HLH GROUP LIMITED
Company Reg No. 199905292D

82 Playfair Road #11-01 D'Lithium Singapore 368001
Tel: (65) 6289 8286 Fax: (65) 6289 8166 Website: http://www.hlh.com.sg

Designed+Produced by
Xpress
+65 6880 2881

HLH GROUP LIMITED | annual report 2008

since 1988

HLH GROUP LIMITED

Contents

CORPORATE INFORMATION

Directors

Dato Dr Ong Bee Huat
(Executive Director)

Gan Wui Koh
(Executive Director)

Mah Peek Sze Patsy
(Executive Director)

Dr Wang Kai Yuen
(Independent Director)

Luar Eng Hwa
(Independent Director)

Dr Chen Seow Phun John
(Independent Director)

Dr Wong Wen-Young Winston
(Non-Executive Director)

Secretary

Helen Campos

Share Registrar & Share Transfer Office

B.A.C.S Private Limited
63 Cantonment Road
Singapore 089758
Tel: 6593 4848
Fax: 6593 4847

Registered Office

82 Playfair Road #11-01
D' Lithium
Singapore 368001
Tel: 6289 8286
Fax: 6289 8166

Auditors

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Engagement partner:
Philip Ng Weng Kwai

Bankers

United Overseas Bank Limited

The Development Bank of Singapore Ltd

The Hong Kong and Shanghai Banking Corporation Limited

Standard Chartered Bank

Merrill Lynch International Bank Ltd

Bank Julius Baer & Co. Ltd

ORGANISATION STRUCTURE

HLH Group Limited

AGRICULTURE DIVISION

- HLH Agri International Pte Ltd
  - HLH Global Trading Pte Ltd
  - HLH Agri R & D Pte Ltd
    - Tieling HLH Agri Processing Co Ltd (85%)
  - HLH Agriculture (Cambodia) Company Limited
  - HLHS Agriculture (Cambodia) Company Limited (70%)
  - H.L.H.I. (Cambodia) Company Limited (49%)

PROPERTY DIVISION

- HLH Development Pte Ltd
  - Lithium Development Pte Ltd
  - Fresco Development Pte Ltd (70%)
  - Castilia Development Pte Ltd
  - Almira Development Pte Ltd
- Hong Lai Huat Construction Pte Ltd

CORPORATE PROFILE

THE COMPANY

Company Background

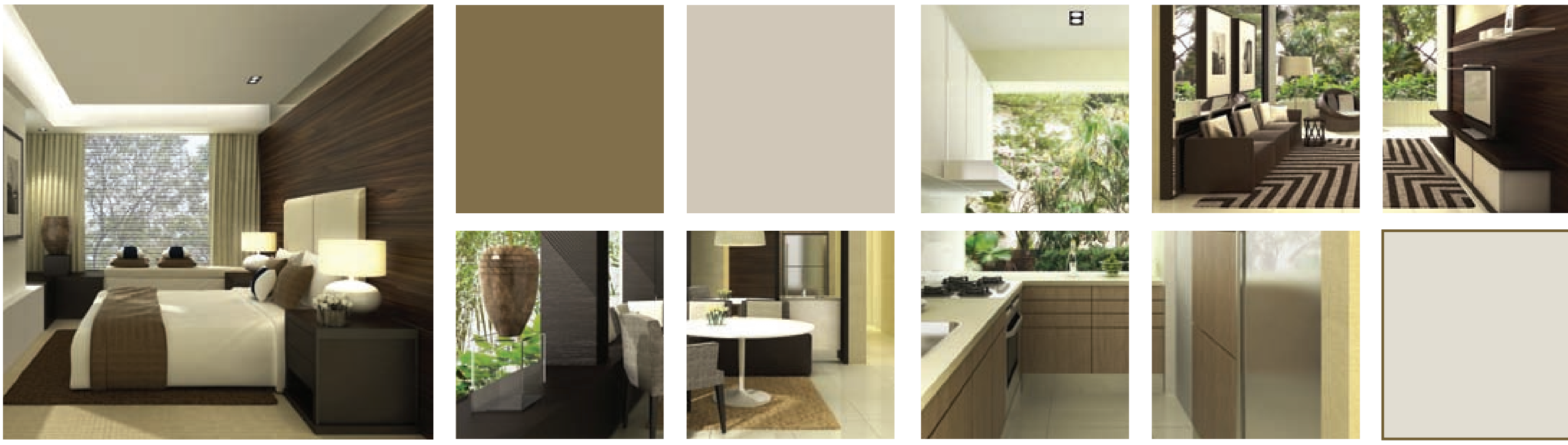
The Company was listed on the mainboard of the Singapore Stock Exchange under the name "Hong Lai Huat Group Limited" on 21 June 2000. The Group subsequently changed its name to PDC Corp Ltd on 31 July 2002, before eventually renaming itself HLH Group Limited on 15 June 2007.

Market Interests: South East Asia, China and Taiwan

The Company is a diversified group with interests in:

- ### Agriculture

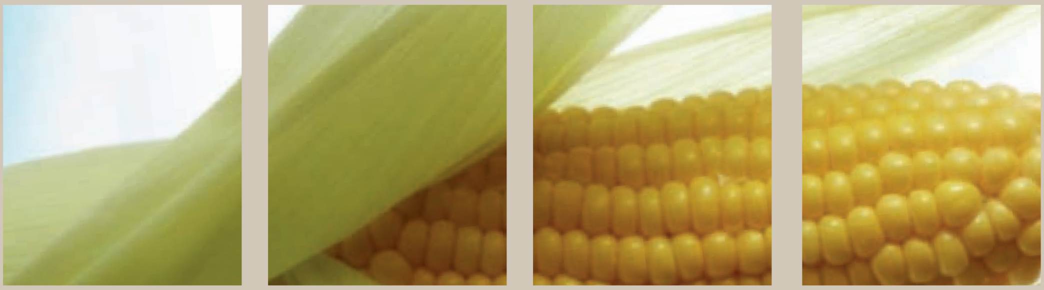
  The division is carrying on the business of agricultural development, cultivation, branding and merchandising and distribution of corn for the processing and animal feed milling industries.



- Properties Development and Real Estate

  The division is carrying on the business of investment and development of commercial, residential and industrial properties.

BOARD OF DIRECTORS



Dr Wang Kai Yuen
Chairman / Non-Executive Independent Director

Dr Wang was appointed as Director on 1 May 2006. He is the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committee. He has been the Managing Director of Fuji Xerox Singapore Software Centre, Fuji Xerox Asia Pacific since 1989. In that capacity, he has built up the software centre and assisted in the establishment of similar centres in UK, India, China, Brazil and Ireland. He also holds directorships of other public listed companies including Asian Micro Holdings Ltd, China Lifestyle Food & Beverages Group Ltd, ComfortDelGro Corporation Ltd, COSCO Corporation (Singapore) Ltd, Hiap Hoe Holdings Ltd, Matex International, SuperBowl Holdings, and CAO (Singapore) Ltd. Dr Wang was Member of Parliament for the Bukit Timah Constituency from December 1984 to April 2006. He was the Chairman of Feedback Unit established by the Ministry of Community Development from 2002 till April 2006.

Dato' Dr Ong Bee Huat
Executive Deputy Chairman

Dato' Dr Ong is the founder of our organization. Currently, as Deputy Chairman, he is responsible for our group's strategic direction and planning as well as business development. Dato' Dr Ong is an outstanding entrepreneur. He was conferred the title "Dato" by the Sultan of Pahang, Malaysia on 15 January 2000. He was also awarded The Doctor of Business Administration in 2001 by Wisconsin International University of the United States.

Dr Wong Wen-Young Winston
Vice Chairman / Non-Executive Director

Dr Wong, who holds a PhD (Physics) from Imperial College of Science & Technology, University of London, joined the Board on 27 February 2007. He is a well-known Taiwanese entrepreneur, and he is the Founder and Chairman of renowned Taiwanese electronics and plastics conglomerate Grace T.H.W Group. He is the Founder and Director of Grace Semiconductor Manufacturing Corp, China; and the Founder and Director of Trust-Mart Co., Ltd. Dr Wong has with him wealth of experience and expertise in petrol-chemical products which adds value to the Group's agribusiness expansion plan.

Ms Gan Wui Koh Veronica
Executive Director / Chief Operating Officer

Ms Gan was appointed as Executive Director on 11 August 2006. She holds a Diploma in Financial & Accounting Management. She has been with the company since 1993 and was the Group Deputy

Managing Director from Year 2000 until March 2004 when she left the Group to join our founder, Dato' Dr Ong Bee Huat as his companies' Director. Ms Gan has been instrumental in the Group's overall development, particularly in developing its equity capabilities to support its regional growth. She is integral to many of our Group's investment and policy decisions.

Ms Mah Peek Sze Patsy

Executive Finance Director

Ms Mah was appointed as Executive Director on 6 March 2006. She is an associate of the Institute of Certified Public Accountants Singapore. She was the Finance Manager of the Group from Year 2000 until February 2004 when she left the Group to join CLP International Pte Ltd as Group Accountant where she handled the Group Financing and Corporate Restructuring matters. Ms Mah has over 10 years experience dealing with bankers, auditors and statutory board. Currently, she oversees the Group's finance department.

Dr Chen Seow Phun John

Non-Executive Independent Director

Dr Chen was appointed as Director on 11 August 2006. He is currently the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committee. Dr Chen is the chairman of SAC Capital Private Limited, Matex International Limited, Fu Yu Corporation Limited, Deputy Chairman of PSC Corporation Ltd, Tat Seng Packaging Group Ltd, and a director of a number of other publicly listed companies including Thai Village Holdings Ltd, OKP Holdings Limited, Hiap Seng Engineering Ltd and Hongguo International Holdings Limited. Dr Chen was a Member of Parliament from September 1988 to April 2006 and a Minister of State from March 1997 to November 2001.

Mr Luar Eng Hwa

Non-Executive Independent Director

Mr Luar was appointed as Director on 1 March 2004. He is a Public Accountant and a Certified Public Accountant and has numerous years of professional experience. He is a Fellow of the Association of Chartered Certified Accountants (U.K.), a Certified Fraud Examiner (U.S.A) and a Fellow of the Association of Financial Planners. He has attained the designation of Certified Financial Consultant from the Institute of Financial Consultants (Canada). He is also a member of the Singapore Institute of Certified Public Accounts in Singapore. Mr Luar is currently the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committee.

DEPUTY CHAIRMAN'S MESSAGE

Dear Shareholders,

The year 2008 was a challenging year for the Group, but yet, a year of opportunities and growth. In 2008, we undertake a number of positive initiatives to execute our two-pronged growth strategies of our property development and agriculture divisions to streamline and focus on our operations and expand into new frontier markets.

Strategic Development during the Year

New location of our Corporate Office
In 3Q FY2008, we shifted to our new corporate office – D' Lithium at 82 Playfair Road, a freehold property developed by the Group. The relocation to our new corporate office will enable the Group to achieve operational efficiency.

Property Division
During the year, we sold our investment properties held as at end FY2007 at a net gain of approximately $0.14 million and achieved TOP for our development property D' Lithium. The strata title property was completely sold in 2007 while we took up 4 levels to house our corporate office as mentioned in the foregoing.

During the same year, we acquired another three development properties and one investment properties to add-on to our properties portfolios. In 2Q FY2008 & 1Q FY2009, we launched our development properties D' Fresco, a 30-units freehold boutique residential development and D' Almira, another 25-units freehold boutique residential development respectively. In the light of the current market conditions, we are vigilant of every decision taken and we will evaluate our strategies in various markets and time our launches and developments appropriately.

Agriculture Division

Plantation
During the year, we took a significant leap forward by repositioning our plantation investment project to Cambodia. We have decided to extend our foothold to Cambodia mainly because Cambodia is currently one of the fastest emerging countries in South East Asia with good upside potential. Importantly, Cambodia has vast tracts of uncultivated land that are suitable for plantation.

Further to the announcement in June 2008 pertaining to the Sales and Purchase agreement ("S&P") to acquire 1,791 hectares of freehold land located in Amlang Commune, Thpong District, Kampong Speu, Kingdom of Cambodia, to-date, we have completed an approximately 450 hectares of land and we target to complete the acquisition of the remaining land by 3Q FY2009. As at the date of this report, we have also obtained an in-principal approval from the Cambodian government of the allocation of an approximately 10,000 hectares of concession land for our agri-plantation business.

During 4Q FY2008 we have embarked on land clearing on the 450 hectares land and are currently setting up farm facilities and making the necessary preparation to kick-start the plantation.

Merchandising of Agriculture Products
I am pleased to report that the Merchandising segment of the Agriculture division has achieved an encouraging growth in turnover from approximately $1.97 million in the previous corresponding period of FY2007 to approximately $9.11 million in FY2008.

The strategic purpose of this segment is to build up a strong customer network base, penetrate into new markets and to synergize with the expansion of our Agriculture business. Currently, the segment is actively exploring into expanding the portfolio of its agri-related product base.

Agri-tainment Farm
The Agri-tainment farm is officially opened in Nov 08, nestled among the lush foliage of Kranji Countryside, spreading across 5 hectares of land surrounded by tropical fruits, vegetables, corn & paddy plantation. The Farm has a R&D centre and is inspired to be a centre of learning and training opportunities in the Agricultural field and at the same time, incorporating recreational activities.

This segment is actively working with the Singapore Tourism Board and other relevant corporations to schedule various events (both education and leisure) to promote the farm to the residents in Singapore as well as the visitors of Singapore via the promotional campaign organised by the Singapore Tourism Board.

Generally, we take the view that the development of the agriculture business is a mid to long term project and as such, is not expected to yield any immediate result. In the short-term the overheads of the Group may inevitably increase to accommodate the increase in headcount and operational costs as we intensified our expansion plan.

Moving Forward
The business environment in which the Group operates will remain very challenging with intense pressure and competition. Against these uncertainties I believed that it is necessary for the Group to adopt a cautious and consolidation strategy and to remain steadfast. We will continuously take cognizance of market conditions and will do our utmost to make astute decisions before undertaking any new projects or launches and we will continue to focus unequivocally on cost control, effective and efficient execution of our on-going projects. In light of the adverse economic environment, the Group will remain resilient and focus on positioning its strategic platform to lay a solid foundation for sustainable growth.

OPERATIONAL REVIEW

Review of Income Statement

Turnover and Gross Profit
Overall, the Group recorded an increase of approximately $6.61 million or 72.5% in turnover from $9.12 million recorded in the previous corresponding FY2007 to approximately $15.73 million in the current FY2008. The turnover recorded in the current FY2008 was mainly derived from the sales recognised for the development property of approximately $6.29 million, rental income from the investment properties of approximately $0.04 million, revenue derived from the merchandising of agriculture products of approximately $9.15 million and income from the operation of the Agri-tainment farm of approximately $0.25 million. The turnover recorded in the previous corresponding FY2007 was mainly derived from the sales recognised for the development property of approximately $6.54 million, the rental income from the investment properties of approximately $0.61 million and the revenue derived from the merchandising of agriculture products of approximately $1.97 million.

Overall, the Group's gross profit has reduced by approximately $0.90 million or 32.1% from $2.80 million recorded in the previous corresponding FY2007 to approximately $1.90 million recorded in the current FY2008 mainly attributable to the preliminary operation costs of the its newly opened Agri-tainment farm as well as the slight overrun in construction costs for the D' Lithium development project.

Other income
The other operating income for the Group in the current FY2008 has reduced by approximately $0.64 million from approximately $1.70 million derived in FY2007 to approximately $1.06 million derived in FY2008. The higher operating income derived in the corresponding period was mainly attributable to the unrealised gain of approximately $1.22 million recognised on the investment in quoted shares. Save for this item, the other operating income of the Group has generally increased in the current FY2008 mainly due to the gain on the sale of quoted investments of $0.41 million, gain on disposal of investment properties of $0.14 million, the interest income and gain on structured investments approximately $0.21 million and other miscellaneous sundry income including exchange gain of $0.30 million. The other operating income in the corresponding FY2007, other than the unrealised gain of approximately $1.22 million mentioned in the foregoing, comprised of interest income and gain on structured investments of approximately $0.29 million and other miscellaneous sundry income including exchange gain of approximately $0.19 million.

Distribution and selling expenses
The distribution and selling expenses in the current FY2008 have increased by approximately $0.46 million mainly attributable to the marketing expenses of two of its development properties of which one was launched in HY2008 and the other was launched in 1Q FY2009.

The marketing expenses incurred in the previous corresponding FY2007 were also the marketing expenses recognised in relation to the development property held by the Group.

Administrative expenses
The administrative expenses of the Group have increased approximately $1.88 million or 67.1% from approximately $2.80 million in the previous FY2007 to approximately $4.68 million incurred in the current FY2008 mainly due to the increase in the overall operation costs resulting in increase in business activities and operations of the Group since the Company announced in the 2nd half of FY2007 of its plan to augment into the agriculture business sector.

Other expenses
The other operating expenses in the current FY2008 has increased by approximately $1.13 million from approximately $0.12 million incurred in FY2007 to approximately $1.25 million incurred in the current FY2008. The higher other operating expenses incurred in the current FY2008 are mainly due to the provision of approximately $0.67 million for doubtful receivables, approximately $0.27 million incurred on the winding down of the subsidiary in Indonesia and approximately $0.21 million incurred on impairment of investment in quoted shares.

Financial expenses

The financial expenses of the Group in the current FY2008 has reduced marginally by approximately $23,000 or 9.2% compared to the previous corresponding FY2007. There was a reduction in the financing costs incurred for the investment properties as a result of the repayment of the term loan of $6.29 million arising from the disposal of investment properties during 1Q FY2008. The reduction in the term loan interest incurred for the investment properties was partially offset by an increase in the term loan interest incurred for a development property due to the deferment of the construction commencement.

Operating profit before tax and net profit after tax

As a result of the higher operational expenses and other expenses, the Group has in FY2008 reported (i) an operating loss before tax and exceptional item (arising from the amortisation of the prepaid commitment fee relating to the convertible notes and the derecognition of the derivative financial instrument pursuant to the termination of the convertible notes as detailed in Note (b) above) of $3.75 million; (ii) an operating loss after exceptional item but before tax of $3.91 million and (iii) a net loss after tax attributable to shareholders of $3.33 million for FY2008.

For FY2007, the Group recorded (i) an operating profit before tax and exceptional items of $1.31 million; (ii) an operating loss after exceptional item but before tax of $2.82 million and a net loss after tax attributable to shareholders of $3.04 million. The operating loss for FY2007 arose mainly due to the loss recognised in the exceptional items (relating to the recognition of the consultancy and services fee as well as the amortization expenses and fair value changes of the financial instruments pertaining to the Convertible Notes as detailed in Note (i) & (ii) above).

Taxation

The Group's has a tax credit of approximately $0.38 million in the current FY2008 relating to over-provision of taxes for prior year. The tax expenses in the current FY2008 are minimal as the Group does not have any operating profit during the current period.

The tax expenses incurred in the previous corresponding FY2007 were mainly provision of deferred tax liabilities for its development property as well as the under-provision of tax for prior years.

Review of Balance Sheet

The net book value of the property, plant and equipments of the Group has increased by approximately $16.54 million mainly due to the acquisition of land and buildings on the incorporation of a subsidiary in Tieling Region, Liaoning Province of the People's Republic of China (refer to Note (a) below), the expenditure incurred in the development of the Agri-tainment farm that was completed during 3Q FY2008, the reclassification from development property to fixed assets for certain strata title units of D' Lithium Building that are occupied by the Group and the acquisition of land and machineries & equipments for use in the agricultural business.

The construction work-in-progress of approximately $1.52 million included in the non-current assets as at end FY2007 relates to the expenditure incurred in the development of the Agri-tainment farm and has accordingly, being reclassified to the property, plant and equipments upon the completion of the construction.

Working Capital

i. The investment properties held for sale of approximately $12.36 million as at end FY2007 has been derecognised as the Group has, in January 2008, disposed of its investment properties at 284, 286, 288, 290, 292, 294 and 296 Geylang Road, Singapore.

ii. The development properties have increased by approximately $17.09 million from approximately $17.45 million as at end FY2007 to approximately $34.54 million as at the end of current FY2008 due to the acquisition of additional three development properties.

iii. The trade receivables have increased marginally while the other receivables, deposits and prepayments have reduced approximately $2.37 million from $3.78 million as at end FY2007 to approximately $1.41 million as at end FY2008.

Other receivables, deposits and prepayments as at end FY2007

- The other receivables as at end FY2007 included a loan of approximately $1.09 million (inclusive of accrued interest) that was extended to Tieling HLH Agri Processing Co. Ltd (China) (refer to Note (a) below) as working capital. The amount is reclassified subsequent to the end of FY2007 as a result of the incorporation of the subsidiary.

- The deposits as at end FY2007 included an amount of approximately $0.84 million paid for the proposed investment in Tieling HLH Agri Processing Co. Ltd (China) (refer to Note (a) below). The amount is reclassified subsequent to the end of FY2007 as a result of the incorporation of the subsidiary.

- The prepayments as at end FY2007 included an amount of approximately $1.17 million related to the purchase of fertiliser of which a provision for doubtful receivable of approximately $0.67 million was made as at end FY2008.

iv. The investment in quoted shares has increased by approximately $0.30 million from $2.59 million as at end FY2007 to $2.82 million as at end FY2008. During FY2008, the Group acquired an approximately $1.29 million of quoted shares of which an approximately $39,000 were scheme shares allotted to the Group in-lieu of bad debts recovery. During FY2008, an approximately $0.77 million was sold and an impairment loss and exchange loss of approximately $0.21 million and $13,400 respectively were recognised.

vi. The investment in quoted shares has increased by approximately $0.30 million from $2.59 million as at end FY2007 to $2.82 million as at end FY2008. During FY2008, the Group acquired an approximately $1.29 million of quoted shares of which an approximately $39,000 were scheme shares allotted to the Group in-lieu of bad debts recovery. During FY2008, an approximately $0.77 million was sold and an impairment loss and exchange loss of approximately $0.21 million and $13,400 respectively were recognised.

vii. The prepaid commitment fees of approximately $2.04 million held under the financial asset and the derivative financial instrument of approximately $2.05 million held under the financial liabilities as at end FY2007 were derecognized during FY2008 corresponding to the termination of the Subscription Agreement relating to the convertible notes.

The aggregate interest bearing loans and borrowing have increased by approximately $8.04 million mainly due to increase in term loan facilities of approximately $15.04 million for the financing of two 2 new development projects and the building at D' Lithium currently occupied by the Group. The increase in the aggregate interest bearing loans and borrowing was partially offset by the conversion of the convertible notes of approximately $0.65 million that remain outstanding as at the end of FY2007 as well as the discharge of term loan financing facilities of approximately $6.30 million relating to the investment properties sold at the beginning of FY2008.

The net assets of the Group have reduced by approximately $1.54 million from $55.20 million as at end of FY2007 to approximately $53.66 million as at end of FY2008 mainly due to the operating losses incurred by the Group albeit an increase of approximately $1.65 million in the shareholders' equity resulting from the conversion of Convertible Notes during 1Q FY2008.

The net gearing ratio of the Group has changed from 0.29 times as at end FY2007 to 0.44 times as at end FY2008 mainly due to the increase in the collaterised bank loans obtained to finance the development properties held by the Group which inherently has a higher gearing quantum than other loans.

Note (a)
On 12 October 2007, the Group had entered into a joint venture agreement with Tieling Shi Xiao Lin Liang You Co., Ltd ("TLLY"), a company incorporated in the People's Republic of China (collectively the "JV Parties") to establish a joint venture company (the "JV Company") in Liaoning Province of People's Republic of China. The business of the JV Company would be that of purchasing, processing, storage & distribution of corn/ grains and any related businesses / activities. The JV Company was incorporated under the name of Tieling HLH Agri Processing Co., Ltd in Tieling Region, Liaoning Province of the People's Republic of China.

Pursuant to the Agreement, the JV Company would have an issued and paid-up share capital of RMB13.0 million. The Group would hold 85% and TLLY would hold 15% of the paid up capital of the JV Company respectively. Upon receiving the paid up capital of RMB13.0 million, the JV Company would acquire from TLLY its existing fixed assets comprising of 21,952 sq metres land, 1,132 sq metres building & a drying plant of 300m/t capacity at RMB11.0 million valued by an independent valuer.

On 16 January 2008, the JV Company was incorporated and held under HLH Agri R&D Pte Ltd, a subsidiary company of the Group with the Group holding an effective equity interest of 85%. Subsequent to the incorporation, the JV Company has acquired the land and building & structures at its valuation of RMB11.0 million.

Review of Cash Flow

FY2008

The cash and cash equivalent of the Group has reduced by approximately $12.89 million during FY2008 mainly due to the increase in operating losses incurred by the Group as well as the increase in the financing of the working capital including the increase in the acquisition of development properties held by the Group, the increase in construction work-in-progress incurred for the Agri-tainment Farm (subsequently reclassified to the property, plant and equipments held by the Group upon completion in 4Q FY2008) as well as the reduction in the trade and other payables.

There were net cash flows of approximately $3.70 million generated from the investing activities during FY2008 mainly attributable to the proceeds of approximately $12.50 derived from the sale of the investment properties, the proceeds of approximately $1.18 million derived from the sale of the quoted investment as well as the proceeds of approximately $0.30 million derived from the sale of property, plant and equipment that were partially offset by a net cash of $8.59 million used in the acquisition of property, plant and equipment (mainly acquired by the Group's Agriculture division), the additional investment of approximately $1.25 million in quoted shares and the distribution of $0.45 million to the minority shareholders arising on the liquidation of a subsidiary.

Correspondingly, there were also net cash flows of approximately $9.79 million generated from the financing activities mainly attributable to the proceeds of approximately $15.04 million derived from the term loan financing of the various development properties held by the group, the proceeds of $1.00 million from the subscription of convertible notes as well as a proceed of an approximately $0.39 from the issue of shares to a minority shareholder of the Group. The cash flow generated from the financing activities as mentioned in the foregoing were partially offset by cash of approximately $6.29 million used in the repayment of term loan of the investment properties that were disposed during 1Q FY2008.

FY2007

During the previous corresponding FY2007, the Group generated a net increase of approximately $31.64 million in cash and cash equivalents mainly generated from the financing activities of the Group including the proceeds of $29.97 million from the subscription of the Convertible Notes, the proceeds of $20.35 million for the issuance of new shares pursuant to the various private placements exercises undertaken during the year as well as the proceeds of approximately $12.09 million from the term loan financing for the development properties and development properties held by the Group.

The net cash generated by the financing activities as mentioned in the foregoing were mainly used in the financing of the working capital of the Group including an approximately $13.18 million used in the acquisition of development properties held by the Group and an aggregate of approximately $6.07 million used in the financing of the trade and other receivables and inventories as a result of the increase in operating activities of the Group. Correspondingly, there were also net cash flows used in the investing activities including an approximately $6.18 million used in the acquisition of investment properties held by the Group, an approximately $1.53 million used in the investment in quoted shares as well as an approximately $0.86 million used in the acquisition of property, plant and equipment.

REPORT ON CORPORATE GOVERNANCE

The Board believes that good and well-defined corporate governance established and improved internal control, risk management and governance in our organisation and focus on shareholder value and its creation. In a broader aspect, the Code will assist to reinforce the Singapore Government's policy to create a regulatory framework that strengthens our capital markets, including rules impacting corporate reporting. The Company has adhered to the principles and guidelines of the New Code of Governance 2005 as it serves as a practical guide defining their duties and responsibilities.

Principle 1: "Every company should be headed by an effective Board to lead and control the company."

Currently, the Board of Directors (the "Board") comprises seven directors –three executive directors, three independent non-executive directors and one non-executive director. The Board is supported by various sub-committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee that were delegated entirely to the independent non-executive directors.

The Board comprises of expertise and competencies from varied fields to complement and reinforce its effectiveness in both the aspect of leading and control as well as bringing valuable experience and advice to contribute to the Group's operations. The Board is of the opinion that, given the scope and nature of the Group's operations, the present size of the Board is appropriate for effective decision making. The profile of each of the Directors is disclosed in this Annual Report.

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

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

The primary function of the Board is to protect and enhance Shareholders' Value. In addition to its statutory duties, the Board's principal functions are:-

a. provide entrepreneurial leadership, set strategic aims 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 Management performance; and

d. set the company's values and standards and ensure that obligations to shareholders and others 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 Nomination Committee.

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

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

The number of Directors' and other committees' meetings and the record of attendance of each Director during the financial year ended 31 December 2008 were as follows:

Name	**Board**		**Audit Committee**		**Nominating Committee**		**Remuneration Committee**	
	No. of meetings held	**No. of meetings**	**No. of meetings held**	**No. of meetings**	**No. of meetings held**	**No. of meetings**	**No. of meetings held**	**No. of meetings**
Wang Kai Yuen	4	4	4	4	1	1	2	2
Wong Wen-Young Winston	4	0	NA	NA	NA	NA	NA	NA
Ong Bee Huat Johnny	4	4	NA	NA	NA	NA	NA	NA
Gan Wui Koh Veronica	4	4	NA	NA	NA	NA	NA	NA
Mah Peek Sze Patsy	4	4	NA	NA	NA	NA	NA	NA
Luar Eng Hwa	4	4	4	4	1	1	2	2
Chen Seow Phun John	4	4	4	4	1	1	2	2

Principle 2: "There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making."

Currently, the Board comprises three independent non-executive directors. They are Dr Wang Kai Yuen who is the Chairman of the Board, Dr Chen Seow Phun John and Mr Luar Eng Hwa. The Independent Directors are not associated in any way with any of the substantial shareholders of the Company.

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

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

Principle 3: ***"There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power."***

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

The Chairman is responsible for, among other statutory duties,

a. directing meetings of the Board;

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

c. reviewing all announcements prior its release via SGX-net;

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

e. assist in ensuring compliance with the guidelines on corporate governance.

Principle 4: ***"There should be a formal and transparent process for the appointment of new directors to the Board."***

Principle 5: ***"There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board."***

The Nominating Committee ("NC") comprises of three Independent Non-executive Directors of the Company, Dr Chen Seow Phun John as the Chairman, and Dr Wang Kai Yuen and Mr Luar Eng Hwa as members.

The responsibilities of the Nominating Committee are:

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

b. to determine annually the independence of the directors;

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

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

e. to assess the effectiveness of the Board as a whole, and the contribution by each individual director to the effectiveness to the Board.

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

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

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

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

- complementary to the existing Board composition to ensure that there is an appropriate mix of Directors with different abilities and experiences;

- value-add to the Board in terms of the skills, knowledge and expertise required by the Group; and

- ability to commit the necessary time to their position;

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

f. The NC approved 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.

Pursuant to the Articles of Association of the Company:-

The Company's Articles provides one-third of the Board of directors to retire from office by rotation and be subject to re-election at the Company's Annual General Meeting ("AGM").

The Company's Article provides a newly appointed director must retire and submit himself for re-election at the forthcoming AGM following his appointment.

Principle 6: "In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis."

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

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

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

Principle 7: "There should be a formal and transparent procedure developing policy on executive remuneration and for fixing the remuneration packages of individual director. No director should be involved in deciding his own remuneration."

Principle 8: ***"The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance."***

Principle 9: ***"Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance."***

The Remuneration Committee ("RC") comprises three Independent Non-executive Directors of the Company, Dr Wang Kai Yuen as the Chairman, and Dr Chen Seow Phun John and Mr Luar Eng Hwa as members.

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

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

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

Name of Directors	Remuneration Bands	Salary	Bonus	Directors' Fees	Other Benefits	Total
		%	%	%	%	%
Wang Kai Yuen	below $250,000	–	–	100	–	100
Ong Bee Huat (Note a & b)	$250,000 to $499,999	62.0	5.7	–	32.3	100
Wong Wen-Young Winston	below $250,000	–	–	100	–	100
Gan Wui Koh	below $250,000	80.5	14.3	–	5.2	100
Mah Peek Sze Patsy	below $250,000	84.5	15.5	–	–	100
Luar Eng Hwa	below $250,000	–	–	100	–	100
Chen Seow Phun John	below $250,000	–	–	100	–	100

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

Currently the Group does not have any employee share option scheme or other long-term incentives for Directors.

Note a The remuneration of Ong Bee Huat as disclosed above has included an amount of $150,000 classified under other benefits that relates to the contingent liabilities made by the Company for the benefit of the provision for a motor vehicle for his use during his 3 years service contract and to be granted to him conditionally upon the expiry of his 3 years service contract signed with the Company which is expected to due in June 2010. Effectively, the Company is recognising an expense to the extent of the value of the benefit in-lieu of his services rendered to-date.

Note b In addition to the benefit of the motor vehicle as mentioned in the foregoing, the service agreement of Ong Bee Huat includes a profit share element which is related to the performance of the Group.

Principle 10: "The Board should present a balanced and understandable assessment of the company's performance, position and prospects."

Principle 14: "Companies should engage in regular, effective and fair communications with shareholders."

Principle 15: "Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company."

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

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

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

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

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

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

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

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

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

Principle 11: "The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties."

Principle 12: "The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company assets."

Principle 13: "The company should establish an internal audit function that is independent of the activities it audits."

The Audit Committee ("AC") comprises three Independent Non-executive Directors of the Company, Mr Luar Eng Hwa, a Certified Public Accountant as the Chairman, and Dr Wang Kai Yuen and Dr Chen Seow Phun John who have invaluable professional expertise and managerial experience as members.

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

a. reviews the audit plan of our Group's external auditors;

b. reviews with the external auditors their findings, if any on the Company's system of internal accounting controls;

c. reviews with the external auditors the scope and results of the audit as well as its cost effectiveness;

d. reviews the co-operation given by our Group's officers to the external auditors;

e. reviews with the external auditors 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. review the quarterly, half and full-year announcements of the financial results and annual financial statements of our Group and the external auditors' report thereon before their submission to the Board for adoption;

g. monitors the extent of the Group's compliance with the Listing Manual and the Best Practices Guide of the SGX;

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

i. reviews interested person transactions, if any;

j. reviews the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any formal announcements relating to its financial performance;

k. reviews the adequacy of the internal controls (financial and operational) and risk management policies and systems established by Management;

l. reviews the effectiveness of the internal function; and

m. make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

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

As the present scope of the Company's activities is not substantial, the Company does not have its own internal audit department. The Company will commission an external party to conduct an independent internal audit as and when it deems fit.

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

Dealing in Securities

Directors and relevant officers have been informed to abstain from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. Specifically, all Directors and relevant officers is prohibited from any dealing in the Company's shares during the periods commencing one month prior to the announcement of the Group's quarterly, half-yearly and full year financial results and ending on the date of the announcement of the results. They are also expected to observe insider trading laws and to avoid potential conflicts of interest at all times when dealing in securities.

Material Contracts

There was no material contracts entered into by the Company or any of its subsidiaries as at the end of the current financial year involving the interests of any Directors. The statement did not apply to the scope of the controlling shareholder as the Company does not have any controlling shareholder in the year under review.

Interested Person Transactions

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

There is no interested person transaction during the year under review.

DIRECTORS' REPORT

The directors present their report to the members together with the audited consolidated financial statements of HLH Group Limited ("the Company") and its subsidiaries ("the Group") and balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2008.

Directors

The directors of the Company in office at the date of this report are:

Ong Bee Huat	(Executive director)
Gan Wui Koh	(Executive director)
Mah Peek Sze Patsy	(Executive director)
Wang Kai Yuen	(Independent director)
Luar Eng Hwa	(Independent director)
Chen Seow Phun John	(Independent director)
Wong Wen-Young Winston	(Non-Executive director)

In accordance with Article 89 of the Company's Articles of Association, Gan Wui Koh retires, and, being eligible, offers herself for re-election.

In accordance with Article 89 of the Company's Articles of Association, Dr Wong Wen-Young Winston retires, and, being eligible, offers himself for re-election.

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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' interests in shares or debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares or debentures of the Company and related corporations as stated below:

	Direct interest		Deemed interest	
	1 January 2008	**31 December 2008**	**1 January 2008**	**31 December 2008**
HLH Group Limited				
Ordinary shares				
Mah Peek Sze Patsy	10,000	10,000	10,000	10,000
Wang Kai Yuen	152,000	152,000	152,000	152,000
Wong Wen-Young Winston	100,000,000	100,000,000	100,000,000	100,000,000
Ong Bee Huat [(i)]	127,000,000	162,210,269	224,904,733	65,461,733

[(i)] As at 31 December 2008, Ong Bee Huat is deemed interested in the shares (65,461,733 shares) held by Kinko Enterprises Limited by virtue of Section 7 of the Companies Act. During the year, Kinko Enterprises Limited has exercised 65,461,733 option shares from Malayan Banking Berhad pursuant to the put & call option deed dated 5 June 2006.

As at 1 January 2008, Ong Bee Huat was deemed interested in the shares (2,443,000 shares) held by Abundo Pte Ltd by virtue of Section 7 of the Companies Act and was also deemed interested in the shares (95,461,733 shares) held by Malayan Banking Berhad by virtue of the put & call option deed dated 5 June 2006.

Except as disclosed, there was no other change in any of the above-mentioned interests between the end of the financial year and 21 January 2009.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Directors' contractual benefits

In the previous financial year, the Group has allotted 20% shareholding interests equivalent to approximately S$608,000 (translated into an approximately US$400,000 of ordinary shares) in a subsidiary (the "Subsidiary") of the Group pursuant to an Extraordinary General Meeting of the shareholders held during the same year, to an entity (the "Entity") that is related to a director of the Company by virtue of his 100% shareholding interests in the Entity. The 20% shareholding interests in the share capital of the subsidiary to be held by the Entity is consideration payable for services rendered and to be rendered to the Group. Further details with regards to the contractual benefits are disclosed in Note 27.

During the year, the Group has liquidated the Subsidiary and accordingly, S$360,000 was distributed to the Entity as return of investment. The amount was arrived at after deducting all the share of losses of the subsidiary and foreign exchange losses to be borne by the Entity (Note 30).

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member or with a company in which he has a substantial financial interest.

Share options

During the financial year, no options to take up unissued shares of the Company or any subsidiary were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary. There were no unissued shares of the Company or any subsidiary under option at the end of the financial year.

Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap.50. The functions performed are detailed in the Report on Corporate Governance.

Auditors

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors:

Ong Bee Huat
Director

Mah Peek Sze Patsy
Director

Singapore
1 April 2009

STATEMENT BY DIRECTORS

We, Ong Bee Huat and Mah Peek Sze Patsy, being two of the directors of HLH Group Limited, do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, 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.

On behalf of the Board of Directors:

Ong Bee Huat
Director

Mah Peek Sze Patsy
Director

Singapore
1 April 2009

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HLH GROUP LIMITED

We have audited the accompanying financial statements of HLH Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 28 to 87, which comprise the balance sheets of the Group and the Company as at 31 December 2008, the statements of changes in equity of the Group and the Company and the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes 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 profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2008 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and Certified Public Accountants
Singapore
1 April 2009

BALANCE SHEETS
AS AT 31 DECEMBER 2008

		Group		Company	
	Note	2008	2007	2008	2007
		$	$	$	$
Equity attributable to equity holders of the Company					
Share capital	3	85,148,107	83,403,787	85,148,107	83,403,787
Reserves	4	(32,034,668)	(29,112,420)	(25,535,914)	(27,186,284)
Shareholders' equity		53,113,439	54,291,367	59,612,193	56,217,503
Minority interests		545,581	913,206	–	–
Total equity		53,659,020	55,204,573	59,612,193	56,217,503
Non-current assets					
Property, plant and equipment	5	17,315,084	773,143	162,393	33,487
Subsidiaries	7	–	–	1,000,000	1,100,100
Construction work-in-progress	10	–	1,522,309	–	–
Current assets					
Investment properties held for sale	6	–	12,361,926	–	–
Development properties	9	34,524,845	17,445,827	–	–
Inventories	11	603,775	34,668	–	–
Biological assets	12	–	525	–	–
Trade receivables	13	1,599,107	1,555,967	–	–
Other receivables, deposits and prepayments	14	1,412,953	3,781,284	345,594	519,234
Amount due from a minority shareholder	15	3,669	–	–	–
Amount due from subsidiaries	15	–	–	44,710,535	22,223,741
Investment in quoted equity instruments	16	2,881,845	2,585,460	2,572,060	2,585,460
Prepayment on commitment fee	21	–	2,036,099	–	2,036,099
Cash and cash equivalents	17	22,279,017	35,048,277	12,488,228	31,690,371
		63,305,211	74,850,033	60,116,417	59,054,905
Current liabilities					
Trade payables	18	71,618	891,685	–	–
Other payables and accruals	19	2,272,753	2,174,983	910,157	461,028
Derivative financial instrument	21	–	2,046,804	–	2,046,804
Amount due to subsidiaries	15	–	–	654,411	654,411
Amount due to a minority shareholder	15	660,000	600,000	–	–
Provision for taxation		–	43,278	–	43,278
Interest-bearing loans and borrowings	20	6,998,519	7,018,058	22,623	692,557
		10,002,890	12,774,808	1,587,191	3,898,078
Net current assets		53,302,321	62,075,225	58,529,226	55,156,827
Non-current liabilities					
Interest-bearing loans and borrowings	20	(16,958,385)	(8,900,032)	(79,426)	(71,329)
Deferred tax liabilities	8	–	(266,072)	–	(1,582)
Net assets		53,659,020	55,204,573	59,612,193	56,217,503

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	2008 $	2007 $
Revenue	22	15,724,726	9,116,971
Cost of sales		(13,821,897)	(6,313,545)
Gross profit		1,902,829	2,803,426
Other income	23	1,057,860	1,704,300
Distribution and selling expenses		(487,480)	(31,603)
Administrative expenses		(4,680,135)	(2,799,752)
Other expenses		(1,320,866)	(116,576)
Financial expenses	24	(226,706)	(250,082)
(Loss)/profit before exceptional items and taxation	25	(3,754,498)	1,309,713
Exceptional items	27	(152,961)	(4,128,996)
Loss before taxation		(3,907,459)	(2,819,283)
Taxation	28	375,428	(290,528)
Net loss for the year		(3,532,031)	(3,109,811)
Loss attributable to:			
Shareholders of the Company			
- before exceptional items		(3,172,805)	1,089,850
- exceptional items		(152,961)	(4,128,996)
Minority interests		(206,265)	(70,665)
		(3,532,031)	(3,109,811)
(Loss) / earnings per share (cents)			
Basic	29		
- before exceptional items		(0.15)	0.07
- after exceptional items		(0.16)	(0.19)
Diluted			
- before exceptional items		(0.15)	0.07
- after exceptional items		(0.16)	(0.19)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

Group	Share Capital (Note 3) $	Accumulated losses $	Capital reserve (Note 4) $	Currency translation reserves (Note 4) $	Minority interests $	Total $
At 1 January 2007	31,916,076	(26,277,951)	433,389	–	–	6,071,514
Net foreign exchange difference arising on consolidation of foreign subsidiary	–	–	–	(228,712)	(76,237)	(304,949)
Net expense recognised directly in equity	–	–	–	(228,712)	(76,237)	(304,949)
Net profit for the year	–	(3,039,146)	–	–	(70,665)	(3,109,811)
Total recognised income and expense for the year	–	(3,039,146)	–	(228,712)	(146,902)	(3,414,760)
Issuance of ordinary shares for cash (Note 3)	20,347,750	–	–	–	–	20,347,750
Issuance of ordinary shares pursuant to the conversion of the convertible notes (Note 3)	29,350,000	–	–	–	–	29,350,000
Arising from the conversion of the convertible notes	3,358,183	–	–	–	–	3,358,183
Share issue expenses (Note 3)	(1,568,222)	–	–	–	–	(1,568,222)
Contribution of equity by minority interests	–	–	–	–	1,060,108	1,060,108
At 31 December 2007 and 1 January 2008	83,403,787	(29,317,097)	433,389	(228,712)	913,206	55,204,573
Net foreign exchange difference arising on consolidation of foreign subsidiary	–	–	–	151,276	11,078	162,354
Net expense recognised directly in equity	–	–	–	151,276	11,078	162,354
Net loss for the year	–	(3,325,766)	–	–	(206,265)	(3,532,031)
Total recognised income and expense for the year	–	(3,325,766)	–	151,276	(195,187)	(3,369,677)
Issuance of ordinary shares pursuant to the conversion of the convertible notes (Note 3)	1,650,000	–	–	–	–	1,650,000
Arising from the conversion of the convertible notes	163,666	–	–	–	–	163,666
Share issue expenses (Note 3)	(69,346)	–	–	–	–	(69,346)
Contribution of equity by minority interests	–	–	–	–	392,477	392,477
Arising on liquidation of subsidiaries	–	–	(19,137)	271,379	(564,915)	(312,673)
At 31 December 2008	85,148,107	(32,642,863)	414,252	193,943	545,581	53,659,020

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

Company	Share capital (Note 3) $	Accumulated losses $	Capital reserve (Note 4) $	Total $
At 1 January 2007	31,916,076	(24,160,368)	(458,591)	7,297,117
Loss for the year	–	(2,567,325)	–	(2,567,325)
Total recognised expense for the year	–	(2,567,325)	–	(2,567,325)
Issuance of ordinary shares for cash (Note 3)	20,347,750	–	–	20,347,750
Issuance of ordinary shares pursuant to the conversion of the convertible notes (Note 3)	29,350,000	–	–	29,350,000
Arising from the conversion of the convertible notes	3,358,183	–	–	3,358,183
Share issue expenses	(1,568,222)	–	–	(1,568,222)
At 31 December 2007 and 1 January 2008	83,403,787	(26,727,693)	(458,591)	56,217,503
Profit for the year	–	1,650,370	–	1,650,370
Total recognised income for the year	–	1,650,370	–	1,650,370
Issuance of ordinary shares pursuant to the conversion of the convertible notes (Note 3)	1,650,000	–	–	1,650,000
Arising from the conversion of the convertible notes	163,666	–	–	163,666
Share issue expenses	(69,346)	–	–	(69,346)
At 31 December 2008	85,148,107	(25,077,323)	(458,591)	59,612,193

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	2008 $	2007 $
Cash flows from operating activities			
Loss before tax		(3,907,459)	(2,819,283)
Adjustments:			
Interest expenses		226,706	250,082
Bad debt recovered		(39,104)	–
Allowance for doubtful receivable		673,797	–
Depreciation of property, plant and equipment		514,011	56,109
Loss on disposal of property, plant and equipment		21,689	500
Foreign exchange adjustments		71,345	(119,217)
Unrealised gain on quoted equity instruments		–	(1,223,840)
Exceptional items		152,961	4,128,996
Gain on sale of quoted equity instruments		(412,578)	–
Gain on sale of investment properties		(141,215)	–
Loss on impairment of quoted equity instruments		214,039	–
Loss on liquidation of subsidiaries		252,242	–
Inventories written off		26,434	–
Interest income		(115,027)	(221,805)
Dividend income		(7,969)	–
Operating (loss)/profit before working capital changes		(2,470,128)	51,542
Changes in working capital:			
Placement of fixed deposits pledged		(117,087)	(687,913)
Trade and other receivables		1,651,394	(4,550,061)
Development properties		(19,185,517)	(13,180,890)
Construction work-in-progress		(4,540,274)	(1,522,309)
Inventories and biological assets		(595,016)	(35,193)
Due from a minority shareholder		(3,669)	–
Trade and other payables		(1,005,492)	1,160,797
Due to a minority shareholder		60,000	600,000
Due to a director		283,195	–
Cash used in operations		(25,922,594)	(18,164,027)
Interest paid		(635,397)	(451,868)
Income tax refund, net		66,078	5,369
Interest income received		115,027	221,805
Net cash used in operating activities		(26,376,886)	(18,388,721)
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,588,494)	(747,784)
Proceeds from sale of property, plant and equipment		300,780	42,500
Investment in quoted equity instruments		(1,254,211)	(1,529,820)
Purchase of investment properties		–	(6,181,917)
Proceeds from sale of quoted investment		1,182,069	–
Proceeds from sale of investment properties		12,503,141	–
Dividend received from quoted investments		7,969	–
Distribution to minority shareholders on liquidation of a subsidiary (Note A)		(450,000)	–
Net cash generated from/(used in) investing activities		3,701,254	(8,417,021)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2008

	Note	2008 $	2007 $
Cash flows from financing activities			
Proceeds from term loans		15,041,400	12,090,000
Repayment of term loans		(6,285,250)	(2,441,819)
Repayment to hire purchase creditors		(289,996)	(82,975)
Proceeds from issuance of new shares		–	20,347,750
Proceeds from subscription of convertible notes		1,000,000	29,972,700
Share issue expenses		(69,346)	(1,568,222)
Proceeds from issue of shares to a minority shareholder		392,477	300,000
Net cash generated from financing activities		9,789,285	58,617,434
Net (decrease)/increase in cash and cash equivalents		(12,886,347)	31,811,692
Cash and cash equivalents at beginning of year	17	34,360,364	2,548,672
Cash and cash equivalents at the end of year	17	21,474,017	34,360,364

Note A – Analysis of liquidation of subsidiary

	2008 $
Receivables	2,018,389
Net assets liquidated	2,018,389
Loss on liquidation	(1,568,389)
Distribution to minority shareholders on liquidation of a subsidiary	450,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2008

1. Corporate information

HLH Group Limited (the "Company") domiciled and incorporated in Singapore, is a public limited liability company listed on the Official List of the Singapore Exchange Securities Trading Limited (SGX-ST).

The Company's registered office and principal place of business is located at 82 Playfair Road #11-01 D' Lithium Singapore 368001.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 7.

There have been no significant changes in the nature of these activities during the financial year.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared under the historical cost basis except as disclosed in the accounting policies below. The financial statements are presented in Singapore dollars (SGD or $).

The accounting policies have been consistently applied by the Company and the Group and are consistent with those used in the previous financial year.

2.2 *Future changes in accounting policies*

The Company has not adopted the following FRS and INT FRS that have been issued but not yet effective:

Reference	**Description**	**Effective for annual periods beginning on or after**
INT FRS 113	Customer Loyalty Programmes	1 July 2008
INT FRS 116	Hedges of a Net Investment in a Foreign Operation	1 October 2008
INT FRS 117	Distributions of Non-Cash Assets to Owners	1 October 2008
FRS 1	- *Presentation of Financial Statements* – Revised presentation	1 January 2009
	- *Presentation of Financial Statements* – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 27	Consolidation and Separate Financial Statements – Amendments Relating to Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate	1 January 2009
FRS 32	Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 40	Amendment to FRS 40	1 January 2009
FRS 101	First time Adoption of Financial Reporting Standards – Amendments relating to Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate	1 January 2009
FRS 102	Share-based payment – Vesting conditions and cancellations	1 January 2009
FRS 108	Operating Segments	1 January 2009

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 1 and FRS 108 as indicated below.

2. Summary of significant accounting policies (cont'd)

2.2 *Future changes in accounting policies (cont'd)*

FRS 1 *Presentation of Financial Statements* – Revised presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

FRS 108 *Operating Segments*

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

2.3 *Significant accounting estimates and judgements*

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

(i) *Depreciation of property, plant and equipment*

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipments' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 2 to 10 years. The carrying amount of the Group's property, plant and equipment at 31 December 2008 was $17,315,084 (2007: $773,143). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) *Impairment of non-financial assets (property, plant and equipment and subsidiary companies)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

2. Summary of significant accounting policies (cont'd)

(a) ***Key sources of estimation uncertainty (cont'd)***

(iii) *Construction contracts*

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the balance sheet date, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from construction contracts at the balance sheet date are disclosed in Note 9 to the financial statements.

(b) ***Judgements made in applying accounting policies***

In the process of applying the Group's accounting policies, management has made the most significant effect on the amounts recognised in the financial statements.

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and net deferred tax liabilities at 31 December 2008 were $nil (2007: $43,278) and $nil (2007: $266,072) respectively.

2.4 *Functional and foreign currency*

(a) ***Functional currency***

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Revenue and major costs of providing services including major operating expenses are primarily influenced by the fluctuations in SGD.

(b) ***Foreign currency transactions***

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement.

2. Summary of significant accounting policies (cont'd)

2.4 *Functional and foreign currency*

(c) ***Foreign currency translation***

The results and financial position of foreign operations are translated into SGD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the rate ruling at that balance sheet date; and

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve. On disposal of the foreign operation, the deferred cumulative amount recognised in the equity relating to that particular foreign operation is recognised in the income statement.

2.5 *Subsidiaries and principles of consolidation*

(a) ***Subsidiaries***

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(b) ***Principles of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. Summary of significant accounting policies (cont'd)

2.6 *Transaction with minority interests*

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is calculated on a straight-line basis over their estimated useful lives as follows :-

Leasehold land	-	Over the lease period of 50 years
Leasehold improvement	-	10 - 30 years
Building and structure	-	10 - 20 years
Computers	-	5 years
Furniture and fittings and office equipment	-	10 years
Machineries and equipments	-	10 years
Motor vehicle	-	3 - 10 years
Renovation	-	2 - 10 years

For acquisition and disposals during the financial year, depreciation is provided from the date of acquisition and disposal respectively. Fully depreciated assets are retained in the books of accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets. Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.8 *Investment properties*

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight line method to allocate the depreciable amounts over the estimated useful lives of 10 to 20 years. The residual values, useful lives and depreciation method of investment properties are reviewed and adjusted as appropriate at balance sheet date.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policies for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2.9 *Development properties*

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost plus attributable profit less proceeds on pre-sale received and receivable, and estimated net realisable value. Net realisable value represents the estimated selling price less cost to be incurred in selling the property.

Cost of properties under development includes land acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are capitalised, on a specific identification basis, as a cost of the development property until the date of its practical completion, which is taken to be the date of issue of the Temporary Occupation Permit ("TOP").

When it is probable that total development costs will exceed total revenue, an allowance is recognised as an expense immediately. Development properties are classified as current assets in the financial statements except where proceeds on pre-sale received and receivable exceed amounts recoverable, they are classified as current liabilities.

2.10 *Biological assets*

The cost of immature corn plantations consists of field preparation, planting, fertilising and maintenance and an allocation of other indirect cost. In general, a corn plantation takes about three months to reach maturity from the time the seedlings are planted.

Biological assets are stated at fair value less estimated point-of-sale costs. The fair value was determined based on the actual selling prices approximating those at year end and less estimated point-of-sale costs.

Gain or losses arising on initial recognition of plantations at fair value less estimated point-of-sale costs and from the change in fair value less estimated point-of-sale costs of plantations at each reporting date are included in the income statements for the period in which they arise.

2. Summary of significant accounting policies (cont'd)

2.11 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes all costs in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

2.12 *Financial assets*

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial asset not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(a) *Financial assets at fair value through income statement*

Financial assets held for trading are classified as financial assets at fair value through income statement. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets that are acquired principally for the purpose of selling it in the near term.

Subsequent to initial recognition, financial assets at fair value through income statement are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income statement. Net gains or net losses on financial assets at fair value through income statement include exchange differences, interest and dividend income.

(b) *Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, such assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Determination of fair value

The fair value of quoted financial assets are based on current bid prices. Unquoted investments that do not have quoted market prices in an active market nor methods of reasonably estimating the fair value, are carried at cost.

2. Summary of significant accounting policies (cont'd)

2.13 *Impairment of assets*

(a) *Financial assets carried at amortised cost*

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) *Non-financial assets*

The Group assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflow that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flow 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the income statement as 'impairment losses'.

2. Summary of significant accounting policies (cont'd)

2.13 ***Impairment of assets (cont'd)***

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.14 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand, bank balances and short term bank deposits and short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 ***Construction contracts***

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date, when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

The stage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

2.16 ***Properties held for sale***

Properties held for sale are stated at the lower of cost and estimated net realisable value. Cost includes cost of land and construction, related overhead expenditure, and financing charges and other net costs incurred during the period of development.

Allowance for impairment is made when it is anticipated that the net realisable value has fallen below cost.

2. Summary of significant accounting policies (cont'd)

2.17 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When the discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 *Financial liabilities*

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value, plus, directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

2.19 *Financial guarantee*

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.

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the income statement over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the income statement.

2.20 *Interest-bearing loans and borrowings*

Borrowing costs are recognised in the income statement as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying 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 ready for their intended use or sale.

2.21 *Employee benefits*

(a) *Defined contribution plan*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (cont'd)

2.21 *Employee benefits (cont'd)*

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave as a result of services rendered by employees up to balance sheet date.

2.22 *Income taxes*

(a) *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised in equity.

(b) *Deferred tax*

Deferred income tax is provided, using the liability method on temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxable authority.

2. Summary of significant accounting policies (cont'd)

2.22 *Income taxes (cont'd)*

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.23 *Convertible notes*

The equity conversion option of convertible notes exhibits characteristics of an embedded derivative and is separated from its liability component. On initial recognition, the embedded equity conversion option is measured at its fair value and presented as part of derivative financial instruments. The difference between total proceeds and the fair value of the equity conversion option is recognised as the liability component.

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in the income statement. The liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability components and the equity conversion option are derecognised with a corresponding recognition of share capital.

When an equity conversion option lapses, any gain or loss on the derecognition of derivative financial instruments are recognised in the income statement.

2.24 *Commitment fee*

The commitment fee is amortised on a straight-line method over the period of the commitment.

2.25 *Leases*

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Contingent rents, if any, are charges as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

2. Summary of significant accounting policies (cont'd)

2.25 ***Leases (cont'd)***

(a) *As lessee (cont'd)*

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.28(a).

2.26 ***Segment reporting***

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2.27 ***Share capital and share issue expenses***

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.

2.28 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

(a) ***Rental of investment properties***

Rental income arising from investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases. The aggregate costs of incentives provided by the lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(b) ***Sale of goods***

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated cost or the possible return of goods.

(c) ***Resort management***

Revenue from resort investment mainly comprises room rental, food and beverage sales and auxiliary activities, and represents the invoiced value of services rendered after deducting discounts. Revenue is recognised when the services are rendered.

2. Summary of significant accounting policies (cont'd)

2.28 *Revenue (cont'd)*

(d) ***Resort operations***

Revenue from the rental of resort facilities are recognised based on lease terms agreed with the operators.

(e) ***Sale of development properties***

The Group recognises income on property development projects when the risks and rewards of ownership have been transferred to the buyer through either the transfer of legal title or an equitable interest in a property. In cases where the Group is obliged to perform any significant acts after the transfer of legal title or an equitable interest, revenue is recognised as the acts are performed based on the percentage of completion method under Recommended Accounting Practice (RAP) 11 Pre-completion Contracts for the Sale of Development Property issued by the Institute of Certified Public Accountants of Singapore in October 2005. Under RAP 11, when (a) construction is beyond a preliminary stage, (b) minimum down payment criteria are met, (c) sales prices are collectible, and (d) aggregate sales proceeds and costs can be reasonably estimated, the percentage of completion method is an allowed alternative. If any of the above criteria are not met, pre-completion proceeds received are accounted for as deposits until such criteria are met.

Under the percentage of completion method, the percentage of completion is measured by reference to the work performed, based on the ratio of costs incurred to-date to the estimated total costs for each contract. Profits are recognised only in respect of finalised sales agreements to the extent that such profits relate to the progress of the construction work.

The relevant standard for revenue recognition by property developers is FRS 18 (Revenue), which addresses revenue recognition generally and for all types of entities. However, there is no clear conclusion in FRS 18 whether the POC method or the completion of construction method is more appropriate for property developers. The issue is being addressed by the International Accounting Standards Board

The Group's current policy of recognising revenue using the percentage of completion method on its development projects in Singapore is an allowed alternative under RAP 11. The impact on the financial statements, and revenue on the Singapore projects been recognised using the completion of construction method, is as follows:

	The Group	
	2008	**2007**
	$	**$**
Profit statement		
Increase/(decrease) in revenue recognised for the year	6,537,720	(6,537,720)
Increase /(decrease) in profit for the year	2,148,354	(2,148,354)
Balance sheet		
Increase in opening accumulated losses	(2,148,354)	–
Decrease in properties under development		
At beginning of the year	(2,148,354)	–
At end of the financial year	–	(2,148,354)

2. Summary of significant accounting policies (cont'd)

2.28 ***Revenue (cont'd)***

(f) ***Interest income***

Interest income is recognised using the effective interest method.

(g) ***Dividend income***

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

3. Share capital

	Group and Company			
	2008		2007	
	No. of ordinary shares	$	No. of ordinary shares	$
Issued and fully paid				
At 1 January	2,066,316,895	83,403,787	1,239,920,895	31,916,076
Issued for cash	–	–	273,500,000	20,347,750
Issued pursuant to conversion of the convertible notes [1]	54,434,000	1,650,000	552,896,000	29,350,000
Share issue expenses	–	(69,346)	–	(1,568,222)
Arising from the conversion of the convertible notes [2]	–	163,666	–	3,358,183
	2,120,750,895	85,148,107	2,066,316,895	83,403,787

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

[1] During the year, the Company issued 54,434,000 shares (2007: 552,896,000 shares) to Pacific Capital Investment Management Limited ("PCIM") from the Conversion of the Convertible Notes at a nominal value of $1,650,000 (2007: S$29,350,000) pursuant to the Shareholders' Mandate obtained on 27 April 2007. Further details of the Convertible Notes (the "Notes") are disclosed in Note 21.

[2] Pursuant to the issue of the Notes to PCIM, the Company had, in the year 2007, recognised a notional amount of approximately $4,930,000 under the financial liabilities being fair value of the embedded derivatives recognised at the point of inception as a result of the issue of the Notes. During the current financial year, PCIM had subscribed for a nominal value of $1,000,000 (2007: $30,000,000) of the Notes whereby a nominal value of $1,650,000 (2007: $29,350,000) was converted into the ordinary shares of the Company (Note 21). The amount of $163,666 (2007: $3,358,183) included in the share capital has arisen from the derecognition of the derivative financial instrument and approximately $120 (2007: $474,966) relating to the changes in the fair value of the derivative financial instrument relating to the Notes converted during the period.

4. Reserves

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Capital reserve (Note (i))	414,252	433,389	(458,591)	(458,591)
Currency translation (Note (ii))	193,943	(228,712)	–	–
Accumulated losses	(32,642,863)	(29,317,097)	(25,077,323)	(26,727,693)
	(32,034,668)	(29,112,420)	(25,535,914)	(27,186,284)

Note (i) Capital reserve of the Group relates to adjustment on share capital issued in relation to the settlement of certain debts of the Group and net reserve on consolidation taken directly to shareholders' interests in accordance with the Group's accounting policy. During the year, the Group had written off $19,137 pertaining to the reserve on consolidation relating to a subsidiary that was liquidated during the year. The balance is not available for distribution as dividends in any form.

Note (ii) The foreign currency translation reserve represents exchange differences arising during the financial year from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

5. Property, plant and equipment

(a) Group	Freehold land $	Leasehold land $	Leasehold improvement $	Building and structure $	Construction-in-progress $	Computers $	Furniture and fittings $	Machinery and equipments $	Motor vehicles $	Office equipments $	Renovation $	Total $
Cost												
As at 1.1.2007	–	–	–	–	–	16,522	11,410	–	331,000	2,734	13,360	375,026
Additions	–	–	71,873	32,841	–	37,509	16,288	569,029	125,693	3,923	–	857,156
Disposal	–	–	–	–	–	–	–	(43,000)	–	–	–	(43,000)
Translation differences	–	–	(2,903)	(25)	–	(72)	(672)	(10,725)	(4,325)	–	–	(18,722)
As at 31.12.2007 and 1.1.2008	–	–	68,970	32,816	–	53,959	27,026	515,304	452,368	6,657	13,360	1,170,460
Additions	3,778,549	2,040,022	–	5,693,055	190,108	157,689	617,196	1,617,502	310,998	55,236	310,722	14,771,077
Transfer from development properties	–	–	–	2,617,850	–	–	–	–	–	–	–	2,617,850
Disposal	–	–	(71,873)	(32,841)	–	(3,107)	(12,730)	(143,391)	(423,995)	(930)	(13,360)	(702,227)
Translation differences	(186,231)	79,639	2,903	45,966	(9,370)	836	995	46,963	13,275	467	180	(4,377)
As at 31.12.2008	3,592,318	2,119,661	–	8,356,846	180,738	209,377	632,487	2,036,378	352,646	61,430	310,902	17,852,783
Accumulated depreciation												
As at 1.1.2007	–	–	–	–	–	3,304	1,141	–	331,000	273	6,680	342,398
Charge for the year	–	–	1,133	558	–	10,656	2,652	24,872	8,854	704	6,680	56,109
Translation differences	–	–	(73)	(35)	–	(7)	(68)	(722)	(285)	–	–	(1,190)
As at 31.12.2007 and 1.1.2008	–	–	1,060	523	–	13,953	3,725	24,150	339,569	977	13,360	397,317
Charge for the year	–	39,550	1,015	195,761	–	14,125	39,776	139,043	45,971	12,887	25,883	514,011
Disposal	–	–	(2,148)	(1,359)	–	(800)	(2,777)	(18,356)	(340,819)	(139)	(13,360)	(379,758)
Translation differences	–	1,028	73	1,600	–	59	77	2,699	561	29	3	6,129
As at 31.12.2008	–	40,578	–	196,525	–	27,337	40,801	147,536	45,282	13,754	25,886	537,699
Net book value												
As at 31.12.2008	3,592,318	2,079,083	–	8,160,321	180,738	182,040	591,686	1,888,842	307,364	47,676	285,016	17,315,084
As at 31.12.2007	–	–	67,910	32,293	–	40,006	23,301	491,154	112,799	5,680	–	773,143

5. Property, plant and equipment (cont'd)

(b) Company	Computers $	Furniture and fittings $	Motor vehicle $	Office equipment $	Renovation $	Total $
Cost						
As at 1.1.2007	5,986	11,410	331,000	2,160	13,360	363,916
Additions	19,906	1,510	–	1,950	–	23,366
As at 31.12.2007 and 1.1.2008	25,892	12,920	331,000	4,110	13,360	387,282
Additions	4,371	880	151,000	–	10,260	166,511
Disposal	–	(6,007)	(331,000)	–	(13,360)	(350,367)
As at 31.12.2008	30,263	7,793	151,000	4,110	10,260	203,426
Accumulated depreciation						
As at 1.1.2007	1,197	1,141	331,000	216	6,680	340,234
Charge for the year	5,178	1,292	–	411	6,680	13,561
As at 31.12.2007 and 1.1.2008	6,375	2,433	331,000	627	13,360	353,795
Charge for the year	5,325	1,093	25,167	411	1,026	33,022
Disposal	–	(1,424)	(331,000)	–	(13,360)	(345,784)
As at 31.12.2008	11,700	2,102	25,167	1,038	1,026	41,033
Net book value						
As at 31.12.2008	18,563	5,691	125,833	3,072	9,234	162,393
As at 31.12.2007	19,517	10,487	–	3,483	–	33,487

The Group and the Company had motor vehicle under hire purchase arrangement with net book value of $151,570 (2007: $101,186) and $125,833 (2007: $nil) respectively. The leased assets are pledged as security for the related financial lease liabilities.

During the financial year, the Group acquired a motor vehicle amounting to $120,000 (2007: $109,372) by means of finance leases. In addition, the Group had capitalised building and structure amounting to $6,062,583 from construction in progress.

6. Investment properties

	Group	
	2008	2007
Balance sheet	$	$
Non-current		
As at 1 January	–	6,180,009
Subsequent expenditure	–	6,181,917
Reclassified to investment properties held for sale	–	(12,361,926)
As at 31 December	–	–
Current		
As at 1 January	12,361,926	–
Reclassified from non-current portion	–	12,361,926
Disposal	(12,361,926)	–
As at 31 December	–	12,361,926

	Group	
	2008	2007
Income statement	$	$
Rental income from investment properties:		
- Minimum lease payments	–	605,750
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	–	88,430

7. Subsidiaries

(a) Investment in subsidiaries comprises of:

	Company	
	2008	2007
	$	$
Unquoted equity shares, at cost	23,968,785	24,368,885
Less: Impairment losses	(22,968,785)	(23,268,785)
	1,000,000	1,100,100

7. Subsidiaries (cont'd)

(b) The Company has the following subsidiaries as at 31 December 2008:

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held		Cost of investment	
			2008	2007	2008	2007
			%	%	$	$
Held by the Company						
Hong Lai Huat Construction Pte Ltd *	General contractors and builders for construction and renovation work of any kind and for the demolition of any structure	Singapore	100	100	21,980,841	21,980,841
HLH Agri International Pte Ltd *	Investment holding	Singapore	100	100	987,944	987,944
Lithium Development Pte Ltd (iv) *	Property development and real estate	Singapore	–	100	–	100
Alpha-Glyph Technologies Pte Ltd (i)	Dormant	Singapore	–	100	–	300,000
HLH Development Pte Ltd *	Investment holding	Singapore	100	100	1,000,000	100,000
HLH Agri R&D Pte Ltd (iv) *	Agricultural research and experimentation including trading.	Singapore	–	100	–	1,000,000
					23,968,785	24,368,885

7. Subsidiaries (cont'd)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held 2008 %	2007 %
(A) Held by Hong Lai Huat Construction Pte Ltd				
Hong Lai Huat Realty Pte Ltd *	Dormant	Singapore	100	100
Proveho Pte Ltd [i]	Dormant	Singapore	–	100
Fresco Development Pte Ltd [iv] *	Property development and real estate	Singapore	–	70
(B) Held by HLH Agri International Pte Ltd				
PT HLH Agri Indonesia [i]	Agriculture	Indonesia	–	75
Agri-Aqua Bio-Technologies (S) Pte Ltd *	Agrotechnology consultancy services – Bio-tech, agriculture, aqua-marine industry	Singapore	100	100
HLH Global Trading Pte Ltd *	General wholesale trade, including imports and exports	Singapore	100	100
HLH Agri R&D Pte Ltd [iii]*	Agricultural research and experimentation including trading.	Singapore	100	–
Tieling HLH Agri Processing Co. Ltd (China) ^	Collection centre, storage and processing of agriculture related commodities	China	85	–
HLH Agri (Cambodia) Co. Ltd [ii] **	Agriculture plantation, processing and distribution	Cambodia	100	–
HLHI (Cambodia) Co. Ltd [ii]# **	Agriculture plantation, processing and distribution including investment in real estate	Cambodia	49	–
HLHS (Cambodia) Co. Ltd [ii]@^	Agriculture plantation, processing and distribution	Cambodia	70	–

7. Subsidiaries (cont'd)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held 2008 %	2007 %
(C) Held by HLH Development Pte Ltd				
Lithium Development Pte Ltd *	Property development and real estate	Singapore	100	–
Fresco Development Pte Ltd *	Property development and real estate	Singapore	70	–
Castilia Development Pte Ltd *	Investment holding, property development and real estate	Singapore	100	100
Almira Development Pte Ltd (ii)*	Property development and real estate	Singapore	100	–
D'Vesta (Cambodia) Co. Ltd (ii)# @^	Property development and real estate	Singapore	49	–

(i). Struck-off or liquidated during the year.

(ii). Incorporated during the year.

(iii). The subsidiary has incorporated a sole-proprietor named D' Kranji Farm Resort to operate its agricultural related resort business located at 2 Neo Tiew Lane. The principal activities are the operation of hotels with restaurant and retreat facilities.

(iv). Transferred within Group companies due to restructuring activities.

Company is treated as a subsidiary of the Group by virtue of control over financial and operating policies of the Company.

^ Not material to the Group and not required to be disclosed under SGX Listing Rule 717.

* Audited by Ernst & Young LLP, Singapore

** Audited by member firms of Ernst & Young, Global in the respective countries.

*** The financial statements are reviewed by a member firm of Ernst & Young Global for consolidation purposes.

@ Not required to be audited under the laws of the country of incorporation.

8. Deferred taxation

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Deferred tax liabilities:				
Recognition of profit on percentage of completion	–	(264,490)	–	–
Others	–	(1,582)	–	(1,582)
	–	(266,072)	–	(1,582)
Movements in deferred income tax are as follows :				
At 1 January	(266,072)	(1,582)	(1,582)	(1,582)
Utilisation/ (charge to income statement) (Note 28)	266,072	(264,490)	1,582	–
At 31 December	–	(266,072)	–	(1,582)

For the financial year ended 31 December 2007, the Group made a provision for deferred tax of approximately $264,490 in relation to the profit generated from the sale of a development property which is expected to be taxable upon the completion of the development of the properties, which is taken to be the date of issue of the Temporary Occupation Permit ("TOP"). The development property was completed in the current year.

9. Development properties

The development properties held by the Group are:

(i). D' Fresco at 54, 54A, 54B, 54C, 56, 56A, 56C and 58 Joo Chiat Lane, Singapore with site area of approximately 20,817.6 square feet and it is intended to be developed into a 30-units residential apartments. Construction activity had commenced towards the end of 2008.

(ii). D' Castilia at 45 Joo Chiat Lane #01-01, #01-02, #02-01, #02-02, #02-03, #02-04, #03-01 and #03-02 Joo Chiat Lodge, Singapore with site area of approximately 16,575.5 square feet. Construction activity has yet to commence as at year end.

(iii). D' Almira at 33, 35 and 37 Sommerville Road, Singapore with site area of approximately 19,316 square feet. Construction activity is expected to commence during the year 2009.

9. Development properties (cont'd)

(iv). 1 storey semi-detached house at 51 Jalan Jendela, Singapore, with site area of approximately 4797 square feet. Construction activity has yet to commence as at year end.

	Group	
	2008	2007
	$	$
Land acquisition costs	38,456,195	16,575,071
Development costs	8,603,108	3,678,111
Borrowing costs capitalised	514,969	201,786
Aggregate amount of development costs incurred to-date	47,574,272	20,454,968
Recognised profits less recognised losses to date	3,886,285	2,148,354
Progress billings to-date	(14,317,862)	(5,157,495)
	37,142,695	17,445,827
Transfer to fixed assets	(2,617,850)	–
	34,524,845	17,445,827

During the year, the Group completed construction of its 14-storey development property at 82 Playfair Road and the Temporary Occupation Permit ("TOP") was issued. The Group had transferred a certain numbers of strata title units to fixed assets and sold off the remaining during the year.

As at 31 December 2008, the development properties stated in Note 9 (i) to (iii) above have been mortgaged to a financial institution for term loan facilities as disclosed in Note 20.

10. Construction work-in-progress

The construction work-in-progress as at end of the previous financial year ended 31 December 2007 were mainly related to the cost of land and construction costs for the on-going development of the Group's Agritainment Farm at 2 Neo Tiew Lane that was intended to be held as property, plant and equipment upon issue of the Temporary Occupation Permit ("TOP"). The Group had not taken up any funding facilities from financial institution to finance the development costs of the property.

During the year, the construction work-in-progress was reclassified to property, plant and equipment upon the issuance of the TOP.

11. Inventories

	Group	
	2008	2007
	$	$
Corn	592,365	–
Raw materials	8,107	–
Consumables	3,303	–
Chemicals	–	22,977
Fertilisers	–	7,931
Seedlings	–	3,760
Total inventories at cost	603,775	34,668

Inventories held in 2007 related to the inventories of an Indonesia subsidiary, which was disposed of this year. Current year's inventories mainly relate to the Group's corn collection centre and processing plant in China.

12. Biological assets

	Group	
	2008	2007
	$	$
At 1 January	525	–
Additions	–	108,664
Change in fair value	–	(108,139)
Written off	(525)	–
At 31 December	–	525

13. Trade receivables

	Group	
	2008	2007
	$	$
Trade receivables	1,599,107	1,555,967

Trade receivables are non-interest bearing and are generally on 0 to 120 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables in respect of the sale of the development properties held by the Group are non-interest bearing and the progressive collections are governed by the sales and purchase agreements between the developer and the buyers prescribed by the Housing Developers Rules. At the balance sheet date, trade receivables relating to the completed development properties amounted to $1,281,905 (2007: $nil).

At the balance sheet date, trade receivables arising from export sales amounting to $240,983 (2007: $1,000,960) are arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based.

An aging analysis of receivables that are past due but not impaired is as follows:

	Group	
	2008	2007
	$	$
Less than 3 months	300,483	85,207

Trade receivables are denominated in the following currencies at the balance sheet date:

Singapore Dollars	1,357,819	555,007
United States Dollars	241,288	1,000,960
At end of year	1,599,107	1,555,967

14. Other receivables, deposits and prepayments

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Other receivables	57,378	1,102,993	4,896	–
Deposits (Note i)	1,031,369	1,387,179	337,625	489,484
Tax recoverable	197,483	30,422	–	–
Other receivables and deposits	1,286,230	2,520,594	342,521	489,484
Prepayments	126,723	1,260,690	3,073	29,750
	1,412,953	3,781,284	345,594	519,234

The Group's other receivables that are impaired at the balance sheet date are as follows:

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Other receivables	60,794	–	–	–
Less: Allowance for impairment	(3,416)	–	–	–
	57,378	–	–	–
Deposits	1,701,750	–	–	–
Less: Allowance for impairment (Note ii)	(670,381)	–	–	–
	1,031,369	–	–	–

There are no other movements in the allowance accounts other than the above.

Other receivables and deposits were denominated in the following currencies at the balance sheet date:

	Group 2008 $	Group 2007 $	Company 2008 $	Company 2007 $
Singapore Dollars	214,885	77,329	59,326	61,274
United States Dollars	958,757	2,443,265	283,195	428,210
China Renminbi	112,588	–	–	–
	1,286,230	2,520,594	342,521	489,484

Note (i) – Included is a deposit of approximately US$316,800 paid in the previous financial year 2007 for the acquisition of land in Cambodia owned by the Medical Warehouse of Ministry of Defence of Cambodia for a Proposed Joint Development of a Residential project. An amount approximating US$120,000 was recovered subsequent to the project being aborted during the year.

The remaining balance of approximately US$196,800 was repaid to the Group on behalf of the debtor by a director of the Group. The director has made a representation to the Group that he will forgo all his rights to seek recovery from the Group for the monies paid on behalf by him except to the extent that the Group is able to recover the full payment or any part thereof, and the same will be returned to him.

As there is no right of set-off, the outstanding deposit due from the debtor is not offset against the amount paid on behalf by the director. No provision for impairment was made on the deposit due as at the balance sheet date in view of the director undertaking not to demand payment in the event of default.

14. Other receivables, deposits and prepayments (cont'd)

Note (ii) – Included is a deposit of approximately US$764,000 paid in the previous financial year 2007 for the purchase of fertiliser. The transaction was aborted in the same year.

During the current financial year, a partial repayment of approximately US$298,000 was made to the Group by a third party (the "Party") on behalf of the debtor. The Party has made a representation to the Group that he will forgo all his rights to seek recovery from the Group for the monies paid on behalf except to the extent that the Group is able to recover the full payment or any part thereof, and the same will be returned to the Party.

As there is no right of set-off, the Group did not offset the deposit receivable against the amount paid on behalf by the Party. The Group has made a provision for doubtful debt on the remaining balance of approximately US$466,000.

15. Amounts due from/(to) subsidiaries/minority shareholders

(a) *Subsidiaries*

	Company	
	2008	**2007**
	$	**$**
Due from subsidiaries		
- trade	2,935,729	853,073
- non-trade	42,582,716	22,140,176
	45,518,445	22,993,249
Less: Allowance for doubtful debts	(807,910)	(758,274)
Less: Bad debts written off	–	(11,234)
	44,710,535	22,223,741

Allowance for doubtful debts during the year is as follows:

At beginning of year	758,274	760,479
Provision during the year	49,636	–
Written off against allowance	–	(2,205)
At end of year	807,910	758,274

The non-trade balances due from subsidiaries carries a cost of fund of 8% (2007: 8%) per annum charged by the Company and are to be settled in cash. The amount is calculated based on the charge on the outstanding non-trade balances held at the end of each month. These costs are charged as management fees by the Company.

The remaining balances are unsecured, interest-free, repayable on demand and to be settled in cash.

	Company	
	2008	**2007**
	$	**$**
Due to subsidiaries		
- non-trade	654,411	654,411

15. Amounts due from/(to) subsidiaries/minority shareholders (cont'd)

(b) *Minority shareholders*

	Group	
	2008	2007
	$	$
Due from a minority shareholder - non-trade	3,669	–
Due to a minority shareholder - non-trade	660,000	600,000

Amounts due to subsidiaries and a minority shareholder are unsecured, interest-free, repayable on demand and to be settled in cash.

16. Investment in quoted equity instruments

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Held for trading investments				
- equity instruments at fair value	2,881,845	2,585,460	2,572,060	2,585,460

17. Cash and cash equivalents

Cash and cash equivalents consist of bank overdrafts and cash and bank balances.

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Cash at bank and in hand	20,917,783	4,829,660	11,920,795	1,509,667
Fixed deposits with financial institutions	1,361,234	30,218,617	567,433	30,180,704
	22,279,017	35,048,277	12,488,228	31,690,371
Less: Fixed deposits pledged	(805,000)	(687,913)	–	–
	21,474,017	34,360,364	12,488,228	31,690,371

Cash at banks and fixed deposits earn interest on floating rates based on daily deposit rates ranging from 0.20% to 2.19% (2007: 0.15% to 2.80%) per annum.

Included in the Group's cash and bank balances are amounts of $1,234,595 (2007: $1,647,777) held under the Project Account Rules (1997 Ed), withdrawals from which are restricted to payments for development expenditure incurred on development properties held for sale.

17. Cash and cash equivalents (cont'd)

Cash and cash equivalents were denominated in the following currencies at the balance sheet date:

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Singapore Dollars	19,615,875	34,965,514	12,488,228	31,690,371
United States Dollars	2,463,832	37,096	–	–
China Renminbi	199,310	–	–	–
Indonesian Rupiah	–	45,667	–	–
	22,279,017	35,048,277	12,488,228	31,690,371

18. Trade payables

These amounts are non-interest bearing and normally settled on 60-day terms. Included in the trade payables in the current financial year was an amount approximating $13,300 denominated in United States Dollars (US$) while the remaining are denominated in Singapore Dollars (S$).

The trade payables in the previous financial year was denominated in Singapore Dollars (S$).

19. Other payables and accruals

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Other payables	488,237	6,123	75	–
Deposits received	145,141	1,440,740	–	–
GST payables	58,517	53,988	49,070	24,388
	691,895	1,500,851	49,145	24,388
Accrued operating expenses	1,293,276	657,471	577,817	436,640
Deferred lease income	4,387	16,661	–	–
Amount due to a director	283,195	–	283,195	–
	2,272,753	2,174,983	910,157	461,028

The amount due to the director is unsecured, non-interest bearing and he will forgo his rights to seek recovery except to the extent that the Group is able to recover the full payment or any part thereof, from the debtor.

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

19. Other payables and accruals (cont'd)

Other payables and deposits received were denominated in the following currencies at the balance sheet date:

	Group		Company	
	2008	2007	2008	2007
	$	$	$	$
Singapore Dollars	147,030	1,458,856	49,145	24,388
US Dollars	544,155	–	–	–
China Renminbi	710	–	–	–
Indonesian Rupiah	–	41,995	–	–
	691,895	1,500,851	49,145	24,388

20. Interest-bearing loans and borrowings

	Year of maturity	Weighted average effective interest rate (p.a.)		Group		Company	
		2008	2007	2008	2007	2008	2007
		%	%	$	$	$	$
Current:							
Bank term loan A (secured)	2026	4.56	4.48	–	3,037,358	–	–
Bank term loan B (secured)	2032	4.56	4.28	–	3,247,892	–	–
Bank term loan C (secured)	2019	3.56	–	270,237	–	–	–
Bank term loan D (secured)	2010	3.15	–	6,695,000	–	–	–
Obligations under finance leases (Note 31 (d))	2009-2013	4.31- 12.23	4.31-12.23	33,282	82,808	22,623	42,557
Convertible Notes (Note 21)	2012	–	–	–	650,000	–	650,000
				6,998,519	7,018,058	22,623	692,557
Non-current:							
Bank term loan C (secured)	2019	3.56	–	2,076,163	–	–	–
Bank term loan E (secured)	2010	3.12	3.74	8,800,000	8,800,000	–	–
Bank term loan F (secured)	2010	3.69	–	6,000,000	–	–	–
Obligations under finance leases (Note 31 (d))	2009-2013	4.31-12.23	4.31-12.23	82,222	100,032	79,426	71,329
				16,958,385	8,900,032	79,426	71,329

20. Interest-bearing loans and borrowings (cont'd)

Term loans A & B

Term loans A & B were taken to finance the acquisition of investment properties held by the Group as at 31 December 2007. These term loans were fully repaid during the year following the disposal of the investment properties.

Term loans A & B were secured by way of a legal mortgage over the same investment properties the loans were used to finance and a charge over a certain deposit account placed with the bank.

Term loan C

The term loan relates to the financing of the properties at 82 Playfair Road #11-01, #12-01, #13-01 and #14-01 that are classified under property, plant and equipment held by the Group. These properties are currently used as corporate office of the Group.

The loan is secured by way of a legal mortgage over the properties of the Group.

This loan bears interest at 3.5% and 4.125% per annum for the first and second year. Subsequently in the third year, it will bear interest at SIBOR + 0.375% and thereafter at SIBOR + 0.75% until maturity of the loan.

Term loan D

Term loan D comprises 2 facilities - land loan and construction loan. These are secured by way of a legal mortgage over one of the development properties of the Group and a charge over fixed deposits placed with the bank.

The term loan is repayable in a lump sum within two (2) years time commencing from the date of first disbursement of the loan or six months after the issuance of the temporary occupation permit whichever the earlier.

The term loan bears interest at SIBOR + 1.75% for a tenor of 1, 3 or 6 months on a rollover basis.

Breach of bank loan covenant

However, during the current financial year, the Group has breached the covenant of Term loan D. The Group has leased out units of the development property under mortgage without obtaining prior written consent from the bank. The bank is contractually entitled to request for immediate repayment of the outstanding loan amount in the event of breach of covenant.

As a consequence of the breach, all non-current portion of the term loan has been reclassified to current portion

As of the date the financial statements are authorised for issue, the bank has agreed to offer a revised facilities and a revised Letter of Offer has been received.

Term loan E

Term loan E comprises 2 facilities - land loan and construction loan. These are secured by way of legal mortgage over the development property of the Group.

The term loan is repayable in a lump sum within two (2) years from the date of first disbursement of the loan or six months after the issuance of the temporary occupation permit whichever is earlier. During the year, the Group had re-negotiated with the financial institution to extend the repayment period to 2010.

The term loan bears interest at SIBOR + 1.5% for a tenor of 1, 3 or 6 months on a rollover basis.

20. Interest-bearing loans and borrowings (cont'd)

Term loan F

Term loan F comprises 2 facilities - land loan and construction loan. These are secured by way of legal mortgage over the development property of the Group and a charge over fixed deposits placed with the bank.

The term loan is repayable in a lump sum within two (2) years time commencing from the date of first disbursement of the loan or six months after the issuance of the temporary occupation permit whichever the earlier.

The term loan bears interest at SIBOR + 2.25% for a tenor of 1, 3 or 6 months on a rollover basis.

21. Convertible notes

In the previous financial year, the Company entered into an agreement to issue to Pacific Capital Investment Management Limited ("PCIM") unsecured zero coupon convertible bonds at a nominal value of up to $50,000,000 (in five equal tranches of $10,000,000 per tranche and each tranche comprising of five sub-tranches of $2,000,000 each) maturing in the year 2012, at their nominal value of $50,000,000 or can be converted into shares of the Company at the holder's option.

On 27 March 2008, the Company made an announcement relating to the termination of the Subscription Agreement with PCIM under mutual agreement. To-date, the Company has paid all applicable fees, costs and expenses payable under the Subscription Agreement and is therefore released and discharged from its obligations pursuant to the terms of the Subscription Agreement.

Upon entering the agreement, a commitment fee is recognised. This commitment is an option given as consideration of the commitment. The commitment fee is amortised over the period of the commitment.

Upon termination of the agreement, the remaining unamortised portion of the commitment fee is recognised in the income statement.

The details of the convertible notes are as follows:

	Group and Company	
	2008	2007
	$	$
At 1 January	650,000	–
Subscription during the year	1,000,000	30,000,000
Conversion to share capital (Note 3)	(1,650,000)	(29,350,000)
At 31 December	–	650,000

21. Convertible notes (cont'd)

The commitment fee recognised in the balance sheet is analysed as below:

	Group and Company	
	2008	2007
	$	$
At 1 January	2,036,099	–
Prepaid commitment fee at initial recognition	–	4,930,021
Amortisation during the year (Note 27)	(162,691)	(2,893,922)
Commitment fee derecognised upon termination (Note 27)	(1,873,408)	–
At 31 December	–	2,036,099

The derivative financial instrument recognised in the balance sheet is analysed as follows:

	Group and Company	
	2008	2007
	$	$
At 1 January	2,046,804	–
Derivative financial instrument at initial recognition	–	4,930,021
Fair value loss recognised during the year (Note 27)	120	474,966
Amount transferred to share capital upon conversion (Note 3)	(163,666)	(3,358,183)
Derivative financial instrument derecognised upon termination (Note 27)	(1,883,258)	–
At 31 December	–	2,046,804

22. Revenue

Revenue comprises:

	Group	
	2008	2007
	$	$
Sale of development property	6,281,336	6,537,720
Sale of goods	9,175,521	1,973,501
Hotel investment	159,839	–
Management income from kiosk operators	60,381	–
Rental income from investment properties	37,649	605,750
Others	10,000	–
	15,724,726	9,116,971

23. Other income

	Group 2008 $	Group 2007 $
Interest income from banks	115,027	221,805
Gain on investment in bonds	92,885	65,746
Gain on sale of quoted equity instruments	412,578	–
Gain on sale of investment properties	141,215	–
Gain on liquidation of a subsidiary	19,137	–
Bad debt recovered	39,104	–
Foreign exchange gain	51,703	68,694
Dividend income	7,969	–
Unrealised gain on investment in quoted equity instruments	–	1,223,840
Other sundry income	178,242	124,215
	1,057,860	1,704,300

24. Financial expenses

	Group 2008 $	Group 2007 $
Interest expense		
- hire purchase	21,800	12,089
- term loans	189,868	216,730
- trust receipts	4,012	–
- bank overdrafts	–	21,263
- others	11,026	–
	226,706	250,082

25. (Loss)/profit before exceptional items and taxation

This is determined after charging the following:

	Group 2008 $	Group 2007 $
Personnel expenses (Note 26)	2,700,919	1,349,329
Depreciation of property, plant and equipment (Note 5)	514,011	56,109
Directors' fees	120,000	120,000
Rental of premises and office facilities	82,461	76,662
Directors' remuneration	862,906	663,676
Legal and professional fees	215,635	118,780
Travelling expenses	211,051	262,322
Provision for doubtful debts	673,797	–
Fair value changes in biological assets	–	108,139
Inventories recognised as an expense in cost of sales	9,690,926	1,867,352

26. Personnel expenses

	Group 2008 $	Group 2007 $
Wages, salaries and bonuses	2,434,376	1,546,726
CPF contribution	167,152	113,172
Other personnel expenses	26,262	24,330
Provision for unutilised leave	25,206	27,101
Under-provision of bonuses and CPF contribution in respect of prior year	47,923	–
Write-back of overprovision of salaries and bonus in respect of prior year	–	(362,000)
	2,700,919	1,349,329

27. Exceptional items

	Group 2008 $	Group 2007 $
Amortisation of commitment fee (Note 21)	(162,691)	(2,893,922)
Changes in fair value of the derivative financial instrument (Note 21)	(120)	(474,966)
Derecognition upon termination of the Subscription Agreement		
- Derivative financial instrument (Note 21)	1,883,258	–
- Prepaid commitment fees (Note 21)	(1,873,408)	–
Consultancy and services fee (a)	–	(760,108)
	(152,961)	(4,128,996)

(a) In the previous financial year, the Group recognised $760,108 as expenses for services rendered by the minority shareholders of a subsidiary (the "subsidiary") of the Group pursuant to the Circular dated 17 May 2007 issued by the Company. The expenses were incurred to reflect the 25% shareholding interest of the minority shareholders in the Subsidiary granted by the Group in lieu of the Group's payment of the fees for services rendered, of which 20% interest was granted to a company wholly owned by a director of the Company.

28. Taxation

Major components of income tax expense

The major components of income tax expenses for the years ended 31 December 2008 and 2007 are:

	Group 2008 $	Group 2007 $
Income statement :		
Current income tax		
- current	1,862	–
- (over)/underprovision in respect of prior years	(111,218)	26,038
	(109,356)	26,038
Deferred income tax		
- origination and reversal of temporary differences (Note 8)	(266,072)	264,490
Income tax (credit)/expenses recognised in income statement	(375,428)	290,528

Reconciliation of the tax expense and the accounting loss multiplied by the statutory tax rate is as follows:

	Group 2008 $	Group 2007 $
Loss before taxation	(3,907,459)	(2,819,283)
Tax at the applicable tax rate of 18% (2007: 18%)	(703,342)	(507,471)
Income not subject to taxation	(16,720)	(38,988)
Non-deductible expenses	97,719	26,367
Utilisation of tax benefits not recognised previously	(47,893)	(6,742)
Deferred tax assets not recognised	433,476	818,774
Effect of partial tax exemption	(27,450)	(27,450)
(Over)/under provision of tax in respect of prior years, net	(111,218)	26,038
	(375,428)	290,528

The Group has tax losses of approximately $5,179,000 (2007: $10,731,000) that are available for offset against the future taxable profits of the companies in which the losses arose for which deferred tax asset amounting to approximately $932,000 (2007: $1,932,000) is not recognised due to uncertainty of its 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 Group is applying for a waiver for the Company under the Singapore Income Tax Act, but the granting of the waiver is solely at the discretion of the Comptroller of Income Tax.

29. (Loss)/ earnings per share

Basic (loss)/earnings per share amounts are calculated by dividing profit for the year that is attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted (loss)/earnings per share amounts are calculated by dividing profit for the year that is attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares, if any.

The following table reflects the profit and loss and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2008	**2007**
	$	**$**
Net loss attributable to ordinary shareholders for basic and diluted earnings per share		
- before exceptional items	(3,172,805)	1,089,950
- after exception items	(3,325,766)	(3,039,046)
Weighted average number of ordinary shares outstanding used in the calculation of basic earnings per share	2,116,214,728	1,565,130,312
Weighted average number of ordinary shares outstanding used in the calculation of diluted earnings per share	2,116,214,728	1,566,802,062

In the previous financial year, for the purpose of calculating the earnings per ordinary share on a fully diluted basis for the period under review, it was assumed that the remaining Notes, comprising of those that were subscribed in 2007 were fully converted into 1,671,750 weighted average numbers of ordinary shares of the Company. Based on this assumption, the weighted average number of issued shares was 1,566,802,062 as at 31 December 2007.

There are no outstanding Notes as at 31 December 2008 therefore there are no potential dilutive equity instrument.

30. Related party disclosures

Related parties are individuals or entities that have the ability, directly or indirectly, to control the party or exercise significant influence over the Company in making financial or operating decisions, or vice versa.

Beside related party information disclosed elsewhere in the financial statements, there is no other significant transaction.

(a) ***Transactions with entities in which the directors of the Company have interests***

	Group	
	2008	2007
	$	$
Fees charged for the management of the investment properties held by the Group paid to an entity wholly owned by a director	–	15,500
Allotment of 20% shareholding interests in a subsidiary to an entity wholly owned by a director	–	608,086
Return of investment arising from the liquidation of a subsidiary	360,000	–
Sale of a strata unit of a development property	–	1,146,000

The return of investment of $360,000 arising from the liquidation of a subsidiary was related to the distribution of the 20% shareholding interest allotted to an entity wholly owned by a director in the previous year. The amount was arrived at after deducting all the share of losses of the subsidiary and foreign exchange losses to be borne by the related entity. As at the date of this report, the Group has made full payment to the related entity in satisfaction to the return of investment.

(b) ***Transactions with subsidiaries***

	Company	
	2008	2007
	$	$
Management fees from subsidiaries	2,093,370	845,000

(c) ***Compensation of key management personnel***

	Group	
	2008	2007
	$	$
Short term employee benefits	1,224,482	949,587
Central Provident Fund contributions	48,714	56,481
	1,273,196	1,006,068
Comprise amounts paid to:		
Directors of the Company	862,906	663,676
Other key management personnel	410,290	342,392
	1,273,196	1,006,068

31. Commitments and contingencies

(a) ***Contingent liabilities***

The corporate guarantees as at the end of the financial years are as follows:

	Company	
	2008	**2007**
	$	**$**
Corporate guarantees given by the Company to financial institutions for credit facilities granted to subsidiaries	34,518,000	22,380,000

(b) ***Capital commitment***

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statement are as follows:

	Group	
	2008	**2007**
	$	**$**
In respect of the construction costs for properties at 54, 54A, 54B, 54C, 56, 56A, 56C and 58 Joo Chiat Lane	8,797,534	–
In respect of the acquisition costs of land in Cambodia (i)	4,500,000	–
In respect of the development cost for the development property at 82 Playfair Road	–	3,194,245
In respect of the construction costs for the on-going development of the property at Neo Tiew Lane 2	–	536,515
In respect of the purchase of the properties at 45 Joo Chiat Lane for the purpose of redevelopment	–	7,975,024
In respect of the acquisition and commissioning of the sewerage treatment plant for the property at Neo Tiew Lane 2	–	50,960
	13,297,534	11,756,744

Capital expenditure approved but not contracted for as at the balance sheet date are as follows:

	Group	
	2008	**2007**
	$	**$**
In respect of the construction costs for the on-going development of the property at Neo Tiew Lane 2	–	3,897,000
In respect of the construction costs for properties at 54, 54A, 54B, 54C, 56, 56A, 56C and 58 Joo Chiat Lane	–	7,000,000
	–	10,897,000

31. Commitments and contingencies *(cont'd)*

(b) ***Capital commitment (cont'd)***

(i) During the year, the Group had entered into a Sale and Purchase agreement ("S&P" agreement) to acquire 1,791 hectares of freehold land ("Project") located in Amlang Commune, Thprong District, Kampong Speu, Kingdom of Cambodia.

As at 31 December 2008, the Group only managed to complete the acquisition of approximately 450 hectares of the freehold land. The estimated cost of the acquisition of the remaining hectares of the freehold land stated in the S&P agreement was approximately $4.5 million.

(c) ***Operating lease commitments***

As lessor

The non-cancellable lease pertains to a property acquired in Cambodia during the year. The lease term will end in June 2009.

Future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Within 1 year	114,640	34,020	–	–
	114,640	34,020	–	–

As lessee

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Not later than one year	32,230	31,548	–	31,548
Later than one year but not later than five years	19,140	1,000	–	1,000
	51,370	32,548	–	32,548

During the year, the Group had entered into various commercial leases in Cambodia for the use of office premise and staff accommodations. These leases have remaining lease term between less than one to two years.

The operating leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debts or entering into other leasing agreements.

31. Commitments and contingencies (cont'd)

(d) ***Finance lease commitments***

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

The Group has finance leases for motor vehicles (Note 5). The lease has a remaining term of between 2 to 5 years. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

The effective interest rate for the hire purchases ranges from 4.90% to 8.93% (2007: 4.31% to 12.23%) per annum.

Future minimum lease payments payable under finance leases together with the present value of the net minimum lease payments as at 31 December are as follows:

	2008			2007		
Group	**Minimum lease payments $**	**Interest $**	**Present value of payments $**	**Minimum lease payments $**	**Interest $**	**Present value of payments $**
1 to 5 years	88,332	6,767	82,222	112,750	12,718	100,032
Not later than 1 year	38,352	4,413	33,282	95,546	12,738	82,808
	126,684	11,180	115,504	208,296	25,456	182,840
Company						
1 to 5 years	85,500	6,074	79,426	82,748	11,419	71,329
Not later than 1 year	27,000	4,377	22,623	49,409	6,852	42,557
	112,500	10,451	102,049	132,157	18,271	113,886

32. Segment information

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Business segments

The Group is organised into 3 main business segments, namely:

- Agriculture;
- Property Development and Real Estate; and
- Others

Agriculture

The Agriculture division is carrying on the business of agricultural development, cultivation, branding and merchandising and distribution of corn for the processing and animal feed milling industries.

Property Development and Real Estate

The Property Investment and Development segment is carrying on the business of investment and prime development of commercial and residential properties.

Others

The Others segment comprises:

(i) the Company who is engaged in the business of investment holding generating income from management services and dividend; and

(ii) other subsidiaries whose scope of activities and financial results are not material enough to be reported under a separately reportable segment or who are currently dormant.

Geographical segments

The activities of the Group are mostly derived from business operations in Singapore. Accordingly, it is not meaningful to present segmental reporting by geographical markets.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment liabilities do not include provision for taxation, deferred taxation and interest-bearing liabilities.

Inter-segment pricing is on terms agreed between parties.

32. Segment information (cont'd)

	Agriculture $	Property development and real estate $	Others $	Elimination $	Group $
2008					
Revenue					
External sales	9,395,741	6,328,985	–	–	15,724,726
Inter-segment sales	530,294	4,466,580	2,093,370	(7,090,244)	–
	9,926,035	10,795,565	2,093,370	(7,090,244)	15,724,726
Profit and loss					
Segment results	(6,672,281)	262,796	1,690,528	1,191,165	(3,527,792)
Financial expenses					(226,706)
Loss before taxation and exceptional items					(3,754,498)
Exceptional items					(152,961)
Profit before taxation					(3,907,459)
Taxation					375,428
Net profit for the year					(3,532,031)

2008	Agriculture $	Property development and real estate $	Others $	Group $
Other information				
Segment assets	21,090,707	43,961,313	15,568,275	80,620,295
Segment liabilities	(1,138,256)	(1,105,958)	(760,157)	(3,004,371)
Unallocated liabilities				(23,956,904)
Consolidated total liabilities				(26,961,275)
Capital expenditure	12,461,174	2,193,344	166,512	14,821,030
Depreciation	361,038	119,951	33,022	514,011
Impairment on other receivables	–	–	673,797	673,797

32. Segment information (cont'd)

2007	Agriculture	Property development and real estate	Others	Elimination	Group
	$	$	$	$	$
Revenue					
External sales	1,973,501	7,143,470	–	–	9,116,971
Inter-segment sales	–	71,788	845,000	(916,788)	–
	1,973,501	7,215,258	845,000	(916,788)	9,116,971
Profit and loss					
Segment results	(857,947)	1,491,158	901,389	25,195	1,559,795
Financial expenses					(250,082)
Profit before taxation and exceptional items					1,309,713
Exceptional items					(4,128,996)
Loss before taxation					(2,819,283)
Taxation					(290,528)
Net loss for the year					(3,109,811)

2007	Agriculture	Property development and real estate	Others	Group
	$	$	$	$
Other information				
Segment assets	5,598,701	34,682,133	36,864,651	77,145,485
Segment liabilities	(324,999)	(2,880,641)	(2,507,832)	(5,713,472)
Unallocated liabilities				(16,227,440)
Consolidated total liabilities				(21,940,912)
Capital expenditure	670,921	1,575,805	23,367	2,270,093
Depreciation	31,740	10,808	13,561	56,109

33. Directors' remuneration

	2008			2007		
Company	Executive directors	Non-executive directors	Total	Executive directors	Non-executive directors	Total
$500,000 and above	–	–	–	–	–	–
$250,000 to $499,999	1	–	1	–	–	–
Below $250,000	2	3	5	2	7	9
	3	3	6	2	7	9

34. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks from its operation and the use of financial instruments. The main risks include interest rate risk, credit risk, liquidity risk, currency risk and market price risk. The Group's risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Risk management activities are carried out by the Group Finance Department with approval from the Executive directors.

Interest rate risk

The Group and the Company's exposure to interest rate risk arise primarily from their loans and borrowings and interest bearing deposits placed with various financial institutions. The Group and the Company's policy are to obtain the most favourable interest rates available. Information relating to the Group's interest rate exposure is disclosed in the relevant notes, where applicable.

Sensitivity analysis for interest rate risk

At the balance sheet date, if the interest rate of interest bearing deposits would have fluctuated by a favourable/(adverse) movement of 50 basis points, the interest income derived during the year would have increased/(decreased) by approximately $72,000 (2007: $60,000).

At the balance sheet date, if SGD interest rates had been 75 (2007: nil) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been approximately $50,200 (2007: $nil) higher/lower, arising mainly as a result of higher/lower fair value of the interest of the floating rate loans and borrowings taken to the income statement.

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 exposure to credit risk arises primarily from the rental of investment properties and sale of development properties. For other financial assets (including investment securities and cash and cash equivalents), the Group and the Company minimise credit risk by dealing with good credit rating counterparties.

It is the Group's policy that guidelines are in place to ensure that the credit sales are only made to customers with appropriate credit standing.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Exposure to credit risk

As at balance sheet date, the Group and the Company's maximum exposure to credit risk is represented by:

(i) the carrying amount of each class of financial assets recognised in the balance sheets; and

(ii) a nominal amount of $34,518,000 (2007: $22,380,000) relating to corporate guarantees provided by the Group for bank facilities granted to subsidiary companies of the Group, of which, approximately $23,841,400 (2007: $15,085,250) has been utilised as at the balance sheet date.

34. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry and country sector profile of the Group's trade receivables as at the balance sheet date are as follows:

	2008		2007	
	$	%	$	%
By industry				
Agriculture	317,202	19.8	1,000,960	64.3
Property development and real estate	1,281,905	80.2	555,007	35.7
	1,599,107	100.0	1,555,967	100.0
By country				
Singapore	1,357,819	84.9	555,007	35.7
Taiwan	240,983	15.0	1,000,960	64.3
Cambodia	305	0.1	–	–
	1,599,107	100.0	1,555,967	100.0

Financial assets that are neither past due or impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with good credit ratings.

Liquidity risk

The Group and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. In managing liquidity risk, the Group and the Company monitors and maintains an adequate level of cash and cash equivalents and adequate credit facilities to finance the Group and the Company's operations.

34. Financial risk management objectives and policies (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	2008			2007		
Group	**1 year or less $'000**	**1 to 5 years $'000**	**Total $'000**	**1 year or less $'000**	**1 to 5 years $'000**	**Total $'000**
Trade and other payables	1,911	–	1,911	3,067	–	3,067
Borrowings	8,174	17,842	26,016	7,333	8,972	16,305
	10,085	17,842	27,927	10,400	8,972	19,372
Company						
Trade and other payables	477	–	477	461	–	461
Borrowings	27	86	113	51	85	136
	504	86	590	512	85	597

Foreign currency risk

The Group's transactional currency exposures mainly comes from its involvement in the merchandising of agriculture products that are denominated in United States Dollars ("US$") and the foreign currencies of the countries in which the Group operates. 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 remaining exposure is not considered by the management to be significant.

As the operating activities of the Group are expected to increase subsequently, the Group foresees that the foreign exchange risk may become significant. In order to minimise the foreign exchange risk, the Group has implemented policies and guidelines to facilitate the management of the foreign exchange risk. Whenever practicable, the Group will endeavour to match the currency of sales and purchases to minimise the net exposure. The choice of invoicing currency will be made such that the Group's total currency exposure is minimised. The Group may use other common market instruments for hedging, such as forward exchange contracts, currency options contracts and money market where practicable, subject to the management's approval.

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

34. Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a 5% change in the United States Dollars ("US$") and China Renminbi ("RMB") exchange rates against Singapore Dollars with all other variables remain constant.

	Group Profit after tax	
	2008 **$'000**	**2007** **$'000**
USD – (strengthen 5%)	268	211
USD – (weaken 5%)	(268)	(211)
China Renminbi (strengthen 5%)	15	–
China Renminbi (weaken 5%)	(15)	–
RP – (strengthen 5%)	–	(12)
RP – (weaken 5%)	–	12

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group has minimal exposure to equity price risk arising from its investment in quoted equity instruments.

The Group's policy is to minimise the equity price risk by restricting the Group's speculative investment portfolio.

Sensitivity analysis for market price risk

The sensitivity analysis for the market price risk of its investment in quoted equity instruments is co-related to the movements of the Trading Index. At the balance sheet date, if the Index had been 5% (2007: 2%) higher/lower, the Group would have an increase/decrease in the other operating income of approximately $119,000 (2007: $57,800) including foreign exchange.

Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of cash and short term deposits, trade and other receivables, trade and other payables, other liabilities, current bank loans and non-current floating rate loans based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

34. Financial risk management objectives and policies (cont'd)

Fair values (cont'd)

Set out below is a comparison by category of carrying amounts and fair values of all of the Group and Company's financial instruments that are carried in the financial statements at other than fair values as at 31 December.

The Group	Loans and receivables $	Fair value through profit and loss $	Liabilities at amortised cost $	Assets held for sale $	Non-financial assets/ liabilities $	Total $
2008						
Assets						
Fixed assets	–	–	–	–	17,315,084	17,315,084
Development properties	–	–	–	–	34,524,845	34,524,845
Inventories	–	–	–	–	603,775	603,775
Trade receivables	1,599,107	–	–	–	–	1,599,107
Other receivables	1,088,747	–	–	–	324,206	1,412,953
Amount due from a minority shareholder	3,669	–	–	–	–	3,669
Investment in quoted equity instruments	–	2,881,845	–	–	–	2,881,845
Cash and cash equivalents	22,279,017	–	–	–	–	22,279,017
	24,970,540	2,881,845	–	–	52,767,910	80,620,295
Liabilities						
Trade payables	–	–	71,618	–	–	71,618
Other payables	–	–	2,209,849	–	62,904	2,272,753
Amount due to a minority shareholder	–	–	660,000	–	–	660,000
Interest-bearing loans and borrowings	–	–	23,956,904	–	–	23,956,904
	–	–	26,898,371	–	62,904	26,961,275

34. Financial risk management objectives and policies (cont'd)

Fair values (cont'd)

The Group	Loans and receivables $	Fair value through profit and loss $	Liabilities at amortised cost $	Assets held for sale $	Non-financial assets/ liabilities $	Total $
2007						
Assets						
Fixed assets	–	–	–	–	773,143	773,143
Construction in progress	–	–	–	–	1,522,309	1,522,309
Investment properties held for sale	–	–	–	12,361,926	–	12,361,926
Development properties	–	–	–	–	17,445,827	17,445,827
Inventories	–	–	–	–	34,668	34,668
Biological assets	–	–	–	–	525	525
Trade receivables	1,555,967	–	–	–	–	1,555,967
Other receivables	2,490,172	–	–	–	1,291,112	3,781,284
Quoted equity instruments	–	2,585,460	–	–	–	2,585,460
Prepayment on commitment fee	–	–	–	–	2,036,099	2,036,099
Cash and cash equivalents	35,048,277	–	–	–	–	35,048,277
	39,094,416	2,585,460	–	12,361,926	23,103,683	77,145,485
Liabilities						
Trade payables	–	–	891,685	–	–	891,685
Other payables	–	–	2,104,334	–	70,649	2,174,983
Derivative financial instruments	–	2,046,804	–	–	–	2,046,804
Amount due to a minority shareholder	–	–	600,000	–	–	600,000
Provision for taxation	–	–	–	–	43,278	43,278
Interest-bearing loans and borrowings	–	–	15,918,090	–	–	15,918,090
Deferred tax liabilities	–	–	–	–	266,072	266,072
	–	2,046,804	19,514,109	–	379,999	21,940,912

34. Financial risk management objectives and policies (cont'd)

Fair values (cont'd)

The Company	Loans and receivables $	Fair value through profit and loss $	Liabilities at amortised cost $	Assets held for sale $	Non-financial assets/ liabilities $	Total $
2008						
Assets						
Fixed assets	–	–	–	–	162,393	162,393
Subsidiaries	–	–	–	–	1,000,000	1,000,000
Other receivables	342,521	–	–	–	3,073	345,594
Amount due from subsidiaries	44,710,535	–	–	–	–	44,710,535
Investment in quoted equity instruments	–	2,572,060	–	–	–	2,572,060
Cash and cash equivalents	12,488,228	–	–	–	–	12,488,228
	57,541,284	2,572,060	–	–	1,165,466	61,278,810
Liabilities						
Other payables	–	–	861,087	–	49,070	910,157
Amount due to subsidiaries	–	–	654,411	–	–	654,411
Interest-bearing loans and borrowings	–	–	102,049	–	–	102,049
	–	–	1,617,547	–	49,070	1,666,617
2007						
Assets						
Fixed assets	–	–	–	–	33,487	33,487
Subsidiaries	–	–	–	–	1,100,100	1,100,100
Other receivables	489,484	–	–	–	29,750	519,234
Amount due from subsidiaries	22,223,741	–	–	–	–	22,223,741
Investment in quoted equity instruments	–	2,585,460	–	–	–	2,585,460
Prepayment on commitment fee	–	–	–	–	2,036,099	2,036,099
Cash and cash equivalents	31,690,371	–	–	–	–	31,690,371
	54,403,596	2,585,460	–	–	3,199,436	60,188,492
Liabilities						
Other payables	–	–	436,640	–	24,388	461,028
Derivative financial instrument	–	2,046,804	–	–	–	2,046,804
Amount due to subsidiaries	–	–	654,411	–	–	654,411
Provision for taxation	–	–	–	–	43,278	43,278
Interest-bearing loans and borrowings	–	–	763,886	–	–	763,886
Deferred tax liabilities	–	–	–	–	1,582	1,582
	–	2,046,804	1,854,937	–	69,248	3,970,989

34. Financial risk management objectives and policies (cont'd)

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group and the Company's financial instruments that are exposed to interest rate risk:

2008 Group	**Within 1 year $**	**1-2 years $**	**2-3 years $**	**More than 3 years $**	**Total $**
Bank term loan	6,965,237	8,372,430	265,764	8,237,969	23,841,400
Obligations under finance leases	33,282	26,599	24,984	30,639	115,504
	6,998,519	8,399,029	290,748	8,268,608	23,956,904
2007 Group					
Bank term loan	6,285,250	8,800,000	–	–	15,085,250
Obligations under finance leases	82,808	68,465	31,567	–	182,840
	6,368,058	8,868,465	31,567	–	15,268,090

2008 Company	**Within 1 year $**	**1-2 years $**	**2-3 years $**	**3-4 years $**	**4-5 years $**	**More than 5 years $**	**Total $**
Obligations under finance leases	22,623	23,803	24,984	26,164	4,475	–	102,049
2007 Company							
Obligations under finance leases	42,557	42,557	28,772	–	–	–	113,886

35. Capital management

The Group manages its capital to ensure entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group monitors capital using a gearing ratio, which are loans and borrowings divided by total capital which include equity attributable to the equity holders of the Company and minority interests. The Group targets to keep the gearing ratio within 50% and 60%.

35. Capital management (cont'd)

In the current financial year, the Group is not subject to external imposed capital requirement.

	Group	
	2008	2007
	$'000	$'000
Loans and borrowings (Note 20)	23,957	15,918
Equity attributable to the equity holders of the Company	53,113	54,292
Minority interests	546	913
Total capital	53,659	55,205
Gearing ratio	0.45	0.29

36. Subsequent events

In January 2009, the Singapore Government announced the 2009 Budget with a "Resilience Package" which provides a number of measures to cushion the impact of the slowing Singapore economy. The Group will benefit largely from two key Budget Measures, namely the reduction in corporate tax rate from 18% to 17% and the Jobs Credit Scheme.

37. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 1 April 2009.

ANALYSIS OF SHAREHOLDINGS AS AT 20 MARCH 2009

Issued and fully paid up capital	:	$85,148,107.45
No. of shares issued	:	2,120,750,895
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per share

Size of shareholdings	No. of shareholders	%	No. of shares	%
1-999	25	0.33	12,407	0.00
1,000-10,000	892	11.74	5,309,826	0.25
10,001-1,000,000	6,519	85.82	883,864,362	41.68
1,000,001 and above	160	2.11	1,231,564,300	58.07
Total	7,596	100.00	2,120,750,895	100.00

Top twenty shareholders as at 20 March 2009	No. of shares	%
Ong Bee Huat	162,210,269	7.65
Hsu Hung-Chun	118,000,000	5.56
Wong Wen-Young	100,000,000	4.72
Goh Bak Heng	95,750,000	4.51
Kinko Enterprises Limited	65,461,733	3.09
Kim Eng Securities Pte Ltd	34,076,000	1.61
Hong Leong Finance Nominees Pte Ltd	30,300,000	1.43
Toh Tiam Hock	28,763,000	1.35
DBS Nominees Pte Ltd	28,203,000	1.33
Citibank Consumer Nominees Pte Ltd	25,920,000	1.22
United Overseas Bank Nominees Pte Ltd	25,232,000	1.19
Liew Eng Leng	23,937,000	1.13
Khong Heng Poh	18,000,000	0.85
Mayban Nominees (S) Pte Ltd	14,521,175	0.69
CIMB-GK Securities Pte Ltd	14,466,000	0.68
Philip Securities Pte Ltd	14,389,083	0.68
DBS Vickers Securities (S) Pte Ltd	14,330,000	0.67
OCBC Nominees Singapore Pte Ltd	14,158,000	0.67
HSBC (Singapore) Nominees Pte Ltd	14,153,000	0.67
Citibank Nominees Singapore Pte Ltd	11,245,000	0.53
	853,115,260	40.23

Substantial shareholders	Direct interest	Deemed interest	No. of shares	%
Ong Bee Huat	162,210,269	65,461,733	227,672,002	10.74
Hsu Hung-Chun	118,000,000	–	118,000,000	5.56

(1) Ong Bee Huat is deemed interested in the shares held by Kinko Enterprises Limited (65,461,733 shares) by virtue of section 7 of the Companies Act, Cap. 50.

Percentage of shareholding in public hands

78.98% of the Company's issued shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the SGX Listing Manual.

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of **HLH GROUP LIMITED** will be held on Monday, 27 April 2009 at 3.00 p.m. at D' Kranji Farm Resort, 10 Neo Tiew Lane 2, Singapore 718813 to transact the following business:-

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the financial year ended 31 December 2008 and the Reports of the Directors and Auditors and the Statement by Directors thereon. **[Resolution 1]**

2. To re-elect the following Directors retiring pursuant to Article 89 of the Company's Articles of Association:

   (i) Dr Wong Wen-Young, Winston **[Resolution 2]**
   (ii) Ms Gan Wui Koh **[Resolution 3]**

3. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 4]**

4. To transact any other business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

5. To approve the payment of Directors' Fees of $120,000 for the financial year ended 31 December 2008 (2007: $128,000). **[Resolution 5]**

6. To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution: -

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be and are hereby empowered to allot and issue shares and/or convertible securities where the maximum number of shares to be issued upon conversion is determinable at the time of the issue of such securities in the Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and on such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that:

   (i) the aggregate number of shares and securities convertible into shares that may be issued must not be more than 50% (or 100% in the event of a pro-rata renounceable rights issue) of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders must not be more than 20% of the total number of issued shares excluding treasury shares. For the purpose of determining the aggregate number of shares and convertible securities convertible that may be issued under this Resolution, the percentage of the total number of issued shares excluding treasury shares is based on the total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution and (c) any subsequent bonus issue, consolidation or subdivision of shares; and

(ii) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." [See Explanatory Note (i)] **[Resolution 6]**

By Order of The Board

HELEN CAMPOS
Company Secretary

Singapore
9 April 2009

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting (the "Meeting") of the Company is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings (express as a percentage of the whole) to be represented by each proxy.

3. A proxy need not be a member of the Company.

4. If the appointer is a corporation, the instrument appointing the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 82 Playfair Road, #11-01 D' Lithium, Singapore 368001 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

STATEMENT PURSUANT TO ARTICLE 52 OF THE COMPANY'S ARTICLES OF ASSOCIATION

(i) The effect of the Resolution 6 under the heading "Special Business" in this Notice of Annual General Meeting is to empower the Directors of the Company, from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the share capital of the Company. The number of new shares which the Directors may allot and issue under this Resolution shall not exceed fifty per centum (50%) [or one hundred per centum (100%) in the event of a pro-rata renounceable rights issue] of the issued share capital of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be allotted and issued shall not exceed twenty per centum (20%) of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

HLH GROUP LIMITED

Co. Reg. No. 199905292D
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We ______________________________

of ______________________________

being *member/members of HLH GROUP LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

as my/our proxy to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Tenth Annual General Meeting of the Company to be held at D' Kranji Farm Resort, 10 Neo Tiew Lane 2, Singapore 718813 on Monday, 27 April 2009 at 3.00 p.m. and at any adjournment thereof.

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

No.	Resolutions relating to:	For	Against
1	Adoption of Audited Accounts for the financial year ended 31 December 2008 and the Reports of the Directors and Auditors and the Statement by Directors thereon.		
2	Re-election of Dr Wong Wen-Young, Winston retiring pursuant to Article 89 of the Articles of Association of the Company.		
3	Re-election of Ms Gan Wui Koh retiring pursuant to Article 89 of the Articles of Association of the Company.		
4	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company and authorisation of Directors to fix their remuneration.		
5	Approval of Directors' fees of S$120,000 for the financial year ended 31 December 2008.		
6	Authority to Directors to allot and issue new shares.		

Dated this __________________ day of __________________________ 2009

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

____
Signature(s) of Member(s) or
Common Seal of Corporation

* Delete accordingly

Notes:-

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. However, if no such proportion is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.

4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 82 Playfair Road, #11-01 D' Lithium, Singapore 368001 not less than forty-eight (48) hours before the time fixed for holding the Annual General Meeting.

5. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorized.

6. A corporation which is a member may also authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

7. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

8. In the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at forty-eight (48) hours before the time fixed for holding the Annual General Meeting as certified by the CDP to the Company.

Fold along this line (1)

AFFIX STAMP

The Company Secretary
HLH Group Limited
82 Playfair Road, #11-01
D' Lithium, Singapore 368001

Fold along this line (2)