.2 million for FY2020, mainly due to new bank loans obtained and loan from controlling shareholder.

As a result, the balance of cash and cash equivalents at the end of FY2020 decreased by $1.8 million as compared to the end of previous year, to $9.5 million.



BOARD OF DIRECTORS

DR. WANG KAI YUEN
Chairman and 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, viz, ComfortDelGro Corporation Limited, COSCO Shipping International (Singapore) Co., Ltd. (f.k.a. COSCO Corporation (Singapore) Limited), Ezion Holdings Limited, and Emas Offshore Limited (under JM since Oct 2019). 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, Ministry of Community Development from 2002 till April 2006.

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

Dato' Dr. Ong is the founder of 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 and 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.

BOARD OF DIRECTORS

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. ONG JIA JING, DYLAN
Group General Manager and Executive Director

Mr. Ong was appointed to the Board on 1st September 2020. He is responsible on the strategic direction, operation planning sales and marketing as well as business development for the Group's Agriculture Division in Cambodia. Apart from his role in the Agriculture Division, Mr. Ong also handles and maintain the Group's corporate image via holding quarterly roadshows with business partners, bankers or shareholders as well as establishing good relationship with all financial institutions. He is also the Director for all the Group's key subsidiaries which include the Property and Real Estate Division where he is actively involved in sourcing for new lands with the CEO, new project planning as well as sales and marketing of the projects launched. Lastly, Mr. Ong also plays an important role in strengthening our market penetration and business presence in the Indo-china region and beyond.

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 Limited 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

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

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

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.

MS. 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 a director of Resource Law LLC, Reed Smith's Singapore alliance partner law firm, which she was instrumental in setting up in June 2016. 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. She is especially adept in assisting clients investing in emerging markets such as Vietnam, Cambodia and Indonesia.

KEY
DEVELOPMENTS

COMPLETED PROJECTS IN PROPERTY DIVISION (Singapore and Cambodia)


D'FRESCO


D'ALMIRA


D'CASTILIA


D'ECOSIA


D'LITHIUM


CLEMENTI FACTORY


SUNSHINE PLACE


YEW TEE COMMUNITY CENTRE


BUKIT PANJANG N5 C4


D'CENTENNIAL


PUNGGOL C22


CHOA CHU KANG N4 C10


BUKIT PANJANG N5 C12


WOODLANDS NS C12


QUEENSTOWN RC13


MARSILING MUP 12


PUNGGOL C1 & 2

D'KRANJI FARM RESORT


D'SEAVIEW

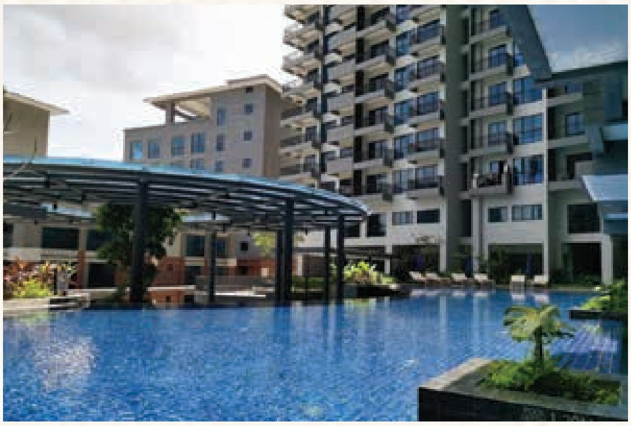
KEY DEVELOPMENTS

CURRENT PROJECTS

D'SEAVIEW

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

Sitting on a freehold land of 9,818 square metres, the development is around 900m away from Sokha Beach, which offers our buyers panoramic view of the ocean. D'Seaview comprises 737 residential units and 67 commercial units, which includes residential towers, office blocks, retail shop spaces and a 10-storey boutique hotel. The construction of this project has been completed since FY2020.



ROYAL PLATINUM

Royal Platinum is the Group's second mixed development project in Cambodia. It is a joint venture development between the Group and Royal Group of Companies. The project site is located on a freehold plot of land measuring 8,221 sqm at Toul Kuok District, Phnom Penh City, the capital of Cambodia offering up to 851 residential and 50 commercial units.

Main construction works begin in Q3 of FY2020 and is expected to be completed by FY2023.

KEY DEVELOPMENTS

AGRICULTURE DIVISION

AGRICULTURE DIVISION (CAMBODIA)

The Group's agriculture division operates one of the largest cassava farm and cassava starch factory in Aoral District, Kampong Speu Province, Kingdom of Cambodia. With a total land area of approximately 10,000 hectares, the farm is fully focus on the cultivation of cassava as well as production of cassava starch.

The farm land is situated in between Phnom Penh, the capital of Cambodia and port city of 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.

D'KRANJI FARM RESORT

In Singapore, the Group owns D'Kranji Farm Resort, the first and only agri-tainment 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, Cafe, Plantation land, Commercial Shop, Beer Garden, etc. It is currently managed by Blue Dolphin Gallery (Singapore) Pte Ltd since 1st July 2018.

CORPORATE STRUCTURE

HONG LAI HUAT GROUP LIMITED
逢來發集團有限公司

- **HONG LAI HUAT INTERNATIONAL PTE LTD**
  - PUBLIC HOUSING DEVELOPMENT (CAMBODIA) LIMITED
  - PH ONE DEVELOPMENT (CAMBODIA) LIMITED
- **HLH DEVELOPMENT PTE LTD**
  - AGRI-ORAL JOINT COOPERATE CO., LTD
  - ROYAL HONG LAI HUAT ONE COMPANY LIMITED
    50% JOINT VENTURE COMPANY
- **HLH AGRI INTERNATIONAL PTE LTD**
  - HLH GLOBAL TRADING PTE LTD
  - HLH AGRI R&D PTE LTD
  - HLH AGRICULTURE (CAMBODIA) CO., LTD
  - HLHI (CAMBODIA) COMPANY LIMITED

REPORT ON CORPORATE GOVERNANCE

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE 2018

The Board of Directors (the "Board") of Hong Lai Huat Group Limited (the "Company", and together with its subsidiaries, collectively the "Group") believes that good and well-defined corporate governance establishes and improves internal control, risk management and governance in our organisation and focuses on shareholder value and its creation. The Company has complied in all material respects with the principles and provisions in the Singapore Code of Corporate Governance 2018 ("2018 Code"). We provide a summary of our compliance with the express disclosure requirements in the 2018 Code on pages 32 to 35.

Board Matters

The Board's Conduct of Affairs

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

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

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

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

c. review the Management performance; and

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

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

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

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

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

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

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

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

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

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

- The Group's strategic plans
- The Group's annual operating plan and budget
- Full-year and half-year financial results
- Dividend policy and payout

REPORT ON CORPORATE GOVERNANCE

- Issue of shares
- Board succession plans
- Succession plans for Senior Management, including appointment of and compensation for Group CEO
- Underlying principles of long-term incentive schemes for employees
- Acquisitions and disposals of investments exceeding material limits
- Capital Expenditures exceeding certain material limits

Board Meetings

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

All Board and Board Committee meetings are scheduled well in advance of each year in consultation with the Directors. The Non-Executive Directors and Independent Directors set aside time for discussion without the presence of Management at least once a year. Board meetings may include presentations by senior executives and/or external consultants. The Board meets at least 2 times a year and on an ad-hoc basis as warranted by particular circumstances.

The number of Directors and Board Committees meetings and the record of attendance of each Director during the financial year ended 31 December 2020 ("FY2020") are as follows:

Name	Board Meeting		Audit Committee		Nominating Committee		Remuneration Committee		Shareholders' Meeting	
	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended
Dr. Wang Kai Yuen	2	2	2	2	1	1	1	1	1	1
Prof. Wong Wen-Young, Winston (or his alternate, Dr. Wong Jr. Winston)	2	0	2	0	1	0	1	0	1	1
Dato' Dr. Ong Bee Huat, Johnny	2	2	2	2	1	1	1	1	1	1
Mr. Ong Jia Ming	2	2	2	2	1	1	1	1	1	1
Dr. Chen Seow Phun, John	2	2	2	2	1	1	1	1	1	1
Dr. Lee Kuo Chuen, David	2	2	2	2	1	1	1	1	1	1
Mr. Lien We King	2	2	2	2	1	1	1	1	1	1
Ms Kohe Noor Binte Mahmoodul Hasan	2	1	2	1	1	1	1	1	1	1
Mr. Ong Jia Jing[#1]	–	–	–	–	–	–	–	–	–	–

#1 Mr. Ong Jia Jing was appointed on 1 September 2020

REPORT ON CORPORATE GOVERNANCE

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

Access to Information

Management recognizes that the provision of complete, adequate and timely information on an ongoing basis to the Board is essential for them to make informed decisions and discharge their duties and responsibilities. These information may also be in the form of briefings to the Directors or formal presentations made by the Executive Directors or senior Management staff in attendance at Board meetings. From time to time, they are furnished with information concerning the Group to enable them to be informed of the development and performance of the Group's business operations. To allow Directors sufficient time to prepare for the meetings, board papers are provided in advance to the Directors to allow adequate time for their preparation for the meetings in order to focus on questions and issues which they may have at the meetings.

In addition, Board members have separate and independent access to the Company Secretary and senior Management of the Company. The Company Secretary is present at formal meetings 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. The Company Secretary assist the Chairman, the Chairman of each Board committee and Management in the development of the agendas for the various Board and Board committee meetings. The appointment and the removal of the Company Secretary is subject to the Board's approval.

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

Board Composition and Guidance

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

Currently, the Board comprises Nine Directors – three 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 on pages 6 to 8.

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

A new director as well as existing directors will be briefed by the Chief Executive Officer ("CEO") on a regular basis on the development and performance of the Company. The Directors may participate in seminars and/or discussion groups to keep abreast of the Latest development which are relevant to the Group. The Directors can sign up and attend appropriate courses, seminars and conferences as well as relevant subscriptions for journals, newsletters or online induction programmes, New Directors without listed company experience would attend programmes run by The Singapore Institute of Directors or other training institutions.

REPORT ON CORPORATE GOVERNANCE

Independence

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

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

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

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

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

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

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

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

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

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

REPORT ON CORPORATE GOVERNANCE

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

Diversity

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

Conflict of Interest

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

Chairman and Chief Executive Officer

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

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

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

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

The Chairman is responsible for, among other statutory duties,

a. Setting agenda and directing meetings of the Board;

b. Ensuring that the performance of the Board is evaluated regularly, and guides the development needs of the Board;

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

d. reviewing all announcements prior to its release via SGXNET;

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

f. assisting in ensuring compliance with the guidelines on corporate governance; and

g. fostering constructive dialogue between shareholders, the Board and Management at AGM and other shareholders meetings.

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

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

Board Membership

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

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

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

The responsibilities of the NC are:

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

b. to determine annually the independence of the Independent Directors;

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

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

f. to review training and professional development programs for the Board.

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

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

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

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

- complementary to the existing Board composition to ensure that there is an appropriate mix of Directors with different abilities and experiences;
- value-add to the Board in terms of the skills, knowledge and expertise required by the Group; and
- ability to commit the necessary time to their position.

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

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

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

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

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

Process for Selection and Appointment of New Directors

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

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

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

(a) knowledge and expertise;

(b) integrity;

(c) independent mindset;

(d) ability to commit time and effort to carry out duties and responsibilities effectively; and

(e) past achievements and value-add to the company.

Search

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

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Selection

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

Board Performance

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

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

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

NC ensures that directors are able to and are adequately carrying out their duties. Where Directors hold other Board directorships and commitments, NC performs a qualitative assessment of the Directors' effective contribution. NC is satisfied that these Directors have allocated sufficient time and resources to the affairs of the Company and are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deemed fits. Based on the overall assessment for FY2020, the Board was effective as a whole.

Key information on the Directors including directorships and chairmanships in other listed companies, other major appointments, academic/professional qualifications, membership/chairmanship in the Company's Board Committees, date of first appointment and last re-election, is set out in Table A of Page 30 to Page 31 of the Annual Report.

Remuneration Matters

Procedures for Developing Remuneration Policies

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

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors and senior Management.

The functions of RC include as follows:

(i) to review periodically and recommend to the Board for endorsement a framework of remuneration policies to attract, retain and motivate senior Management of the required competency to manage the Group to achieve better performance of the Group;

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(ii) to review and recommend the specific remuneration package for each director and senior Management including Directors' fees, salaries, allowances, variable bonuses, annual wage supplement, share based incentives and awards, benefits-in-kind and termination payments;

(iii) to administer long term performance incentive schemes;

(iv) to perform annual review of the remuneration of employees related to Directors or are employed in managerial positions to ensure that their remuneration packages are in line with our staff remuneration and level of responsibilities; and

(v) to review the renewal of service agreements of executive Directors and senior Management to ensure that all aspects of remuneration including termination terms, compensation commitments and notice periods for termination are fair and reasonable.

The RC may from time to time, and where necessary or required, engage external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and Management. Amongst other things, this helps the Company to stay competitive in its remuneration packages. For FY2020, the RC did not require the service of any external consultants.

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

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

Level and Mix of Remuneration Principle

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

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

The RC is responsible for the administration of the Company's HLH Employee Share Option Scheme 2017 and HLH Performance Share Plan 2017 ("Incentive Schemes"), both of which were approved at an Extraordinary General Meeting on 28 April 2017. RC will determine and approve the allocation of the share options and awards, the date of grant and the price. There were no share options under the Employee Share Option Scheme 2017 during FY2020. No share awards were issued under the Performance Share Plan 2017 during FY2020.

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

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

The framework of Directors' fee is as follows:

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

Disclosure of Remuneration

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

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

Name of Directors	Remuneration Band	Share-Based Remuneration	Salary	Bonus	Other Benefits	Directors' Fee	Total
Dr. Wang Kai Yuen	$0 to $99,999	–	–	–	–	100%	100%
Dato' Dr. Ong Bee Huat, Johnny	$700,000 to $799,999	–	81%	3%	16%	–	100%
Mr. Ong Jia Ming	$100,000 to $199,999	–	96%	4%	–	–	100%
Mr. Ong Jia Jing	$0 to $99,999	–	89%	11%	–	–	100%
Prof. Wong Wen-Young, Winston	$0 to $99,999	–	–	–	–	100%	100%
Dr. Chen Seow Phun, John	$0 to $99,999	–	–	–	–	100%	100%
Dr. Lee Kuo Chuen, David	$0 to $99,999	–	–	–	–	100%	100%
Mr. Lien We King	$0 to $99,999	–	–	–	–	100%	100%
Ms. Kohe Noor Binte Mahmoodul Hasan	$0 to $99,999	–	–	–	–	100%	100%

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

Key Executive	Salary	Bonus	Other Benefits	Total
Below $250,000				
Mr. Ong Jia Jing*	100%	–	–	100%
Mr. Leong Kok Shin	81%	–	19%	100%
Mr. Lim Lay Soon	82%	–	18%	100%
Mr. Tan San Hoe	81%	–	19%	100%
Mr. Ong Bee Wah	87%	–	13%	100%

For FY2020, the aggregate total remuneration paid to the key Management personnel (who are not Directors or the CEO) amounted to $470,982.

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

Employees and relationship with Director	Remuneration Band	Salary	Bonus	Other Benefits	Total
Mr. Ong Jia Ming Son of Dato' Dr. Ong Bee Huat, Johnny	$100,000 to $199,999	96%	4%	–	100%
Mr. Ong Jia Jing* Son of Dato' Dr. Ong Bee Huat, Johnny	$100,000 to $199,999	95%	5%	–	100%

* Mr Ong Jia Jing was appointed as an Executive Director on 1 September 2020.

Accountability and Audit

Risk Management And Internal Controls

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

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

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

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

Management is tasked to take appropriate measures to control and mitigate areas of risks and document such measures in the Company's risk management policies. During the year, the AC has reviewed the Company's system of internal controls, including financial, operational, compliance and information technology controls, risk management policies and systems established by the Management.

The Management has put in place reasonably adequate internal control systems to provide the Board with reasonable assurance against material misstatement or loss. The Management provides the Board with detailed reports on the Group's financial performance and related matters on a regular basis. Procedures are in place to ensure that financial information relating to the Group's operations are not false or misleading in order to increase the assurance level of the AC in its review of the quarterly financial information.

The Board has received assurance from:

a. the CEO and Group Financial Controller that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and

b. the CEO, Group Financial Controller and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control system.

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

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors and review performed by Management as well as the assurances received by the CEO and Group Financial Controller in the abovementioned, the Board, with the concurrence of the AC, is of the opinion that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective during the year as at 31 December 2020.

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

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Audit Committee

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

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

The AC meets at least two 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 half and full-year financial results announcements and annual financial statements of the Group and the external auditors' report thereon before their submission to the Board for adoption;

g. monitors the extent of the Group's compliance with the Exchange's listing rules;

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

i. makes recommendations to the Board on the remuneration and terms of engagement of the internal and external auditors;

j. reviews interested person transactions;

k. reviews the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any announcements relating to the Company's financial performance;

l. reviews the adequacy and effectiveness of the internal controls and risk management systems; and

m. reviews the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

The AC reviewed and discussed the key audit matters ("KAMs") for FY2020 with Management and the external auditors. In assessing the KAMs, the AC took into consideration the approach, accounting treatment, methodology and key assumptions applied.

REPORT ON CORPORATE GOVERNANCE

The AC has full access to the Company's internal auditor and Management and has full discretion to invite any director or executives to attend its meetings and investigate any matter within its terms of reference, In performing its functions, the AC also reviews the assistance given by the Company's executives to the auditors as well as the adequacy of the internal audit function, its effectiveness and its resources. The AC concurred with the basis and conclusions included in the FY 2020 Independent Auditors' Report with respect to the KAMs. The KAMs are set out on page 39 to page 40 in the FY2020 Independent Auditors' Report.

Internal Audit

The Company has outsourced its internal audit function to external audit professionals, Crowe Governance Sdn Bhd. The internal audit functions were carried out in accordance with International Professional Practices Framework issued by The Institute of Internal Auditors Malaysia. Crowe Governance Sdn Bhd is a corporate member of the Institute of Internal Auditors Malaysia and a member firm of Crowe Global, a top 10 global accounting network with member firms in 130 countries. It has significant experience in providing risk consulting services, including internal audit.

The internal audit engagement partner is a chartered member of Malaysian Institute of Internal Auditors and has 24 years of experience in performing internal audits for listed companies in Malaysia and Singapore. The primary reporting line of the internal audit function is to the AC. The internal auditors have unfettered access to all the company's documents, record, properties and personnel, including the AC, and have appropriate standing within the Company.

The AC meets with the external auditors without the presence of Management at least annually.

External Auditors

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

AC confirms that the Company complied with Rules 712 and 715 of the Listing Manual in relation to its appointment of Baker Tilly TFW LLP ("BT") as the external auditors of the Company which is registered with the Accounting and Corporate Regulatory Authority. BT are the external auditors of the Company and of its Singapore subsidiaries. The independent overseas member firms of Baker Tilly International, performs the audit of the overseas subsidiaries and significant associated companies. For FY2020, the external auditors' remuneration in respect of audit services provided to the Group amounted to $160,000. There were no non-audit services provided to the Group during the year.

In recommending the re-appointment of auditors, AC takes into consideration various factors including the adequacy of resources, the experience of the auditing firm and the audit engagement partner, the firm's other audit engagements and the number and experience of supervisory and professional staff to be assigned to the audit, the size and complexity of the Group and its businesses and operations. AC also takes into consideration of its ongoing corporate governance initiatives as well as the management of the Company's overall business costs and expenses to meet the challenges of business climates.

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Shareholder Rights and Engagement

Shareholder Rights and Conduct of General Meeting

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

The Company is committed to treat all shareholders fairly and equitably. All shareholders are provided with rights to attend shareholders' meetings in the Constitution, relevant laws and regulations. Notice of general meeting is dispatched to shareholders together with explanatory notes or circular on items where necessary. The Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNet. The Group's website at www.honglaihuatgroup.com provides information of our products and services, corporate profile and latest information as well as an enquiry section to respond to comments, feedbacks or enquiries.

The Board welcomes questions from shareholders at general meetings and views AGM as the principal forum for dialogue with shareholders. Shareholders are accorded with the opportunity to raise issues, communicate their views and direct their questions to Directors and Management at the general meeting. All directors and Chairpersons of Board Committees are present at AGM and other general meetings of shareholders to assist the Board in addressing shareholders' questions. Directors' attendance at shareholders at general meetings held during the financial year are disclosed on page 14 of the Annual Report.

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

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

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

The Company Secretary prepares minutes of shareholders' meetings, which incorporate substantial comments or queries from shareholders and responses from the Board and the Management. The Company updates the corporate website with the minutes of shareholders' meeting.

REPORT ON CORPORATE GOVERNANCE

Conduct of AGM in 2020 amidst current Covid-19 pandemic

The Company held its 2020 AGM by electronic means on 29 June 2020, pursuant to the Covid-19 (Temporary Measures) Act 2020 and the Covid-19 (Temporary Measures)(Alternative Arrangements for Meetings For Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holdings) Order 2020. Shareholders were invited to participate in the virtual 2020 AGM by (a) observing and/or listening to the AGM proceedings via live audio-visual webcast or live audio-only stream; (b) submitting questions in advance of the 2020 AGM; and (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the 2020 AGM. The Board of Directors attended the 2020 AGM by way of electronic means. Responses to questions raised by shareholders in advance and the detailed records of the proceedings were published on the SGXnet. The Company also publishes the Minutes of the AGM proceedings on its corporate website.

Directors' attendance at shareholders general meetings held during the financial year are disclosed on page 14 of the Annual Report.

Conduct of 2021 AGM

Due to the prevailing Covid-19 restrictions, shareholders will not be able to attend our 2021 AGM in person. Instead we will be holding our 2021 AGM by electronic means on 30 April 2021 and shareholders are invited to participate at our virtual 2021 AGM by (a) observing and/or listening to the AGM proceedings via live audio-visual webcast or live audio-only stream; (b) submitting questions in advance of the 2021 AGM; and (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the 2021 AGM. Details of the steps for pre-registration submission of questions and voting at the 2021 AGM are set out in a separate announcement released on SGXnet on 8 April 2021.

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

Engagement with Shareholders

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

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

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

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

REPORT ON CORPORATE GOVERNANCE

Engagement with Stakeholders

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

The Company's material stakeholders are its shareholders, customers, employees, regulator and suppliers and engagement with them are set out in its Sustainability Reports.

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

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 half yearly and full year financial results and ending on the date of the announcement of the results, or if they are in possession of unpublished price-sensitive information of the Group. In addition, Directors, key executives and connected persons are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations. Circulars are issued to all Directors and employees of the Company to remind them of, inter alia, laws of insider trading and the importance of not dealing in the shares of the Company on short-term consideration and during prohibitive periods.

Material Contracts

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

Interested Person Transactions

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

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

REPORT ON CORPORATE GOVERNANCE

TABLE A OF THE CORPORATE GOVERNANCE REPORT

Date of Director's initial appointment, last re-election and their present and past directorships

Name of Directors	Age	Date of initial appointment	Date of last election	Present directorships in listed companies	Past (preceding 3 years directorships in listed companies)
Dr. Wang Kai Yuen	73	01.05.2006	30.04.2018	1) Ezion Holdings Limited 2) COSCO Shipping International (Singapore) Co., Ltd. (f.k.a. COSCO Corporation (Singapore) Limited) 3) ComfortDelGro Corporation Limited 4) Hong Lai Huat Group Limited 5) Emas Offshore Limited (under JM)	China Aviation Oil (Singapore) Corporation Ltd
Dato' Dr. Ong Bee Huat, Johnny	51	25.06.2007	30.04.2019	Hong Lai Huat Group Limited	N.A.
Prof. Wong Wen-Young, Winston	69	27.02.2007	30.04.2019	Hong Lai Huat Group Limited	N.A.
Dr. Chen Seow Phun, John	67	11.08.2006	29.06.2020	1) Pavillon Holdings Ltd. 2) OKP Holdings Limited 3) Hiap Seng Engineering Ltd 4) Hanwell Holdings Limited 5) Matex International Limited 6) Tat Seng Packaging Group Ltd 7) Hong Lai Huat Group Limited 8) Fu Yu Corporation Limited	N.A.
Dr Lee Kuo Chuen, David	59	30.04.2012	29.06.2020	1) Hong Lai Huat Group Limited 2) SHS Holdings Ltd.	N.A.

REPORT ON CORPORATE GOVERNANCE

Name of Directors	Age	Date of initial appointment	Date of last election	Present directorships in listed companies	Past (preceding 3 years directorships in listed companies)
Mr Ong Jia Ming	28	25.10.2016	29.06.2020	Hong Lai Huat Group Limited	N.A.
Mr Ong Jia Jing	26	01.09.2020	–	Hong Lai Huat Group Limited	N.A.
Mr Lien We King	46	01.03.2019	30.04.2019	Hong Lai Huat Group Limited	N.A.
Ms Kohe Noor Binte Mahmoodul Hasan	40	01.03.2019	30.04.2019	Hong Lai Huat Group Limited	N.A.

REPORT ON CORPORATE GOVERNANCE

SUMMARY DISCLOSURE ON THE CORPORATE GOVERNANCE REPORT FOR FY2020

Provisions	Compliance	Page Reference in Annual Report 2020	Remarks
Provision 1.2 The induction, training and development provided to new and existing directors are disclosed in the company's annual report.	Yes	Page 15	–
Provision 1.3 Matters requiring board approval are disclosed in the company's annual report.	Yes	Pages 13 to 14	–
Provision 1.4 The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.	Yes	Pages 18 to 19 Pages 20 to 21 Pages 25 to 26	–
Provision 1.5 The number of Board and board committee meetings and each individual director's attendances at such meetings are disclosed in the company' annual report.	Yes	Page 14	–
Provision 2.4 The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.	Yes	Page 17	
Provision 4.3 The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.	Yes	Pages 19 to 20	–

REPORT ON CORPORATE GOVERNANCE

Provisions	Compliance	Page Reference in Annual Report 2020	Remarks
Provision 4.4 If the Board, having taken into account the views of the NC, determine that certain directors are independent notwithstanding the existence of a relationship which may affect his or her independence, the company discloses the relationships and its reasons in its annual report.	Not applicable	Not applicable	None of the NEIDs has such a relationship. A negative statement is disclosed.
Provision 4.5 The company discloses in its annual report the listed company directorships and principal commitments[1] of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.	Yes	Pages 30 to 31	Refer to Table A
Provision 5.2 The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.	Yes	Page 20	–
Provision 6.4 The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.	Yes	Page 21	–

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

REPORT ON CORPORATE GOVERNANCE

Provisions	Compliance	Page Reference in Annual Report 2020	Remarks
Provision 8.1 The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (a) each individual director and the CEO; and (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.	No	Pages 22 to 23	The amounts of remuneration of each individual director and the CEO are not disclosed. The reason for the variation has been disclosed, together with an explanation of how the Company's practice is consistent with the intent of Principle 8.
Provision 8.2 The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.	Not applicable	Page 23	–
Provision 8.3 The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries and key management personnel of the company. It also discloses details of employee share schemes.	Yes	Page 23	–

REPORT ON CORPORATE GOVERNANCE

Provisions	Compliance	Page Reference in Annual Report 2020	Remarks
Provision 9.2 The Board requires and discloses in the company's annual report that it has received assurance from: (a) the CEO and the Group Financial Controller that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.	Yes	Page 24	–
Provision 11.3 Directors' attendance at general meetings of shareholders held during the financial year is disclosed in the company's annual report.	Yes	Page 14	–
Provision 12.1 The company discloses in its annual report the steps taken to solicit and understand the views of shareholders.	Yes	Page 28	–
Provision 13.2 The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	Yes	Page 29	–

DIRECTORS' STATEMENT

The directors hereby present their statement to the members together with the audited consolidated financial statements of Hong Lai Huat Group Limited (the "Company") and its subsidiary corporations (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2020.

In the opinion of the directors:

(i) 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 43 to 106 are properly drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)"); and

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

Directors

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

Dato' Dr. Ong Bee Huat	(Executive Director)
Dr. Wang Kai Yuen	(Independent Director)
Prof. 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)
Mr. Lien We King	(Independent Director)
Mr. Ong Jia Jing	(Executive Director) (Appointed on 1 September 2020)

Arrangement to enable directors to acquire benefits

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

DIRECTORS' STATEMENT

Directors' interest in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares 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 Act, except as follows:

	Number of ordinary shares			
	Shareholdings registered in their own names		Shareholdings in which a director is deemed to have an interest	
Name of Directors	At beginning of year	At end of year	At beginning of year	At end of year
Company				
Dr. Wang Kai Yuen	243,333	243,333	–	–
Prof. Wong Wen-Young, Winston	13,841,850	13,841,850	–	–
Dato' Dr. Ong Bee Huat	40,215,600	16,656,000	2,832,700	30,004,066
Mr. Ong Jia Ming	8,828,471	8,828,471	–	–
Mr. Ong Jia Jing	–	1,501,000	–	2,956,000

The director, Dato' Dr. Ong Bee Huat, by virtue of Section 7 of the Act is deemed to have an interest in the shares held by the Company in its wholly-owned subsidiary corporations.

The directors' interests in the ordinary shares and share options of the Company as at 21 January 2021 were the same as those as at 31 December 2020.

Share options

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

There were no unissued shares of the Company or its subsidiary corporations under option at the end of the financial year.

Audit Committee

The members of the Audit Committee ("AC") during the financial year and at the date of this statement are as follows:

Dr. Wang Kai Yuen	(Independent Director and Chairman of Audit Committee)
Dr. Chen Seow Phun, John	(Independent Director)
Dr. Lee Kuo Chuen, David	(Independent Director)
Mr. Lien We King	(Independent Director)
Ms. Kohe Noor Binte Mahmoodul Hasan	(Independent Director)

The AC carried out its functions in accordance with Section 201B(5) of the Act. The functions performed are detailed in the Report on Corporate Governance as set out in the Annual Report.

DIRECTORS' STATEMENT

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Dato' Dr. Ong Bee Huat Director	Dr. Wang Kai Yuen Director

6 April 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HONG LAI HUAT GROUP LIMITED

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") as set out on pages 43 to 106, which comprise the statements of financial position of the Group and the Company as at 31 December 2020, 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial 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* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

1. Valuation of biological assets

Description of key audit matter:

As disclosed in Note 17 to the financial statements, the Group recognises the unharvested cassava as biological assets at fair value less costs to sell, which amounted to $5,515,000 as at 31 December 2020.

The fair value less costs to sell of the biological assets is determined by an independent professional valuer. The valuation of the biological assets involved significant estimates used by the independent professional valuer. These estimates included, amongst others, unit selling price, harvest yield, planted areas, harvesting costs and contributory asset charges. The related disclosures are made in Notes 3 and 17 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HONG LAI HUAT GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Key Audit Matters (cont'd)

1. Valuation of biological assets (cont'd)

Our procedures to address the key audit matter:

In the course of our Group audit, we evaluated the independence, competency, capability and objectivity of the component auditor of the subsidiaries. We evaluated the adequacy and appropriateness of the audit work performed and evidence obtained by the component auditor in respect of the valuation of biological assets. The audit work performed includes:

- Evaluated the independence, competency, capability and objectivity of the independent professional valuer;
- Assessed the appropriateness of the significant estimates used by comparing against the average selling prices and harvesting costs approximating those at year end;
- Attended and observed the unharvested cassava and management's process in measuring the harvest yield and planted areas on a sample basis; and
- Evaluated and performed recalculation of the contributory asset charges.

We held a discussion with the independent professional valuer to obtain an understanding of the valuation methodology and significant estimates used. We involved our internal valuation specialists in reviewing the reasonableness of the valuation. We also assessed the adequacy of the disclosures in respect of the inputs for the valuation and the valuation methodology adopted by the independent professional valuer in relation to the valuation of biological asset in the financial statements.

2. Impairment assessment of property, plant and equipment ("PPE") and right-of-use ("ROU") assets

Description of key audit matter:

The Group has significant PPE and ROU assets in Cambodia. The net carrying values of the Group's PPE and ROU assets amounted to $10,711,000 and $64,674,000 respectively as at 31 December 2020.

The Group assessed for impairment of PPE and ROU assets when there is an indication of impairment of the assets. The agriculture division incurred a net loss for the financial year. Accordingly, management has engaged independent professional valuers to determine the recoverable amounts of the major machineries and equipment and leasehold land and improvements 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 related disclosures are made in Notes 3, 11 and 12 to the financial statements.

Our procedures to address the key audit matter:

We have assessed the independence, competency, capability and objectivity of the independent professional valuers. We held a discussion with the independent professional valuers to obtain an understanding of the valuation methodology and significant estimates used. We have also evaluated the appropriateness of the valuation techniques used by the independent professional valuers for major machineries and equipment and leasehold land and improvements. Taking into account the nature of each asset, we tested and challenged the key assumptions used in their valuation by reference to comparable asset transactions. We have also assessed the adequacy of the disclosures in respect of the inputs for the valuation and the valuation methodologies adopted by the independent professional valuers in relation to these PPE and ROU assets.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HONG LAI HUAT GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Other Matters

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019 were audited by another firm of auditors whose report dated 9 April 2020 expressed an unmodified opinion on those financial statements.

Other Information

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HONG LAI HUAT GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner of the audit resulting in this independent auditor's report is Mr. Lim Kok Heng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

6 April 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 $'000	Group 2019 $'000
Revenue	4	**7,964**	29,343
Cost of sales		**(4,431)**	(14,426)
Gross profit		**3,533**	14,917
Other income	5	**773**	1,376
Distribution and selling expenses		**(257)**	(849)
Administrative expenses		**(9,743)**	(9,006)
Finance costs	6	**(349)**	(107)
Other expenses		**(1,863)**	(3,109)
Share of loss of joint venture	15	**(853)**	(762)
(Loss)/profit before tax	7	**(8,759)**	2,460
Income tax credit/(expense)	9	**228**	(651)
(Loss)/profit for the year		**(8,531)**	1,809
Other comprehensive (loss)/income:			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		**(1,724)**	(1,537)
Share of other comprehensive (loss)/income of joint venture	15	**(193)**	12
Other comprehensive loss for the year, net of tax		**(1,917)**	(1,525)
Total comprehensive (loss)/income for the year		**(10,448)**	284
(Loss)/profit attributable to:			
Equity holders of the Company		**(8,531)**	1,809
Non-controlling interests		**–**	–
		(8,531)	1,809
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(10,448)**	284
Non-controlling interests		**–**	–
		(10,448)	284
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company (cents per share)			
Basic and diluted	10	**(3.84)**	0.82

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group 31.12.2020 $'000	Group 31.12.2019 $'000	Company 31.12.2020 $'000	Company 31.12.2019 $'000 (Restated)	Company 1.1.2019 $'000 (Restated)
ASSETS						
Non-current assets						
Property, plant and equipment	11	**10,711**	11,864	**70**	110	308
Right-of-use assets	12	**64,674**	67,681	**148**	273	–
Investment properties	13	**8,000**	9,000	**–**	–	731
Investment in subsidiaries	14	**–**	–	**100,129**	100,129	100,129
Investment in joint venture	15	**6,405**	3,315	**–**	–	–
Other receivables and deposits	22	**40**	40	**–**	–	–
Financial assets at fair value through profit or loss	20	**240**	–	**240**	–	–
Total non-current assets		**90,070**	91,900	**100,587**	100,512	101,168
Current assets						
Development properties	16	**–**	23,265	**–**	–	–
Completed development properties held for sale	16	**23,653**	–	**–**	–	–
Biological assets	17	**5,515**	5,436	**–**	–	–
Inventories	18	**156**	159	**–**	–	–
Contract assets	19	**–**	15,152	**–**	–	–
Financial assets at fair value through profit or loss	20	**100**	161	**–**	–	–
Amounts due from subsidiaries	21	**–**	–	**32,836**	24,329	27,909
Trade receivables	22	**6,136**	71	**–**	–	–
Other receivables and deposits	22	**1,391**	1,894	**38**	48	47
Prepayments	22	**26,081**	1,330	**99**	65	40
Cash and cash equivalents	23	**9,535**	11,305	**680**	2,687	2,270
		72,567	58,773	**33,653**	27,129	30,266
Asset classified as held for sale	13	**–**	684	**–**	684	–
Total current assets		**72,567**	59,457	**33,653**	27,813	30,266
Total assets		**162,637**	151,357	**134,240**	128,325	131,434
EQUITY AND LIABILITIES						
LIABILITIES						
Non-current liabilities						
Lease liabilities	24	**779**	886	**43**	121	94
Deferred tax liabilities	25	**11,020**	11,565	**17**	17	23
Borrowings	28	**18,995**	–	**4,818**	–	–
Total non-current liabilities		**30,794**	12,451	**4,878**	138	117

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Group 31.12.2020 $'000	Group 31.12.2019 $'000	Company 31.12.2020 $'000	Company 31.12.2019 $'000 (Restated)	Company 1.1.2019 $'000 (Restated)
Current liabilities						
Trade payables	26	**2,472**	5,534	**–**	–	–
Other payables and accruals	27	**7,425**	1,818	**378**	450	375
Contract liabilities	19	**797**	1,848	**–**	–	–
Amounts due to subsidiaries	21	**–**	–	**8,286**	9,085	11,437
Borrowings	28	**3,326**	1,238	**1,828**	–	–
Lease liabilities	24	**156**	248	**72**	106	25
Tax payable		**27**	132	**–**	–	–
Total current liabilities		**14,203**	10,818	**10,564**	9,641	11,837
Total liabilities		**44,997**	23,269	**15,442**	9,779	11,954
EQUITY						
Share capital	29	**94,602**	94,602	**94,602**	94,602	123,131
Retained earnings/ (accumulated losses)		**27,196**	35,727	**24,655**	24,403	(3,192)
Capital reserve	30	**414**	414	**(459)**	(459)	(459)
Asset revaluation reserve	30	**2,775**	2,775	**–**	–	–
Currency translation reserve	30	**(7,347)**	(5,430)	**–**	–	–
Total equity		**117,640**	128,088	**118,798**	118,546	119,480
Total equity and liabilities		**162,637**	151,357	**134,240**	128,325	131,434

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Attributable to equity holders of the Company					
		Share capital $'000	Retained earnings $'000	Capital reserve $'000	Asset revaluation reserve $'000	Currency translation reserve $'000	Total equity $'000
Group							
Balance at 1 January 2019		123,131	6,506	414	2,775	(3,905)	128,921
Adjustment on adoption of SFRS(I) 16		–	(7)	–	–	–	(7)
Adjusted balance at 1 January 2019		123,131	6,499	414	2,775	(3,905)	128,914
Profit for the year		–	1,809	–	–	–	1,809
Other comprehensive (loss)/ income							
Currency translation differences arising on consolidation		–	–	–	–	(1,537)	(1,537)
Share of other comprehensive income of joint venture		–	–	–	–	12	12
Total comprehensive income/(loss) for the year		–	1,809	–	–	(1,525)	284
Dividend paid	31	–	(1,110)	–	–	–	(1,110)
Share capital reduction	29	(28,529)	28,529	–	–	–	–
Balance at 31 December 2019		94,602	35,727	414	2,775	(5,430)	128,088
Loss for the year		–	(8,531)	–	–	–	(8,531)
Other comprehensive loss							
Currency translation differences arising on consolidation		–	–	–	–	(1,724)	(1,724)
Share of other comprehensive loss of joint venture		–	–	–	–	(193)	(193)
Total comprehensive loss for the year		–	(8,531)	–	–	(1,917)	(10,448)
Balance at 31 December 2020		**94,602**	**27,196**	**414**	**2,775**	**(7,347)**	**117,640**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Share capital $'000	Retained earnings/ (accumulated losses) $'000	Capital reserve $'000	Total equity $'000
Company					
Balance at 1 January 2019					
– As previously reported		123,131	(26,161)	(459)	96,511
– Prior year adjustments	40	–	22,969	–	22,969
– As restated		123,131	(3,192)	(459)	119,480
Adjustment on adoption of SFRS(I) 16		–	(7)	–	(7)
Adjusted balance at 1 January 2019		123,131	(3,199)	(459)	119,473
Profit for the year, representing total comprehensive income for the year		–	183	–	183
Dividend paid	31	–	(1,110)	–	(1,110)
Share capital reduction	29	(28,529)	28,529	–	–
Balance at 31 December 2019 (restated)		94,602	24,403	(459)	118,546
Balance at 1 January 2020					
– As previously reported		94,602	1,434	(459)	95,577
– Prior year adjustments	40	–	22,969	–	22,969
– As restated		94,602	24,403	(459)	118,546
Profit for the year, representing total comprehensive income for the year		–	252	–	252
Balance at 31 December 2020		**94,602**	**24,655**	**(459)**	**118,798**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group	
	2020	**2019**
	$'000	**$'000**
Cash flows from operating activities		
(Loss)/profit before tax	**(8,759)**	2,460
Adjustments for:		
Depreciation of property, plant and equipment	**1,570**	1,785
Depreciation of right-of-use assets	**1,925**	2,028
Fair value loss/(gain) on biological assets	**302**	(954)
Fair value loss on investment properties	**1,000**	1,000
(Gain)/loss on disposal of property, plant and equipment	**(41)**	8
Loss on change in fair value of assets classified as held for sale	**–**	36
Loss on disposal of investment properties	**–**	390
Loss on change in fair value of financial assets at fair value through profit or loss	**60**	941
Foreign exchange adjustments	**174**	705
Interest income	**(238)**	(255)
Interest expense	**349**	107
Share of loss of joint venture	**853**	762
Property, plant and equipment written off	**12**	24
Operating cash flows before movement in working capital	**(2,793)**	9,037
Trade receivables and contract assets	**9,195**	(12,436)
Other receivables and deposits	**498**	(1,465)
Prepayments	**(25,840)**	(710)
Inventories	**–**	(54)
Biological assets	**(482)**	555
Development properties	**(821)**	(4,373)
Trade payables and contract liabilities	**(2,299)**	306
Other payables and accruals	**4,003**	2,021
Currency translation adjustments	**59**	(239)
Cash used in operations	**(18,480)**	(7,358)
Income tax paid	**(269)**	(1,165)
Net cash used in operating activities	**(18,749)**	(8,523)
Cash flows from investing activities		
Investment in joint venture	**(4,136)**	(4,065)
Interest received	**238**	255
Purchase of property, plant and equipment	**(613)**	(431)
Purchase of right-of-use assets (Note A)	**–**	(110)
Purchase of financial assets at fair value through profit or loss	**(240)**	–
Proceeds from disposal of property, plant and equipment	**82**	94
Proceeds from disposal of investment properties	**–**	1,364
Proceeds from disposal of quoted investments	**1**	–
Proceeds from disposal of assets classified as held for sale	**684**	–
Net cash used in investing activities	**(3,984)**	(2,893)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group	
	2020	**2019**
	$'000	**$'000**
Cash flows from financing activities		
Dividend paid to equity holders of the Company	**–**	(1,110)
Interest paid	**(196)**	(107)
Proceeds from bank loans	**8,847**	–
Proceeds from loan from controlling shareholder	**14,789**	–
Repayment of bank loans	**(1,995)**	(693)
Repayment of lease liabilities	**(190)**	(228)
Net cash generated from/(used in) financing activities	**21,255**	(2,138)
Net decrease in cash and cash equivalents	**(1,478)**	(13,554)
Cash and cash equivalents at beginning of financial year	**11,305**	25,231
Effects of exchange rate changes on cash and cash equivalents	**(292)**	(372)
Cash and cash equivalents at end of financial year (Note 23)	**9,535**	11,305

Note A: Purchase of right-of-use assets

Aggregate cost of right-of-use assets acquired (Note 12)	**–**	216
Less: New leases (Note 24)	**–**	(106)
Net cash outflow for purchase of right-of-use assets	**–**	110

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. CORPORATE INFORMATION

Hong Lai Huat Group Limited (the "Company") (Co. Reg. No. 199905292D) is domiciled and incorporated in Singapore and listed on the Singapore Exchange Securities Trading Limited. The Company's registered address and principal place of business is at 1 Gateway Drive #20-12/13 Westgate Tower, Singapore 608531.

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

The principal activities of the Company's subsidiaries are disclosed in Note 14.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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 dollar ("$"), which is the Company's functional currency and all financial information presented in Singapore dollar are rounded to the nearest thousand ("$'000") except when otherwise indicated. The financial statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

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.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables, amounts due from/to subsidiaries and current borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

New and revised standards that are adopted

In the current financial year, the Group has adopted all the new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are relevant to its operations and effective for the current financial year. In addition, the Group has also early adopted the Amendment to SFRS(I) 16 *Covid-19 – Related Rent Concessions*. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and SFRS(I) INT.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

(a) Basis of preparation (cont'd)

New and revised standards that are adopted (cont'd)

The adoption of these new and revised SFRS(I) and SFRS(I) INT did not have any material effect on the financial results or position of the Group and the Company, except as disclosed below:

During the financial year, the Group has elected to early adopt the amendment to SFRS(I) 16 *Covid-19 – Related Rent Concessions* which provided practical relief for lessees in accounting for rent concessions. Under the practical expedient, the lessees are not required to assess whether a rent concession is a lease modification and instead are permitted to account for them as if they were not lease modifications, if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
(c) there is no substantive change to other terms and conditions of the lease.

The Group has elected to apply this practical expedient to all leases. As a result of applying the practical expedient, rent concessions of $8,000 was recognised as negative variable lease payments (i.e. reduction in the rental expenses) in the Group's profit or loss during the financial year. The amendment has no impact on retained earnings at 1 January 2020.

New and revised standards not yet effective

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2020 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

(b) Revenue recognition

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. Customers are required to pay within 30 days from the invoice date. No element of financing is deemed present.

Sale of development properties under construction

The Group constructs and sells residential properties under long-term contracts with customers. Under the terms of the contracts, the Group is restricted contractually from directing the properties to another customer and has enforceable right to payment for performance completed to date. 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 *Revenue from Contracts with Customers*.

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

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

(b) Revenue recognition (cont'd)

Sale of completed development properties

For sale of completed development properties, revenue is recognised at a point in time when control of the property is transferred to the customers. Control of the property is transferred upon signing of sale and purchase agreement with the customers.

Rental income

Lease payments from operating leases are recognised on a straight-line basis over the lease term. Finance income from finance leases is recognised based on a constant periodic rate of return over the lease term using the net investment method.

Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Interest income

Interest income is recognised using the effective interest method.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investment in subsidiaries are accounted for at cost less accumulated impairment losses, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

(d) Basis of consolidation (cont'd)

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

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this result in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition date fair value or, when applicable, on the basis specified in another standard.

(e) Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investment in joint venture is accounted for in the consolidated financial statements using the equity method of accounting, less impairment losses, if any.

Investment in joint venture is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the post-acquisition profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

Distributions received from joint venture are adjusted against the carrying amount of the investment. When the Group's share of losses in the joint venture equals or exceeds its interest in the joint venture, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

(f) Property, plant and equipment

Land and buildings are initially recorded at cost. Freehold land is subsequently stated at revalued amount less accumulated impairment losses, if any. Leasehold land, building and structure are subsequently carried at revalued amounts less accumulated depreciation and accumulated impairment losses, if any. Their fair values are determined by independent professional valuers every year and whenever their carrying amounts are likely to differ materially from their fair values.

Other property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset. Any increase in the carrying amount arising from revaluation is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense unless it reverses a previous surplus relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss; any amount in asset revaluation reserve relating to that asset is transferred to retained earnings directly.

Depreciation

No depreciation is provided on freehold land. Leasehold improvements are depreciated evenly over the term of the lease.

Depreciation is calculated on a straight-line basis to write off the cost of other property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

	Useful lives
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 2020

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

(f) Property, plant and equipment (cont'd)

Depreciation (cont'd)

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

(g) Investment properties

Investment properties include those portions of properties that are held to earn rental income and/or for capital appreciation. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best use basis. Changes in fair values are recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements are charged to profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

(h) 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.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

(j) Biological assets

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

Biological assets are measured at fair value less costs to sell. The fair value is determined based on the actual selling prices approximating those at year end.

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

(k) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When a Group entity is the lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

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

Lease payments included in the measurement of the lease liabilities comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liabilities are presented as a separate line in the statements of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

(k) Leases (cont'd)

When a Group entity is the lessee (cont'd)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

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

The right-of use assets are presented as a separate line in the statements of financial position. Right-of-use assets which meets the definition of an investment property are presented within "Investment properties" and accounted in accordance with Note 2(g).

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

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

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

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

When a Group entity is the lessor

Where the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

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

(k) Leases (cont'd)

When a Group entity is the lessor (cont'd)

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Each lease payment received is applied against the gross investment in the financial lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the financial lease receivable.

Initial direct cost incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and reduce the amount of income recognised over the lease term.

(l) Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

The assets are not depreciated or amortised while they are classified as held for sale.

(m) Impairment of non-financial assets

At each reporting date, the Group assesses the carrying amounts of its non-financial 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.

Recoverable amount is the higher of fair value less costs of disposal 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.

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 recognised in other comprehensive income up to the amount of any previous revaluation.

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 previously recognised impairment loss for an asset is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. 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 2020

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

(n) Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

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

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss ("FVTPL").

The classification is based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Subsequent measurement

(i) *Debt instruments*

Debt instruments include cash and cash equivalents, trade receivables and other receivables and deposits. These are subsequently measured at amortised cost based on the Group's business model for managing the asset and cash flow characteristics of the asset.

Amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Interest income from these financial assets is included in interest income using the EIR method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

(n) Financial assets (cont'd)

Subsequent measurement (cont'd)

(ii) Investments in life insurances

The Group's investments in life insurances are classified as FVTPL. Movements in fair values and interest income are recognised in profit or loss in the period in which it arises and presented in "other income".

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a "lifetime ECL").

For trade receivables and contract assets that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

If the Group has measured the loss allowance for a financial asset 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 assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Offset

Financial assets and liabilities are offset and the net amount presented on the statements of financial position when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(o) Financial liabilities

Financial liabilities include trade payables, other payables and accruals, amounts due to subsidiaries, borrowings and lease liabilities. Financial liabilities are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

(o) Financial liabilities (cont'd)

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at FVTPL, directly attributable transaction costs.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest method.

For financial liabilities other than FVTPL, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of financial liabilities at FVTPL are recognised in profit or loss. Net gains or losses on financial liabilities at FVTPL include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

(p) Financial guarantees

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

Financial guarantee contracts are initially recognised at their fair values.

Subsequent to initial measurement, the financial guarantees are measured at the higher of the amount initially recognised less cumulative amount of income recognised in accordance with the principles of SFRS(I) 15 *Revenue from Contracts with Customers* and the amount of expected loss computed using the impairment methodology under SFRS(I) 9 *Financial Instruments*.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

(r) Share capital

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

(s) Employee benefits

Employee leave entitlement

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

(s) Employee benefits (cont'd)

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

(t) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liability is provided on all taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

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

Deferred tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment properties measured at fair value is presumed to be recovered entirely through sale.

(u) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss using the effective interest method.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

(v) Cash and cash equivalents in the consolidated statement of cash flows

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value that form an integral part of the Group's cash management.

(w) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency").

The Company's functional currency is Singapore Dollar ("SGD"). The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company are presented in SGD.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations, borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the foreign currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the end of the reporting period;
(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the date of the transactions); and
(iii) All resulting exchange differences are recognised in the foreign currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (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 taken to the foreign currency translation reserve.

On disposal of a foreign group entity, the cumulative amount of the foreign currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

(x) Dividend

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders.

(y) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that is intended to compensate.

(z) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations):

Performance obligation to joint venture

During the financial year ended 31 December 2019, the Group set up a joint venture company ("JV company") with the Royal Group of Companies Ltd ("Royal Group") in Cambodia for the development of a mixed-use development project. The land for the mixed-use development project is currently owned by a third-party individual and held in escrow by an escrow agent. Pursuant to the joint venture agreement signed between the Group and the Royal Group, the Group is to contribute construction costs and expenses amounting to US$20,553,000, which is equivalent to the fair value of the land contributed by the Royal Group. Upon satisfaction of this condition, the ownership of the land would be released from escrow and transferred to the JV company. Management has assessed and concluded that the Group has the ability to meet the stipulated US$20,553,000 constructions costs and expenses, and that the JV company has control over the land.

NOTES TO THE
FINANCIAL STATEMENTS
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3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Valuation of biological assets

The Group recognises the unharvested cassava as biological assets at fair value less costs to sell. The fair value less costs to sell of the biological assets is determined by an independent professional valuer. The valuation of the biological assets involved significant estimates used by the independent professional valuer. These estimates included, amongst others, unit selling price, harvest yield, planted areas, harvesting costs and contributory asset charges. The inputs for the valuation and the valuation methodology adopted by the independent professional valuer in relation to the valuation of biological asset is disclosed in Note 17. The carrying amount of the Group's biological assets as at 31 December 2020 is disclosed in Note 17.

Fair value of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The fair value of the investment properties is determined by an independent professional valuer engaged by management 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. The key assumptions used to determine the fair value of these investment properties and sensitivity analysis are provided in Note 13. The carrying amount of the Group's investment properties as at 31 December 2020 is disclosed in Note 13.

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

The Group assesses whether there are any indicators of impairment for its PPE and ROU assets at each reporting date. PPE and ROU assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The Group's PPE and ROU assets are mainly attributable to agriculture division in Cambodia.

During the financial year, in light of COVID-19 pandemic, the agriculture division incurred a net loss for the financial year. Management has determined that this event is an indicator that the Group's PPE and ROU assets relating to agriculture division may be impaired.

Management has engaged independent professional valuers to determine the recoverable amounts of the major machineries and equipment and leasehold land and improvements. For valuation of major machineries and equipment, the independent professional valuer adopted the depreciated replacement cost method and comparable transactions method. The determination of the fair value 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. For valuation of leasehold land and building, the independent professional valuer adopted the direct comparison method and cost method, by taking into consideration the prevailing market conditions and have made due adjustments for differences between the property and the comparables in terms of locations, size, layout and other factors affecting its value.

Based on the management's assessment no impairment loss is required on the Group's PPE and ROU assets as at 31 December 2020. The net carrying values of the Group's PPE and ROU assets as at 31 December 2020 are disclosed in Notes 11 and 12 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

Key sources of estimation uncertainty (cont'd)

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

The Group reviews the estimated useful lives of PPE at the end of each reporting period. Changes in the expected level and future usage can impact the economic useful lives of these assets with consequential impact on the future depreciation charge. The net carrying value of the Group's PPE as at 31 December 2020 is disclosed in Note 11.

Impairment of investments in subsidiaries and joint venture

The Company and the Group assess whether there are any indicators of impairment in its investments in subsidiaries and joint venture ("investments") respectively, at each reporting date. Investments are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The determination of fair value less costs to sell involves estimation of the fair values of the underlying assets and liabilities of the subsidiary, less incremental costs for disposing the asset.

When value in use calculations are undertaken, management is required to estimate the expected future cash flows from the asset or cash-generating unit and a suitable discount rate, in order to determine the present value of those cash flows. The carrying values of the Company's investments in subsidiaries and the Group's investment in joint venture are disclosed in Notes 14 and 15 respectively.

Income 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 and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. 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.

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 on 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.

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 amounts of the Group's income tax payables and deferred tax liabilities as at 31 December 2020 are $27,000 (31.12.2019: $132,000) and $11,020,000 (31.12.2019: $11,565,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

4. REVENUE

The following table provides a disaggregation disclosure of the Group's revenue by primary geographical market and timing of revenue recognition.

	Primary geographical markets	Group 2020 $'000	Group 2019 $'000
Timing of revenue recognition			
Recognised at a point in time			
Sale of crops	Cambodia	**2,793**	1,534
Sale of completed development properties	Cambodia	**4,032**	–
Recognised over time			
Sale of development properties under construction	Cambodia	**377**	26,587
Rental income from lease of resort	Singapore	**762**	1,200
Other revenue	Singapore	**–**	22
		7,964	29,343

5. OTHER INCOME

	Group 2020 $'000	Group 2019 $'000
Interest income – bank deposits	**238**	255
Fair value gains on biological assets	**–**	954
Forfeiture of progressive deposits from property sales[a]	**–**	62
Rental income	**193**	–
Gain on disposal of property, plant and equipment	**41**	–
Government grants[b]	**161**	3
Other sundry income	**140**	102
	773	1,376

(a) In 2018, PH One Development (Cambodia) Limited ("PH One"), a subsidiary of the Group has terminated the sale and purchase agreement ("SPA") entered between PH One and the buyer of its hotel in its D'Seaview project in Sihanoukville, Cambodia. The termination by PH One resulted from the failure by the buyer to make the requisite payments for the purchase of the D'Seaview project in accordance with the clauses in the SPA. As a result, PH One has forfeited the three progress payments deposits made by the buyer amounting to US$4,200,000 (approximately $6,000,000). Forfeiture of progressive deposits from property sales of $5,970,000 and $62,000 was recorded as other income in the financial years ended 31 December 2018 and 31 December 2019 respectively.

(b) Government grants of $151,000 was recognised during the financial year under the Jobs Support Scheme ("JSS"). Under the JSS, the Singapore Government will co-fund gross monthly wages paid to each local employee through cash subsidies with the objective of helping employers retain local employee through cash subsidies during the period of economic uncertainty. In determining the recognition of the JSS grant income, management has evaluated and concluded that the period of economic uncertainty commenced in April 2020 when the COVID-19 pandemic started affecting the Group's operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

6. FINANCE COSTS

	Group	
	2020 $'000	**2019 $'000**
Interest expense – lease liabilities	**15**	24
Interest expense – bank loans	**181**	83
Interest expense – loan from controlling shareholder	**153**	–
	349	107

7. (LOSS)/PROFIT BEFORE TAX

	Group	
	2020 $'000	**2019 $'000**
(Loss)/profit before tax is arrived at after charging/(crediting):		
Audit fees paid/payable to:		
– auditors of the Company	**80**	128
– other auditors*	**50**	67
Fees for non-audit services paid/payable to:		
– auditors of the Company	**–**	–
– other auditors*	**–**	–
Depreciation of property, plant and equipment	**1,570**	1,785
Depreciation of right-of-use assets	**1,925**	2,028
Directors' fees	**170**	170
Directors' remuneration (Note 32)	**1,126**	1,276
Fair value loss/(gain) on biological assets	**302**	(954)
Fair value loss on investment properties	**1,000**	1,000
Foreign exchange loss, net	**174**	705
(Gain)/loss on disposal of property, plant and equipment	**(41)**	8
Legal and professional fees	**530**	246
Loss on change in fair value of assets classified as held for sale	**–**	36
Loss on disposal of investment properties	**–**	390
Loss on change in fair value of financial assets at fair value through profit or loss	**60**	941
Property, plant and equipment written off	**12**	24
Rental of premises and office facilities	**92**	32
Staff costs (Note 8)	**1,632**	3,771

* Includes independent member firms of the Baker Tilly International network.

8. STAFF COSTS

	Group	
	2020 $'000	**2019 $'000**
Salaries and bonuses	**1,498**	3,366
Central Provident Fund contribution	**73**	102
Other short-term benefits	**61**	303
	1,632	3,771

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9. INCOME TAX (CREDIT)/EXPENSE

	Group	
	2020	**2019**
	$'000	**$'000**
Income tax (credit)/expense attributable to profits is made up of:		
Current income tax	**197**	1,200
Deferred tax	**(449)**	(549)
	(252)	651
Under/(over) provision in respect of prior years:		
– current income tax	**(62)**	–
– deferred tax	**86**	–
	24	–
	(228)	651

The income tax (credit)/expense on the results of the financial year differs from the amount of income tax determined by applying the Singapore statutory rate of income tax due to the following factors:

	Group	
	2020	**2019**
	$'000	**$'000**
(Loss)/profit before tax	**(8,759)**	2,460
Tax calculated at tax rate of 17% (2019: 17%)	**(1,489)**	418
Singapore statutory stepped income exemption	**(52)**	–
Effect of different tax rates in other countries	**(203)**	156
Effect of results of equity-accounted investees presented net of tax	**145**	–
Income not subject to tax	**(31)**	(206)
Expenses not deductible for tax purposes	**1,087**	1,268
Utilisation of previously unrecognised tax losses	**(15)**	(985)
Current year losses for which no deferred tax asset is recognised	**376**	–
Under provision of current and deferred income tax in prior years, net	**24**	–
Others	**(70)**	–
	(228)	651

The income tax applicable to the Company and its subsidiaries in Singapore is 17% (2019: 17%). The Cambodia companies within the Group are subject to tax on profit at the rate of 20% (2019: 20%) of taxable income or minimum tax based on 1% of turnover, whichever is higher.

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2020	**2019**
(Loss)/profit attributable to equity holders of the Company ($'000)	**(8,531)**	1,809
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share	**221,933,192**	221,933,192
Basic and diluted (loss)/earnings per share (cents per share)	**(3.84)**	0.82

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $'000	Building and structure $'000	Computers $'000	Furniture and fittings $'000	Machineries and equipment $'000	Motor vehicles $'000	Office equipment $'000	Renovation $'000	Freehold land $'000	Total $'000
Group										
2020										
Cost										
At 1 January 2020	1,774	2,808	124	69	17,349	1,016	101	187	1,625	25,053
Additions	81	14	18	1	441	39	17	2	–	613
Disposals	–	–	–	–	(298)	(104)	–	–	–	(402)
Written off	–	–	(5)	–	–	–	(6)	(2)	–	(13)
Currency translation differences	(30)	(49)	(1)	(1)	(298)	(17)	(1)	(1)	(28)	(426)
At 31 December 2020	**1,825**	**2,773**	**136**	**69**	**17,194**	**934**	**111**	**186**	**1,597**	**24,825**
Accumulated depreciation										
At 1 January 2020	555	535	82	33	11,413	414	75	82	–	13,189
Depreciation charge	98	224	12	5	1,090	89	6	46	–	1,570
Disposals	–	–	–	–	(285)	(76)	–	–	–	(361)
Written off	–	–	–	–	–	–	(1)	–	–	(1)
Currency translation differences	(14)	(19)	(2)	(1)	(231)	(13)	(1)	(2)	–	(283)
At 31 December 2020	**639**	**740**	**92**	**37**	**11,987**	**414**	**79**	**126**	**–**	**14,114**
Net carrying value 31 December 2020	**1,186**	**2,033**	**44**	**32**	**5,207**	**520**	**32**	**60**	**1,597**	**10,711**

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

	Leasehold land $'000	Leasehold improvements $'000	Building and structure $'000	Computers $'000	Furniture and fittings $'000	Machineries and equipment $'000	Motor vehicles $'000	Office equipment $'000	Renovation $'000	Freehold land $'000	Total $'000
Group											
2019											
Cost											
At 1 January 2019	71,986	1,780	2,422	123	125	18,457	1,443	129	165	1,650	98,280
Adjustments	1,101	–	430	–	–	(438)	–	–	–	–	1,093
Additions	–	–	–	9	–	82	311	6	23	–	431
Disposals	–	–	–	(7)	(6)	(206)	(105)	(9)	–	–	(333)
Written off	–	(8)	–	–	(49)	(271)	–	(24)	–	–	(352)
Reclassification (Note 12)[(a)]	(73,087)	30	–	–	–	–	(620)	–	–	–	(73,677)
Currency translation differences	–	(28)	(44)	(1)	(1)	(275)	(13)	(1)	(1)	(25)	(389)
At 31 December 2019	–	1,774	2,808	124	69	17,349	1,016	101	187	1,625	25,053
Accumulated depreciation											
At 1 January 2019	3,046	462	306	75	82	10,470	676	98	47	–	15,262
Adjustments	1,079	–	9	–	–	247	–	–	–	–	1,335
Depreciation charge	–	94	229	11	3	1,303	104	5	36	–	1,785
Disposals	–	–	–	(3)	(2)	(170)	(53)	(3)	–	–	(231)
Written off	–	–	–	–	(49)	(255)	–	(24)	–	–	(328)
Reclassification (Note 12)[(a)]	(4,125)	7	–	–	–	–	(306)	–	–	–	(4,424)
Currency translation differences	–	(8)	(9)	(1)	(1)	(182)	(7)	(1)	(1)	–	(210)
At 31 December 2019	–	555	535	82	33	11,413	414	75	82	–	13,189
Net carrying value											
31 December 2019	–	1,219	2,273	42	36	5,936	602	26	105	1,625	11,864

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

	Computers $'000	Furniture and fittings $'000	Motor vehicles $'000	Office equipment $'000	Renovation $'000	Total $'000
Company						
2020						
Cost						
At 1 January 2020	71	31	–	29	127	258
Additions	2	–	–	6	–	8
At 31 December 2020	**73**	**31**	**–**	**35**	**127**	**266**
Accumulated depreciation						
At 1 January 2020	58	9	–	25	56	148
Depreciation charge	4	1	–	2	41	48
At 31 December 2020	**62**	**10**	**–**	**27**	**97**	**196**
Net carrying value						
At 31 December 2020	**11**	**21**	**–**	**8**	**30**	**70**
2019						
Cost						
At 1 January 2019	66	31	222	27	104	450
Additions	5	–	–	2	23	30
Reclassification (Note 12)[(a)]	–	–	(222)	–	–	(222)
At 31 December 2019	71	31	–	29	127	258
Accumulated depreciation						
At 1 January 2019	54	8	29	24	27	142
Depreciation charge	4	1	–	1	29	35
Reclassification (Note 12)[(a)]	–	–	(29)	–	–	(29)
At 31 December 2019	58	9	–	25	56	148
Net carrying value						
At 31 December 2019	13	22	–	4	71	110

(a) Leasehold land and improvements of the Group are located at Aoral District in Kampong Speu Province, Cambodia. The leasehold land and improvements and motor vehicles are reclassified to right-of-use assets at 1 January 2019 upon adoption of SFRS (I) 16 *Leases* (Note 12).

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12. RIGHT-OF-USE ASSETS

	Leasehold land and improvements $'000	Office premises $'000	Motor vehicles $'000	Total $'000
Group				
2020				
Cost				
At 1 January 2020	71,945	244	836	73,025
Currency translation differences	(1,235)	–	–	(1,235)
At 31 December 2020	**70,710**	**244**	**836**	**71,790**
Accumulated depreciation				
At 1 January 2020	4,711	118	515	5,344
Depreciation charge	1,756	81	88	1,925
Currency translation differences	(153)	–	–	(153)
At 31 December 2020	**6,314**	**199**	**603**	**7,116**
Net carrying value				
At 31 December 2020	**64,396**	**45**	**233**	**64,674**
2019				
Cost				
At 1 January 2019, on initial adoption of SFRS (I) 16 *Leases*	–	244	–	244
Additions	–	–	216	216
Reclassification (Note 11)	73,057	–	620	73,677
Currency translation differences	(1,112)	–	–	(1,112)
At 31 December 2019	71,945	244	836	73,025
Accumulated depreciation				
At 1 January 2019, on initial adoption of SFRS (I) 16 *Leases*	–	37	–	37
Depreciation charge	1,738	81	209	2,028
Reclassification (Note 11)	4,118	–	306	4,424
Currency translation differences	(1,145)	–	–	(1,145)
At 31 December 2019	4,711	118	515	5,344
Net carrying value				
At 31 December 2019	67,234	126	321	67,681

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

12. RIGHT-OF-USE ASSETS (cont'd)

	Office premises $'000	Motor vehicles $'000	Total $'000
Company			
2020			
Cost			
At 1 January 2020 and 31 December 2020	**244**	**222**	**466**
Accumulated depreciation			
At 1 January 2020	118	75	193
Depreciation charge	81	44	125
At 31 December 2020	**199**	**119**	**318**
Net carrying value			
At 31 December 2020	**45**	**103**	**148**
2019			
Cost			
At 1 January 2019	244	–	244
Reclassification (Note 11)	–	222	222
At 31 December 2019	244	222	466
Accumulated depreciation			
At 1 January 2019	37	–	37
Reclassification (Note 11)	–	29	29
Depreciation charge	81	46	127
At 31 December 2019	118	75	193
Net carrying value			
At 31 December 2019	126	147	273

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13. INVESTMENT PROPERTIES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 January	**9,000**	12,505	**–**	731
Reclassified to assets held for sale(i)	**–**	(684)	**–**	(684)
Disposed during the year(ii)	**–**	(1,747)	**–**	–
Net fair value losses recognised in profit or loss	**(1,000)**	(1,036)	**–**	(36)
Currency translation differences	**–**	(38)	**–**	(11)
Balance at 31 December	**8,000**	9,000	**–**	–

The Group's investment properties are held under leasehold interests.

The property rental income from the Group's investment properties all of which are leased out under operating leases, amounted to $762,000 (2019: $1,200,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties amounted to $118,000 (2019: $253,000).

(i) On 6 January 2020, the Group entered into a Sale and Purchase Agreement with third party for the sale of land located in Kmougne Village, Kmougne Commune, Sean Sock District, Phnom Penh City, Cambodia (20% interest owned by the Group). The Group's interest in the property was sold for $684,000. The property was presented as asset held for sale on 31 December 2019. The Group has received full payment from the buyer during the financial year.

(ii) In May 2019, the Group entered into a Sale and Purchase Agreement with third party for the sale of land located in Kandal Province, Cambodia. The property with total land area of 8,499 m^2 and a built-up area of 4,698 m^2 factory was sold at a consideration sum of about US$1,120,000 (or $1,750,000). As a result, the Group recorded a loss on disposal of investment property amounting to $390,000. As at 31 December 2019, title transfer of the Land to the Buyer has been completed and the Group has received full payment from the buyer.

13. INVESTMENT PROPERTIES (cont'd)

The investment properties held by the Group as at 31 December 2020 are as follows:

Description and location	Existing use	Tenure	Land area	Fair value as at 31 December 2020	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
(a) Land at 10 Neo Tiew Lane 2, D'Kranji Farm Resort, #01-05, Singapore 718813	Farm resort	Leasehold (20 years from 9 May 2007)	50,969m² (31.12.2019: 50,969m²)	$8,000,000 (31.12.2019: $9,000,000)	Combination of the depreciated replacement cost and direct comparison method (2019: Combination of the depreciated replacement cost and direct comparison method)	Differential premium: $1,145,000 (31.12.2019: $1,302,000)	The estimated fair value increases with higher construction costs and comparable prices.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13. INVESTMENT PROPERTIES (cont'd)

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repair, maintenance or enhancements, except for a first mortgage provided to a bank over the leasehold property. This mortgage is provided in respect of the Group's borrowings. Details of these borrowings are disclosed in Note 28.

Valuation of investment properties at fair value

The fair values of the Group's investment properties at 31 December 2020 and 31 December 2019 have been determined on the basis of valuations carried out at the respective year end dates by an independent professional valuer having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. In estimating the fair values of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the financial year.

As at 31 December 2020, the independent professional has factored in the potential impact of the COVID-19 pandemic, as the highly uncertain economic outlook for the period have limited the comparable transactions and market evidence. 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. 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.

Management considers the appropriateness of the valuation technique and assumptions applied by the independent professional valuers. The valuation reports and changes in fair value measurements are analysed and reported to the Audit Committee and Board of Directors.

14. INVESTMENTS IN SUBSIDIARIES

	Company		
	31.12.2020 $'000	**(Restated) 31.12.2019 $'000**	**(Restated) 1.1.2019 $'000**
Unquoted equity shares at cost	**100,129**	100,129	100,129

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 subsidiaries held by the Company 31.12.2020**	**31.12.2019**
Investment holding, property investment	Singapore	**4**	4
	Cambodia	**3**	3
Agricultural research and experimentation, agriculture plantation, processing and distribution	Cambodia	**1**	1
Property development and real estate	Cambodia	**1**	1
Dormant	Singapore	**1**	1
		10	10

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14. INVESTMENTS IN SUBSIDIARIES (cont'd)

The subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Country of incorporation	Principal activities	Proportion of ownership interest 31.12.2020 %	31.12.2019 %
Subsidiaries held by the Company				
Hong Lai Huat International Pte. Ltd.*	Singapore	Investment holding	**100**	100
HLH Agri International Pte. Ltd.*	Singapore	Investment holding	**100**	100
HLH Development Pte. Ltd.*	Singapore	Investment holding	**100**	100
Subsidiaries held by HLH Agri International Pte. Ltd.				
HLH Agri R&D Pte. Ltd.*	Singapore	Property investment	**100**	100
HLH Global Trading Pte. Ltd.*	Singapore	Dormant	**100**	100
HLHI (Cambodia) Company Limited**(i)	Cambodia	Investment holding, property investment	**49**	49
HLH Agriculture (Cambodia) Co. Ltd**	Cambodia	Agriculture plantation, processing and distribution	**100**	100
Subsidiaries held by HLH Development Pte. Ltd.				
Agri-Oral Joint Cooperate Co., Ltd(i)@	Cambodia	Investment holding, property investment	**49**	49
Subsidiaries held by Hong Lai Huat International Pte. Ltd.				
Public Housing Development (Cambodia) Pte Ltd(i)@	Cambodia	Investment holding, property investment	**49**	49
PH One Development (Cambodia) Limited**(i)	Cambodia	Property development and real estate	**49**	49

* Audited by Baker Tilly TFW LLP.
** Audited by independent overseas member firms of Baker Tilly International.
@ Not required to be audited under the laws of the country of incorporation.
(i) A director of the subsidiaries 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 consolidated financial statements of the Group.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

15. INVESTMENT IN JOINT VENTURE

	Group 2020 $'000	Group 2019 $'000
Unquoted equity shares at cost		
At 1 January	**3,315**	–
Additional investment	**4,136**	4,065
Share of post-acquisition loss	**(853)**	(762)
Currency translation differences	**(193)**	12
At 31 December	**6,405**	3,315

Name of joint venture	Country of incorporation	Principal activities	Proportion of ownership interest 31.12.2020 %	Proportion of ownership interest 31.12.2019 %
Joint venture held by HLH Development Pte. Ltd.				
Royal Hong Lai Huat One Company Limited**(i)	Cambodia	Property development and real estate	**49**	49

** Audited by independent overseas member firms of Baker Tilly International.

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

Summarised financial information of Royal Hong Lai Huat One Company Limited ("Royal") based on its FRS financial statements (not adjusted for the Group's share of those amounts) and a reconciliation to the carrying amounts of the investments in the consolidated financial statements are as follows:

	Royal 2020 $'000	Royal 2019 $'000
Revenue	**1,442**	949
Loss before tax	**(1,705)**	(1,524)
Loss for the year	**(1,705)**	(1,524)
Total comprehensive loss for the year	**(2,092)**	(1,500)

The above loss for the year includes the following:

Depreciation and amortisation	**614**	19

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15. INVESTMENT IN JOINT VENTURE (cont'd)

	Royal	
	31.12.2020 $'000	**31.12.2019 $'000**
Non-current assets	**1,077**	1,617
Current assets	**37,426**	35,221
Non-current liabilities	**–**	(52)
Current liabilities	**(6,489)**	(6,584)
Net assets	**32,014**	30,202

The above amounts of assets and liabilities include the following:

	Royal	
	31.12.2020 $'000	**31.12.2019 $'000**
Property, plant and equipment and right-of-use assets	**1,077**	1,617
Cash and cash equivalents	**1,806**	2,082
Trade and other receivables	**809**	1,291
Development properties	**34,811**	31,848
Trade and other payables	**(6,437)**	(6,389)
Lease liabilities	**(52)**	(247)
	32,014	30,202

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

	Group	
	31.12.2020 $'000	**31.12.2019 $'000**
Net assets of the joint venture	**32,014**	30,202
Less: advance capital injection by joint venture partner	**(19,204)**	(23,572)
	12,810	6,630
Proportion of the Group's ownership interest in the joint venture	**6,405**	3,315
Carrying amount of the Group's interest in the joint venture	**6,405**	3,315

Pursuant to the joint venture agreement, the Group is committed to contribute construction costs and expenses amounting to US$20,553,000, which is equivalent to the fair value of the land contributed by the joint venture partner. Upon satisfaction of this condition, the ownership of the land would be released from escrow and transferred to the joint venture. As at 31 December 2020, the Group has contributed US$6,023,000 (equivalent to $8,201,000) (2019: US$3,023,000 (equivalent to $4,065,000)) for the construction costs and expenses of the joint venture and remaining amount of commitment is US$14,530,000 (equivalent to $19,204,000) (2019: US$17,530,000 (equivalent to $23,574,000)) (Note 33(c)).

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16. DEVELOPMENT PROPERTIES

	Group	
	31.12.2020	**31.12.2019**
	$'000	**$'000**
Development properties under construction		
– Freehold land	**–**	1,021
– Development costs	**–**	22,244
	–	23,265
Completed development properties held for sale	**23,653**	–
	23,653	23,265

Description and location	**% owned**	**Site area (square metre)**	**Gross floor area (square metre)**	**Stage of completion at the end of reporting period (expected year of completion)**
D'Seaview, a mixed-use development property in Preah Sihanouk Province, Cambodia	100 (31.12.2019: 100)	9,818	92,566	100% (31.12.2019: 95.5%)

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

During the financial year ended 31 December 2020, the Group has reclassified the development properties to completed development properties held for sale upon the completion of the construction.

17. BIOLOGICAL ASSETS

	Group	
	2020	**2019**
	$'000	**$'000**
At 1 January	**5,436**	5,129
Additions to cassava during the year	**1,294**	375
(Loss)/gain on fair value of biological assets	**(302)**	954
Decrease due to harvest	**(812)**	(930)
Currency translation differences	**(101)**	(92)
At 31 December	**5,515**	5,436

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17. BIOLOGICAL ASSETS (cont'd)

Valuation of biological assets

The fair values of the Group's biological assets at 31 December 2020 and 31 December 2019 have been determined on the basis of valuations carried out at the respective year end dates by independent professional valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

The valuation for 31 December 2020 contains a clause highlighting the material valuation uncertainty as set out in VPS 3 and VPGA 10 of the Royal Institution of Chartered Surveyors ("RICS") Global Valuation Professional Standards, caused by the COVID-19 pandemic. The clause does not invalidate the valuation but highlights that the valuer could not attach as much weight as usual to previous market evidence and there is an increased risk that the price realised in an actual transaction would differ from the value concluded. The fair value measurement of biological assets is categorised as Level 3 in the fair value hierarchy.

Fair value as at 31 December 2020	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
$5,515,000 (31.12.2019: $5,436,000)	Income approach	Selling prices of comparable sales less harvesting costs: $90 (31.12.2019: $109) Harvest yield: 25 tons/hectare (31.12.2019: 25 tons/hectare) Planted area: 3,211 hectares (31.12.2019: 3,081 hectares) Contributory asset charges: $827,000 (31.12.2019: $976,000)	The estimated fair value increases with higher comparable selling prices, harvest yield and cultivation area. The estimated fair value decreases with higher contributory asset charges.

18. INVENTORIES

	Group		Company	
	31.12.2020 $'000	**31.12.2019 $'000**	**31.12.2020 $'000**	**31.12.2019 $'000**
Raw materials	**1**	1	**–**	–
Consumables	**128**	73	**–**	–
Machineries and spare parts	**2**	2	**–**	–
Finished goods	**25**	83	**–**	–
	156	159	**–**	–

In 2020, raw materials, consumables, machineries and spare parts and changes in finished goods included as cost of sales amounted to $1,608,000 (2019: $1,370,000).

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19. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets

The Group receives payments from customers based on performance milestones as established in contracts. Contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date on the Group's property development project. Contract assets decreased significantly as the Group has completed the construction of the property development project during the financial year and accordingly, contract assets are reclassified to trade receivables.

Contract liabilities

Contract liabilities relate to advance consideration received from customers and billings in excess of revenue recognised to-date from the Group's development property project. Significant decrease in contract liabilities is due to the completion of the construction of the property development project during the financial year. Contract liabilities was recognised as revenue when the control of the property is transferred to the customers.

The following table provides information about contract assets and contract liabilities from contracts with customers in respect of the Group's property development project:

	31.12.2020 $'000	31.12.2019 $'000	1.1.2019 $'000
Group			
Trade receivables from contracts with customers	**6,118**	–	–
Contract assets	**–**	15,152	2,769
Contract liabilities	**797**	1,848	13

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	31.12.2020 $'000	31.12.2019 $'000	31.12.2020 $'000	31.12.2019 $'000
Non-current				
Financial assets measured at FVTPL				
Investments in life insurances, at fair value[a]				
– Life Insurance Policy I	**144**	–	**144**	–
– Life Insurance Policy II	**96**	–	**96**	–
	240	–	**240**	–
Current				
Financial assets measured at FVTPL				
Quoted equity instruments[b]	**100**	–	**100**	–
	340	–	**340**	–

NOTES TO THE FINANCIAL STATEMENTS

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20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (cont'd)

(a) Life insurance policies

During the financial year, the Group entered into two life insurance policies – Prulife Vantage Achiever Prime for two Executive Directors of the Group with a single premium amounting to $311,000. The total sum insured of Policy I and Policy II is $1,000,000 individually and will mature in 2101 and 2103 respectively. At the time of death of the insured, 100% of the insured amount plus the accumulated investment returns will be payable to the Group.

At the date of the inception of the policies, the total surrender values of Policy I and Policy II amounted to $144,000 and $96,000 respectively. The difference between the premium paid and the surrender values was recognised as prepayments and amortised over the respective policies' years.

The fair values of the life insurances are based on the surrender values of the insurance policies as stated in the annual statements received from the insurance company at the end of the reporting period and are classified as Level 2 on the fair value hierarchy.

Movements of investments in life insurances are as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Balance at the beginning of the financial year	**–**	–
Additions	**240**	–
Balance at the end of the financial year	**240**	–

(b) Quoted equity instruments

Investments in quoted equity securities offers 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 and are classified as Level 1 on the fair value hierarchy.

Changes in the fair value of financial assets at fair value through profit or loss, amounting to a loss of $60,000 (2019: $941,000) have been included in profit or loss for the year as part of "other expenses".

21. AMOUNTS DUE FROM/TO SUBSIDIARIES

	Company	
	31.12.2020	**31.12.2019**
	$'000	**$'000**
Due from (non-trade)	**32,836**	24,329
Due to (non-trade)	**8,286**	9,085

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

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22. TRADE RECEIVABLES, OTHER RECEIVABLES AND DEPOSITS AND PREPAYMENTS

	Group		Company	
	31.12.2020 $'000	31.12.2019 $'000	31.12.2020 $'000	31.12.2019 $'000
Trade receivables				
Trade receivables from sale of development properties	**6,118**	–	**–**	–
Trade receivables from sale of goods	**18**	71	**–**	–
	6,136	71	**–**	–
Other receivables and deposits				
Other receivables and deposits – current	**1,391**	1,894	**38**	48
Deposits – non-current	**40**	40	**–**	–
	1,431	1,934	**38**	48
Prepayments[(a)]	**26,081**	1,330	**99**	65
	33,648	3,335	**137**	113

(a) Included in prepayments is an amount of $25,052,000 made during the financial year for the acquisition of land for property development project in Cambodia. As at 31 December 2020, the title deed of the land has not been transferred to the Group. Capital commitment of $612,000 was not provided for in the consolidated financial statements of the Group (Note 33(b)).

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	31.12.2020 $'000	31.12.2019 $'000	31.12.2020 $'000	31.12.2019 $'000
Cash at banks and on hand	**4,016**	6,485	**680**	2,687
Short-term fixed deposits with financial institutions	**5,519**	4,820	**–**	–
Cash and cash equivalents	**9,535**	11,305	**680**	2,687

Cash at banks and fixed deposits earn interest at 0.50% to 5.00% (31.12.2019: 0.88% to 5.25%) per annum. Fixed deposits are held for varying periods of between 3 to 12 months (31.12.2019: 1 to 12 months), and are readily convertible to known amounts of cash with minimum charges.

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24. LEASE LIABILITIES

Carrying amount of lease liabilities

	Group		Company	
	31.12.2020 $'000	**31.12.2019 $'000**	**31.12.2020 $'000**	**31.12.2019 $'000**
Current	**156**	248	**72**	106
Non-current	**779**	886	**43**	121
	935	1,134	**115**	227

	Group	
	2020 $'000	**2019 $'000**
Lease expense not included in the measurement of lease liabilities		
Lease expense – short-term leases	**92**	32
Interest expense on lease liabilities (Note 6)	**15**	24

During the financial year, total cash flow for leases amounted to $297,000 (2019: $284,000).

Reconciliation of movements of lease liabilities to cash flows arising from financing activities:

	Group	
	2020 $'000	**2019 $'000**
Balance at 1 January	**1,134**	1,005
Effect of SFRS (I) 16 adoption	**–**	244
	1,134	1,249
Changes from financing cash flows:		
– Repayments	**(190)**	(228)
– Interest paid	**(15)**	(24)
Non-cash changes:		
– Interest expenses	**15**	24
– New leases	**–**	106
– Currency translation differences	**(9)**	7
Balance at 31 December	**935**	1,134

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

25. DEFERRED TAX LIABILITIES

	Group			
	Revaluation of land and building $'000	Gain/(loss) on change in fair value $'000	Others $'000	Total $'000
At 1 January 2019	8,775	2,311	23	11,109
Adjustment	–	936	–	936
Credited to profit or loss for the year	(343)	(200)	(6)	(549)
Currency translation differences	51	18	–	69
At 31 December 2019	8,483	3,065	17	11,565
Credited to profit or loss for the year	(347)	(16)	–	(363)
Currency translation differences	(131)	(51)	–	(182)
At 31 December 2020	**8,005**	**2,998**	**17**	**11,020**

	Company Others $'000
At 1 January 2019	23
Credited to profit or loss for the year	(6)
At 31 December 2019 and 31 December 2020	17

The Group has unutilised tax losses of approximately $23,919,000 (2019: $22,003,000) that are available for offset against future taxable profits of the Group for which deferred tax assets amounting to approximately $4,241,000 (2019: $3,765,000) 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. The unutilised tax losses do not expire under current tax legislation, except for the unutilised tax losses arising from a Cambodia subsidiary which are available for carry forward up to 5 years from the year of loss and will expire in the following years:

	Group	
	2020 $'000	2019 $'000
Financial year		
2022	**1,555**	1,538
2023	**2,012**	1,991
2024	**1,605**	1,588
2025	**1,873**	–
	7,045	5,117

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries and joint venture for which deferred tax liabilities have not been recognised is $4,917,000 (2019: $5,950,000). 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.

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26. TRADE PAYABLES

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

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	31.12.2020 $'000	**31.12.2019 $'000**	**31.12.2020 $'000**	**31.12.2019 $'000**
Other payables[(a)]	**4,832**	551	**6**	27
Amounts due to joint venture[(b)]	**72**	–	**–**	–
Deposits received	**727**	633	**–**	–
Accrued operating expenses	**1,794**	634	**372**	423
	7,425	1,818	**378**	450

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

(b) Amounts due to joint venture are unsecured, non-interest bearing and are repayable on demand in cash.

28. BORROWINGS

	Group		Company	
	31.12.2020 $'000	**31.12.2019 $'000**	**31.12.2020 $'000**	**31.12.2019 $'000**
Non-current				
Bank Loan 3[(c)]	**716**	–	**716**	–
Bank Loan 4[(d)]	**1,199**	–	**1,199**	–
Bank Loan 5[(e)]	**1,073**	–	**1,073**	–
Bank Loan 6[(f)]	**1,830**	–	**1,830**	–
	4,818	–	**4,818**	–
Loan from controlling shareholder[(g)]	**14,177**	–	**–**	–
	18,995	–	**4,818**	–
Current				
Bank Loan 1[(a)]	**507**	1,238	**–**	–
Bank Loan 2[(b)]	**844**	–	**–**	–
Bank Loan 3[(c)]	**191**	–	**191**	–
Bank Loan 4[(d)]	**874**	–	**874**	–
Bank Loan 5[(e)]	**287**	–	**287**	–
Bank Loan 6[(f)]	**476**	–	**476**	–
	3,179	1,238	**1,828**	–
Loan from controlling shareholder[(g)]	**147**	–	**–**	–
	3,326	1,238	**1,828**	–
	22,321	1,238	**6,646**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

28. BORROWINGS (cont'd)

(a) Bank Loan 1

Bank Loan 1 is denominated in SGD at 0.6% below base rate. Base rate refers to the respective banks' internal cost of funds which is at 5.85% (2019: 5.10%) per annum.

The loan bears interest at 5.25% (2019: 4.50%) per annum. It is repayable in 72 equal instalments and will be fully repaid in September 2021 in accordance with the terms of the loan agreement.

This loan is secured by a first mortgage over the Group's investment properties (Note 13) and corporate guarantee by the Company. As at 31 December 2020, the fair value of the investment properties has not met the minimum value required by the loan covenant. Subsequent to the year end, the lender had accepted the lower valuation of the investment properties and has unconditionally waived the right to demand repayment arising from the breach. All other terms of the loan agreement have remained status quo.

(b) Bank Loan 2

Bank Loan 2 is denominated in SGD at 0.6% below base rate. Base rate refers to the respective banks' internal cost of funds which is at 5.85% (2019: Nil) per annum.

The loan bears interest at 5.25% (2019: Nil) per annum. It is repayable in 36 equal instalments and will be fully repaid in April 2023 in accordance with the terms of the loan agreement.

This loan is secured by a first mortgage over the Group's investment properties (Note 13) and corporate guarantee by the Company. As at 31 December 2020, the fair value of the investment properties has not met the minimum value required by the loan covenant. As a result of the breach in loan covenant, the total sum outstanding as at 31 December 2020 is classified as current. Subsequent to the year end, the lender had accepted the lower valuation of the investment properties and has unconditionally waived the right to demand repayment arising from the breach. All other terms of the loan agreement have remained status quo.

(c) Bank Loan 3

Bank Loan 3 is denominated in SGD and bears interest at 3.00% (2019: Nil) per annum. It is repayable in 60 equal instalments and will be fully repaid in June 2025 in accordance with the terms of the loan agreement.

(d) Bank Loan 4

Bank Loan 4 is denominated in USD and bears interest at 2.00% (2019: Nil) per annum. It is repayable in 36 equal instalments and will be fully repaid in April 2023 in accordance with the terms of the loan agreement.

This loan is secured by corporate guarantees provided by certain of the Company's subsidiaries.

(e) Bank Loan 5

Bank Loan 5 is denominated in SGD and bears interest at 3.00% (2019: Nil) per annum. It is repayable in 60 equal instalments and will be fully repaid in June 2025 in accordance with the terms of the loan agreement.

This loan is secured by a corporate guarantee provided by one of the Company's subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

28. BORROWINGS (cont'd)

(f) Bank Loan 6

Bank Loan 6 is denominated in SGD and bears interest at 3.00% (2019: Nil) per annum. It is repayable in 60 equal instalments and will be fully repaid in July 2025 in accordance with the terms of the loan agreement.

This loan is secured by corporate guarantees provided by certain of the Company's subsidiaries.

(g) Loan from controlling shareholder

Loan from controlling shareholder is denominated in USD, bears interest at 6.00% per annum and is repayable in full in 24 months from the drawdown date.

The loan is used by the Group to finance the acquisition of land for property development project in Cambodia. Subsequent to 31 December 2020, the loan was fully settled via rights issue of ordinary shares at an issue price of $0.091 for each right share, on the basis of four rights shares for every three existing shares held by the controlling shareholder (Note 39).

Reconciliation of movements of bank loans to cash flows arising from financing activities:

	Group	
	2020	**2019**
	$'000	**$'000**
Balance at 1 January	**1,238**	1,931
Changes from financing cash flows:		
– Proceeds	**8,847**	–
– Repayments	**(1,995)**	(693)
– Interest paid	**(181)**	(83)
Non-cash changes:		
– Interest expenses	**181**	83
– Currency translation differences	**(93)**	–
Balance at 31 December	**7,997**	1,238

Reconciliation of movements of loan from controlling shareholder to cash flows arising from financing activities:

	Group	
	2020	**2019**
	$'000	**$'000**
Balance at 1 January	**–**	–
Changes from financing cash flows:		
– Proceeds	**14,789**	–
Non-cash changes:		
– Interest expenses	**153**	–
– Currency translation differences	**(618)**	–
Balance at 31 December	**14,324**	–

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29. SHARE CAPITAL

	Group and Company			
	2020		2019	
	Number of issued shares	Issued share capital $'000	Number of issued shares	Issued share capital $'000
At 1 January	**221,933,192**	**94,602**	221,933,192	123,131
Share capital reduction	**–**	**–**	–	(28,529)
At 31 December	**221,933,192**	**94,602**	221,933,192	94,602

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

On 30 April 2019, the Company completed the share capital reduction by way of reduction of the Company's accumulated losses. As a result of the exercise, the share capital and accumulated losses of the Company is reduced by $28,529,000.

30. OTHER RESERVES

	Group		Company	
	31.12.2020 $'000	31.12.2019 $'000	31.12.2020 $'000	31.12.2019 $'000
Capital reserve	**414**	414	**(459)**	(459)
Asset revaluation reserve	**2,775**	2,775	**–**	–
Foreign currency translation reserve	**(7,347)**	(5,430)	**–**	–
	(4,158)	(2,241)	**(459)**	(459)

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.

31. Dividends

On 2 July 2019, a dividend of 0.5 cents per ordinary share in respect of the financial year ended 31 December 2018 totalling $1,110,000 was paid to shareholders of the Company.

No dividends were declared for the financial year ended 31 December 2020 and 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32. RELATED PARTY TRANSACTIONS

(a) Other than as disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned. The balances with related parties are unsecured, interest-free and repayable on demand unless otherwise stated.

	Group	
	2020	**2019**
	$'000	**$'000**
Staff costs(i)	**409**	404
Interest expense on loan with controlling shareholder(ii)	**153**	–

(i) Staff costs of $409,000 (2019: $404,000) 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 expense of $153,000 (2019: Nil) was payable to a Director in relation to the loan obtained for the acquisition of land for property development project in Cambodia (Note 28).

(b) Key management personnel compensation is analysed as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Short-term employee benefits	**1,377**	1,509
Central provident fund contributions	**52**	50
	1,429	1,559
Comprise amounts paid to:		
– Directors of the Company	**1,302**	1,306
– Other key management personnel	**127**	253
	1,429	1,559

33. COMMITMENTS

(a) Lease commitments – Where the Group is a lessor

Disclosure required by SFRS(I) 16

Operating leases, in which the Group is the lessor, relate to investment properties owned by the Group with lease terms of 3 years. The lessee was granted the right to manage, operate, and collect revenue in relation to the Group's resort in Singapore. The third-party company is independent of the Group. As at 31 December 2020, this non-cancellable lease has remaining lease term of 6 months (31.12.2019: 18 months).

Maturity analysis of operating lease payments:

	Group	
	31.12.2020	**31.12.2019**
	$'000	**$'000**
Year 1	**600**	1,200
Year 2	**–**	600
	600	1,800

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33. COMMITMENTS (cont'd)

(b) Capital commitments

Capital commitments not provided for in the financial statements:

	Group		Company	
	31.12.2020 $'000	31.12.2019 $'000	31.12.2020 $'000	31.12.2019 $'000
Capital commitments in respect of acquisition of land for property development project (Note 22)	**612**	–	**–**	–

(c) The Group as joint venture partner

During the financial year ended 31 December 2019, the Group set up a joint venture company ("JV company") with the Royal Group of Companies Ltd ("Royal Group") in Cambodia for the development of a mixed-use development project. Pursuant to the joint venture agreement signed between the Group and the Royal Group, the Group is to contribute construction costs and expenses amounting to US$20,553,000. As at 31 December 2020, the Group has contributed US$6,023,000 (equivalent to $8,201,000) (2019: US$3,023,000 (equivalent to $4,065,000)) for the construction costs and expenses of the joint venture and remaining amount of commitment is US$14,530,000 (equivalent to $19,204,000) (2019: US$17,530,000 (equivalent to $23,574,000)) (Note 15).

34. CONTINGENT LIABILITIES

The Company has provided corporate guarantees of $507,000 (31.12.2019: $1,238,000) for subsidiaries' loans and borrowings. The Company has also undertaken to provide financial support to certain subsidiaries for deficiencies in their shareholders' funds and to extend adequate funding to meet their operational needs.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	Group		Company	
	31.12.2020 $'000	31.12.2019 $'000	31.12.2020 $'000	31.12.2019 $'000
Financial assets				
Financial assets at amortised cost	**17,102**	28,462	**33,554**	27,064
Financial assets at fair value through profit or loss	**340**	161	**240**	–
Financial liabilities				
Financial liabilities at amortised cost	**31,154**	9,091	**15,425**	9,762

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35. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from these financial risks on the Group's financial performance. The policies for managing each of these risks are summarised below. The directors review and agree policies and procedures for the management of these risks.

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

Foreign currency risk

The Group has currency exposure arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of entities in the Group. The foreign currencies in which the Group's currency risk arises are mainly United States dollars ("USD").

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

In order to minimise foreign currency 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.

At the end of the reporting period, the Group and the Company have the following financial assets and financial liabilities denominated in foreign currencies based on information provided to key management:

	Group		**Company**	
	2020 USD $'000	**2019 USD $'000**	**2020 USD $'000**	**2019 USD $'000**
Amounts due from subsidiaries	**39,569**	39,664	**3,222**	5,912
Cash and cash equivalents	**525**	4,833	**459**	643
Amount due to joint venture	**(72)**	–	**–**	–
Amounts due to subsidiaries	**(546)**	–	**(546)**	–
Borrowings	**(2,073)**	–	**–**	–
Net financial assets denominated in foreign currencies	**37,403**	44,497	**3,135**	6,555

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

35. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

***Foreign currency risk* (cont'd)**

The following table demonstrates the sensitivity to a reasonably possible change in USD against SGD, with all other variables held constant, of the Group and the Company's profit after tax:

	Group Increase/(decrease) in profit after tax		Company Increase/(decrease) in profit after tax	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
USD/SGD				
– strengthened 5% (2019: 5%)	**1,552**	1,847	**130**	272
– weakened 5% (2019: 5%)	**(1,552)**	(1,847)	**(130)**	(272)

Interest rate risk

The Group's and the Company's exposure to interest rate risk arises primarily from borrowings and interest-bearing deposits placed with various financial institutions. Borrowings at variable rates expose the Group and the Company to cash flow interest rate risk (ie. the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates). Borrowings at fixed rates expose the Group and the Company to fair value interest rate risk (i.e. the risk that the value of a financial instrument will fluctuate due to changes in market rates).

Sensitivity analysis for interest rate risk

The sensitivity analysis below has been determined based on the exposure to interest rates for borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of borrowings that have floating rates.

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 $14,000 (2019: $12,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets including investment securities and cash and cash equivalents, the Group and the Company minimise credit risk by dealing exclusively with high 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.

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35. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

At the end of the reporting period, 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 Company has no significant concentration of credit risk except for the amounts due from subsidiaries as disclosed in Note 21.

The maximum amount the Group could be forced to settle under the financial guarantee contract in Note 34, if the full guaranteed amount is claimed by the counterparty to the guarantee is $507,000 (31.12.2019: $1,238,000). 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.

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:

	31.12.2020		**31.12.2019**	
	$'000	**%**	**$'000**	**%**
By geographical area				
Cambodia	**6,136**	**100**	71	100

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses ("ECL"):

Description of evaluation of financial assets	**Basis for recognition and measurement of ECL**
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been significant increase in credit risk since initial recognition	Lifetime ECL- not credit-impaired
Contractual payments are more than 90 days past due or there is evidence of credit impairment	Lifetime ECL- credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

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35. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset 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, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- 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/key financial performance ratios of the 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.

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.

Regardless of the evaluation of the above factors, 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.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and 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.

Definition of default

The Group considers information developed internally or obtained from external sources indicating that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group) as constituting an event of default for internal credit risk management purposes as historical experience indicates that such receivables are generally not recoverable.

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.

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35. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

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 such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no significant change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

Trade receivables and contract assets

The Group has applied the simplified approach by using a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

The contract assets relate to unbilled work-in-progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Trade receivables and contract assets that shared the same credit risk characteristics and days past due are grouped together in measuring the expected credit losses.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions with consideration of the impact of COVID-19 pandemic on the ability of the customers to settle the receivables.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables and deposits, amounts due from subsidiaries and cash and cash equivalents.

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35. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

Credit quality of financial assets

The table below details the credit quality of the Group's and the Company's financial assets:

31 December 2020	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Group				
Trade receivables and contract assets	Lifetime ECL	**6,136**	**–**	**6,136**
Other receivables and deposits	12-month ECL	**1,431**	**–**	**1,431**
Cash and cash equivalents	N.A. Exposure Limited	**9,535**	**–**	**9,535**
Company				
Other receivables and deposits	12-month ECL	**38**	**–**	**38**
Amounts due from subsidiaries	12-month ECL	**32,836**	**–**	**32,836**
Cash and cash equivalents	N.A. Exposure Limited	**680**	**–**	**680**

31 December 2019	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Group				
Trade receivables and contract assets	Lifetime ECL	15,223	–	15,223
Other receivables and deposits	12-month ECL	1,934	–	1,934
Cash and cash equivalents	N.A. Exposure Limited	11,305	–	11,305
Company				
Other receivables and deposits	12-month ECL	48	–	48
Amounts due from subsidiaries	12-month ECL	24,329	–	24,329
Cash and cash equivalents	N.A. Exposure Limited	2,687	–	2,687

The credit loss exposure for the Group and the Company's financial assets at amortised cost have been assessed to be insignificant and accordingly, no credit loss allowances are required as at 31 December 2020 and 31 December 2019.

Liquidity risk

Liquidity and cash flow risks are the risks that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group and Company maintain sufficient cash and bank balances and internally generated cash flows to finance its activities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

35. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial risk management (cont'd)

Liquidity risk (cont'd)

The Group and the Company adopt prudent liquidity risk management by maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group and the Company aim at maintaining flexibility in funding by keeping committed credit lines available.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments:

	Within one year $'000	Within two to five years $'000	More than five years $'000	Total $'000
Group				
31 December 2020				
Trade payables	**2,472**	**–**	**–**	**2,472**
Other payables and accruals	**5,426**	**–**	**–**	**5,426**
Borrowings	**3,044**	**20,066**	**–**	**23,110**
Lease liabilities	**166**	**420**	**2,579**	**3,165**
	11,108	**20,486**	**2,579**	**34,173**
31 December 2019				
Trade payables	5,534	–	–	5,534
Other payables and accruals	1,185	–	–	1,185
Borrowings	732	569	–	1,301
Lease liabilities	262	465	2,694	3,421
	7,713	1,034	2,694	11,441

	Within one year $'000	Within two to five years $'000	More than five years $'000	Total $'000
Company				
31 December 2020				
Other payables and accruals	**378**	**–**	**–**	**378**
Amounts due to subsidiaries	**8,286**	**–**	**–**	**8,286**
Borrowings	**1,994**	**5,039**	**–**	**7,033**
Lease liabilities	**77**	**44**	**–**	**121**
	10,735	**5,083**	**–**	**15,818**
31 December 2019				
Other payables and accruals	450	–	–	450
Amounts due to subsidiaries	9,085	–	–	9,085
Lease liabilities	116	127	–	243
	9,651	127	–	9,778

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

36. FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices); and
c) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Fair value measurements of assets and liabilities that are measured at fair value

Fair values have been determined for measurement purposes based on the following methods:

Investment properties

The basis of determining fair values for measurement at the end of the reporting period is disclosed in Note 13.

Biological assets

The basis of determining fair values for measurement at the end of the reporting period is disclosed in Note 17.

Financial assets at fair value through profit or loss

The basis of determining fair values for measurement at the end of the reporting period is disclosed in Note 20.

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

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

The carrying amounts of trade receivables, other receivables and deposits, cash and cash equivalents, borrowings, trade payables, other payables and accruals, and amounts due from/to subsidiaries approximate their respective fair values due to their relatively short-term nature of these financial instruments and where the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

37. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders and issue new shares. Adjusted capital comprises all components of equity (that is, share capital and reserves).

There were no changes in the objectives, policies or processes during the financial years ended 31 December 2020 and 31 December 2019.

The gearing ratio is calculated as borrowings and lease liabilities divided by total capital which include equity attributable to the owners of the Company. The Group's policy is to maintain gearing ratio below 60%.

	Group	
	31.12.2020 $'000	**31.12.2019 $'000**
Borrowings	**22,321**	1,238
Lease liabilities	**935**	1,134
	23,256	2,372
Equity attributable to the equity holders of the Company, representing total capital of the Company	**117,640**	128,088
Gearing ratio	**20%**	2%

38. SEGMENT INFORMATION

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by SFRS(I) 8 *Operating Segments*. This disclosure standard has no impact on the reported results or financial position of the reporting entity.

For management purposes the Group is organised into the following major strategic operating segments: agriculture division, property development and real estate division, and others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the type of products and services are 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.

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

38. SEGMENT INFORMATION (cont'd)

The segments and the type of products and services are as follows:

(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.

Profit or loss from operations and reconciliations

	Agriculture division $'000	Property development and real estate division $'000	Adjustments and others $'000	Eliminations $'000	Group $'000
2020					
Revenue					
External sales	3,554	4,410	–	–	**7,964**
Inter-segment sales	–	–	2,550	(2,550)	**–**
Total revenue	3,554	4,410	2,550	(2,550)	**7,964**
Segment profit/(loss)	(5,642)	(2,957)	252	(184)	**(8,531)**
Depreciation of property, plant and equipment and right-of-use assets	(3,248)	(72)	(175)	–	**(3,495)**
Fair value loss on investment properties	(1,000)	–	–	–	**(1,000)**
Fair value loss on biological assets	(302)	–	–	–	**(302)**
Finance costs	(77)	(182)	(118)	28	**(349)**
Income tax credit/(expense)	416	(188)	–	–	**228**
Gain on disposal of property, plant and equipment	41	–	–	–	**41**
Loss on change in fair value of financial assets at fair value through profit or loss	–	(60)	–	–	**(60)**
Interest income	3	227	36	(28)	**238**
Segment assets	89,888	71,473	1,276	–	**162,637**
Segment assets includes:					
Additions to property, plant and equipment	582	22	9	–	**613**
Investment in joint venture	–	6,405	–	–	**6,405**
Segment liabilities	(14,760)	(23,081)	(7,156)	–	**(44,997)**

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

38. SEGMENT INFORMATION (cont'd)

Profit or loss from continuing operations and reconciliations (cont'd)

	Agriculture division $'000	Property development and real estate division $'000	Adjustments and others $'000	Eliminations $'000	Group $'000
2019					
Revenue					
External sales	2,756	26,587	–	–	29,343
Inter-segment sales	–	–	2,900	(2,900)	–
Total revenue	2,756	26,587	2,900	(2,900)	29,343
Segment profit/(loss)	(2,526)	6,808	183	(2,656)	1,809
Depreciation of property, plant and equipment and right-of-use assets	(3,456)	(196)	(161)	–	(3,813)
Fair value loss on investment properties	(1,000)	–	–	–	(1,000)
Fair value gain on biological assets	954	–	–	–	954
Finance costs	(178)	(177)	(47)	295	(107)
Income tax credit/(expense)	431	(1,088)	6	–	(651)
Loss on disposal of property, plant and equipment	(6)	(2)	–	–	(8)
Loss on disposal of investment properties	(390)	–	–	–	(390)
Loss on change in fair value of financial assets at fair value through profit or loss	–	(941)	–	–	(941)
Interest income	121	370	59	(295)	255
Segment assets	96,111	51,379	3,867	–	151,357
Segment assets includes:					
Additions to property, plant and equipment and right-of-use assets	297	320	30	–	647
Investment in joint venture	–	3,315	–	–	3,315
Segment liabilities	(15,198)	(7,377)	(694)	–	(23,269)

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

38. SEGMENT INFORMATION (cont'd)

Geographical information

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

	Revenue		Non-current assets	
	2020	**2019**	**31.12.2020**	**31.12.2019**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	**762**	1,222	**8,357**	12,708
Cambodia	**7,202**	28,121	**81,433**	79,152
	7,964	29,343	**89,790**	91,860

Non-current assets information presented above are non-current assets as presented on the statements of financial position excluding financial instruments.

Information about major customer

There was no single external customer that had contributed more than 10 percent to the revenue of the Group for the financial years ended 31 December 2020 and 31 December 2019.

39. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company has completed the proposed issuance of renounceable non-underwritten rights issue (the "Rights Issue") of 295,910,922 new ordinary shares in the share capital of the Company (the "Rights Shares"), at an issue price of S$0.091 for each Rights Share, on the basis of four Rights Shares for every three existing ordinary shares in the issued and paid-up share capital of the Company held by the entitled shareholders as at the record date, fractional entitlements to be disregarded. The Company has raised net proceeds of $26,300,000 after deducting estimated expenses of $600,000 from the Rights Issue.

40. COMPARATIVE FIGURES

Based on the impairment test performed during the year using the fair value less costs to sell method, management has determined that the recoverable amounts of the Company's investment in subsidiaries are higher than their respective carrying amounts as at 31 December 2019 and 1 January 2019. Accordingly, impairment losses recognised in prior years were reversed and investments in subsidiaries and retained earnings as at 31 December 2019 and 1 January 2019 have been restated as follows:

	As previously reported	**Adjustments**	**After restatement**
	$'000	**$'000**	**$'000**
Company			
Statement of financial position at 1 January 2019			
Non-current assets			
Investment in subsidiaries	77,160	22,969	100,129
Equity			
Retained earnings	(26,161)	22,969	(3,192)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

40. COMPARATIVE FIGURES (cont'd)

	As previously reported $'000	Adjustments $'000	After restatement $'000
Company			
Statement of financial position at 31 December 2019			
Non-current assets			
Investment in subsidiaries	77,160	22,969	100,129
Equity			
Retained earnings	1,434	22,969	24,403

The prior year adjustment did not have any effect on the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group.

41. AUTHORISATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors dated 6 April 2021.

STATISTICS OF SHAREHOLDINGS

AS AT 30 MARCH 2021

ISSUED AND FULLY PAID-UP CAPITAL	–	S$121,529,865
NUMBER OF SHARES ISSUED	–	517,844,114
CLASS OF SHARES	–	ORDINARY SHARES
VOTING RIGHTS	–	ONE VOTE PER SHARE

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	513	8.16	21,836	0.00
100 – 1,000	1,043	16.59	569,022	0.11
1,001 – 10,000	2,933	46.66	12,887,884	2.49
10,001 – 1,000,000	1,761	28.02	122,662,344	23.69
1,000,001 & above	36	0.57	381,703,028	73.71
TOTAL	6,286	100.00	517,844,114	100.00

TWENTY LARGEST SHAREHOLDERS

	TOP TWENTY SHAREHOLDERS	NO. OF SHARES	%
1	ONG BEE HUAT	132,168,465	25.52
2	PHILLIP SECURITIES PTE LTD	79,537,647	15.36
3	ONG JIA MING	20,599,765	3.98
4	ONG KIAN HENG	15,476,377	2.99
5	WONG WEN-YOUNG	13,841,850	2.67
6	KOH TIAK CHYE	11,766,787	2.27
7	NG CHUEN GUAN	11,535,000	2.23
8	HONG LEONG FINANCE NOMINEES PTE LTD	10,400,833	2.01
9	MORGAN STANLEY ASIA (S) SECURITIES PTE LTD	9,384,883	1.81
10	DBS NOMINEES PTE LTD	8,520,277	1.65
11	TAN ENG CHUA EDWIN	7,720,700	1.49
12	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	6,180,903	1.19
13	JIB SPECIALIST CONSULTANTS PTE LTD	4,392,800	0.85
14	HSU HUNG-CHUN	4,000,000	0.77
15	TOH TIAM HOCK	3,731,688	0.72
16	ANG POON BENG	3,681,285	0.71
17	UOB KAY HIAN PTE LTD	3,663,711	0.71
18	MAYBANK KIM ENG SECURITIES PTE.LTD	3,405,477	0.66
19	CITIBANK NOMINEES SINGAPORE PTE LTD	3,016,769	0.58
20	TEO HO PIN	3,000,000	0.58
		356,025,217	68.75

STATISTICS OF SHAREHOLDINGS

AS AT 30 MARCH 2021

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 30 March 2021)

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
DATO' DR. ONG BEE HUAT, JOHNNY(1)	132,168,465	25.52	70,010,000(1)	13.52
PHILLIP SECURITIES PTE. LTD.	79,537,647	15.36	–	–

Notes:

(1) Dato' Dr. Ong Bee Huat, aggregate deemed interest comprised 70,000,000 shares held by Haitong International Securities (Singapore) Pte. Ltd. ("Haitong") and 10,000 shares held by his spouse. Phillips Securities Pte. Ltd. is the sub-custodian for Haitong's holding of the 70,000,000 shares on behalf of Dato' Dr. Ong Bee Huat.

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

Based on information available and to the best knowledge of the Company as at 30 March 2021, approximately 52.16% of the ordinary shares of the Company are held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

CORPORATE INFORMATION

DIRECTORS

Dato Dr. Ong Bee Huat, Johnny
(Executive Director)

Mr Ong Jia Ming
(Executive Director)

Mr Ong Jia Jing
(Executive Director, appointed on 1 September 2020)

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 Prof. Wong Wen-Young, Winston)

Mr Lien We King
(Independent Director)

Ms Kohe Hasan
(Independent Director)

SECRETARY

Ms Liew Meng Ling

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BANKERS

RHB Bank Berhad
Hong Leong Finance Limited
CIMB Singapore
Acleda Bank
Canadia Bank PLC
Phillip Bank PLC
Maybank Cambodia
J Trust Royal Bank

AUDITORS

Baker Tilly TFW LLP
600 North Bridge Road
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Singapore 188778

Engagement partner: Lim Kok Heng
(since financial year ended 31 December 2020)

HONG LAI HUAT GROUP LIMITED
SGX MAINBOARD (CTO.SI)
逢來發集團有限公司

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