HLH Group Limited

since 1988

ANNUAL REPORT 07

Contents

Corporate Information

BOARD OF DIRECTORS

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

Audit Committee
Luar Eng Hwa (Chairman)
Wang Kai Yuen
Chen Seow Phun John

Nominating Committee
Chen Seow Phun John (Chairman)
Luar Eng Hwa
Wang Kai Yuen

Remuneration Committee
Wang Kai Yuen (Chairman)
Chen Seow Phun John
Luar Eng Hwa

COMPANY SECRETARY
Helen Campos

SHARE REGISTRAR
B.A.C.S. Private Limited
63 Cantonment Road Singapore 089758
Tel: (65) 6323 6200 / Fax: (65) 6323 6990

REGISTERED OFFICE
76 Playfair Road #04-02 LHK2, Singapore 367996
Tel: (65) 6289 8286 / Fax: (65) 6289 8166
Website: http://www.hlh.com.sg

AUDITORS
Ernst & Young
One Raffles Quay North Tower, Level 18 Singapore 048583
Partner-in-charge: Philip Ng Weng Kwai (since financial year ended 31 December 2006)

BANKERS
United Overseas Bank
The Development Bank of Singapore Ltd
Citibank Singapore Ltd
The Hong Kong and Shanghai Banking Corporation Limited
Merrill Lynch International Bank Ltd
Bank Julius Baer & Co Ltd

CORPORATE PROFILE

ORGANISATION STRUCTURE

- **HLH GROUP LIMITED**
  - **HLH AGRI INTERNATIONAL PTE LTD**
    - PT HLH-AGRI INDONESIA (75%)
    - HLH GLOBAL TRADING PTE LTD
    - AGRI-AQUA BIOTECHNOLOGIES (S) PTE LTD
  - **HLH AGRI R&D PTE LTD**
    - TIELING HLH AGRI PROCESSING CO LTD (85%)
  - **LITHIUM DEVELOPMENT PTE LTD**
  - **HLH DEVELOPMENT PTE LTD**
    - FRESCO DEVELOPMENT PTE LTD (70%)
    - CASTILIA DEVELOPMENT PTE LTD
    - ALMIRA DEVELOPMENT PTE LTD
  - **HONG LAI HUAT CONSTRUCTION PTE LTD**

CORPORATE PROFILE

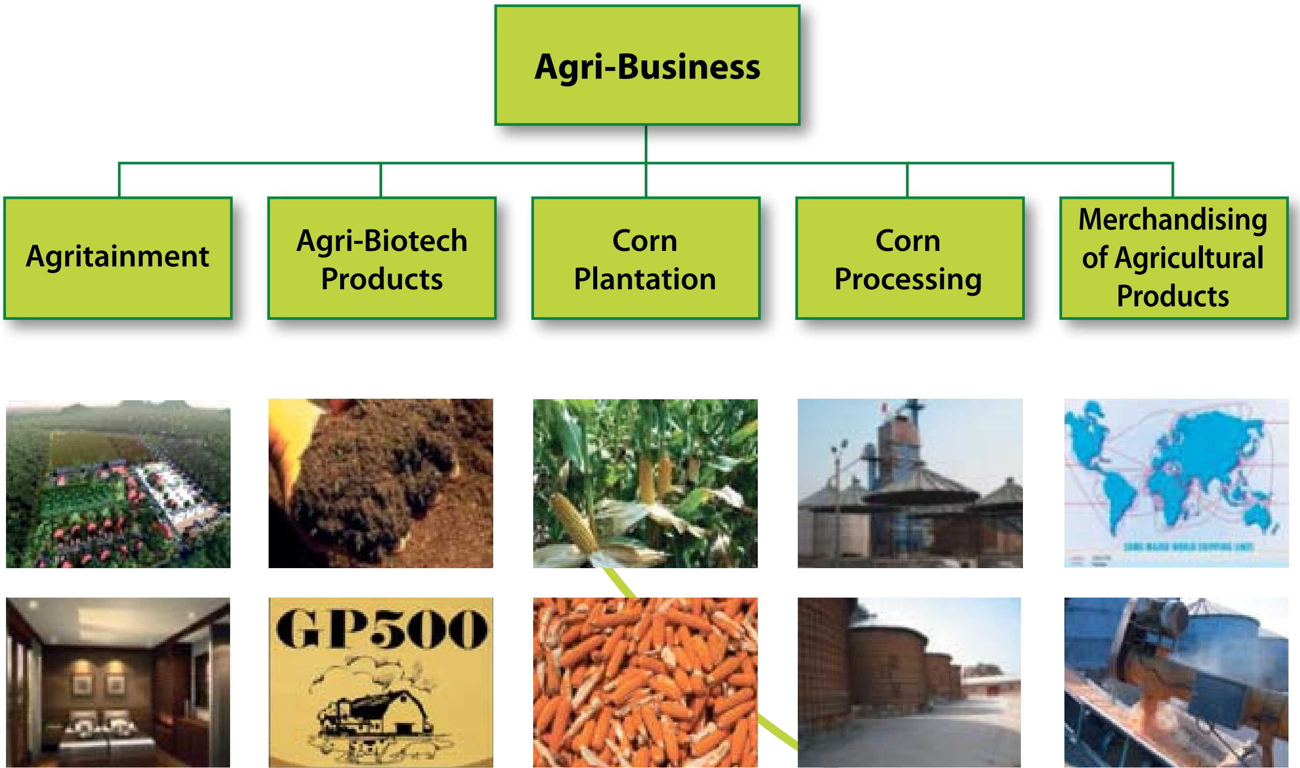
THE COMPANY

Company Background

The Company was incorporated in Singapore on 4 September 1999 and listed on the mainboard of the Singapore Stock Exchange under the name of Hong Lai Huat Group Limited on 21 June 2000. The Group changed its name to PDC Corp Ltd on 31 July 2002 and subsequently to HLH Group Limited on 15 June 2007.

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.



Corporate Profile

- **Property Development and Real Estate**
  The division is carrying on the business of investment and development of commercial, residential and industrial properties.

Market Interests: Singapore, Indonesia, Myanmar, Cambodia, Vietnam, China and Taiwan

Property Development

- **Commercial**
- **Residential**
- **Industrial**

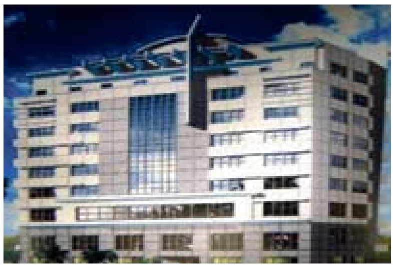
Geylang Shophouses

D' Fresco
Freehold Condominium

D' Lithium
14-storey Light Industrial Building

Geylang Shophouses

D' Ecosia
Boutique Condominium



D' Centennial
Light Industrial Building

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 and Koon Holdings 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 the Company. 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 also 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.

Board of Directors

Ms Gan Wui Koh Veronica
Executive Director

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 March 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.

Mr Luar Eng Hwa
Non-Executive Independent Director

Mr Luar was appointed as Director on 1 March 2004. He is a Certified Public Accountant and has over 15 years of professional experience. He is a Fellow of the Association of Chartered Certified Accounants (U.K.), a Certified Fraud Examiner (U.S.A.), a Fellow of the Association of Financial Planners and 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.

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. He is also advisor to Network China and Mayor of Shenyang (China).

Board of Directors

Deputy Chairman's Message

Dear Shareholders,

The year 2007 has been a challenging and fruitful year for the Company. Despite the daunting tasks, the dedication and commitment of everyone in the organisation have stood us in good stead, and the fruits of hard work have shown through as the year 2007 progressed.

Operationally, our turnover and operating profit have improved compared to FY2006 as we have successfully achieved 100% sales for D' Lithium, our industrial development property launched in the year 2007. In addition, we have generated some sales revenue from our new startup in the merchandising of the agricultural products of the Agriculture division.

AGRICULTURE DIVISION

Plantation
We are in the midst of expanding and securing arable land in other areas in Indonesia as well as the neighboring countries such as Cambodia, Myanmar and Vietnam. We are confident that our developments in Agriculture would boost the growth of the Group.

Merchandising of Agriculture Products
The merchandising segment has begun operations in 3Q'07 and sales volumes are increasing progressively. The strategic purpose of us setting up this segment is to build up our customer network base, penetrate into new markets and keenly, to path the route for future expansion in our Agriculture business. The segment is postulated to be a major revenue contributor in the year 2008 as we continuously seek new customers from various parts of the world to add onto our business relationships profile. Concurrently, the segment is also actively setting up local offices within Asia to expand its market share. The segment also has plans to acquire additional processing and storage facilities in China and other parts of Asia to achieve economies of scale and to expand our sales operations.

Agri-tainment Farm
Construction work on the agri-tainment farm has begun in 3Q'07 and is slated for opening in 3Q'08. The Division is actively working with the Singapore Tourism Board and other relevant corporations to schedule various events both academic 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. The team is now being staffed with various agriculture connoisseurs to spear head the R&D centre and to conduct trainings and technical consultancy on agriculture related projects.

PROPERTY DEVELOPMENT AND REAL ESTATE DIVISION

The real estate market in Singapore has undergone a robust surge in prices over the last two years propelled by the unprecedented growth in demand in both the commercial and residential segments. The Group has undertaken various projects to capitalise on the thriving market, of which D' Lithium, a 14-storey light industrial development property held by the Group, are amongst the first to leverage on the boon.

Advocating always, to fine quality, good value and unique design, our diverse types of developments launched have especially been well-received. D' Ecosia, our rewarding residential boutique development along the coveted East Coast Region, is lauded for its "garden-in-a-city" concept and environmentally-friendly features such as recycling rainwater for the flushing of toilets and watering of plants. Likewise, D' Lithium, a distinctive 14-storey light industrial property located at Paya Lebar Road, achieved 100% sales when it was launched in 2007.

Deputy Chairman's Message

The economy outlook on the Property and the Real Estate in Singapore remain healthy and the Group would continue to expand into the developments of the residential and the light industrial property. We are confident that by further expansion and development in this sector, the outcomes would be rewarding to the Group.

New Launches
To further boost the Group's profile in the property market, new launches in the residential sector are projected from the second quarter of 2008 onwards. First on the list is D' Fresco, a 30-unit freehold boutique residential development amid the appeal of Joo Chiat's old world charm and quaint surroundings. The freehold residential properties launches expected later in the year include D' Almira in Sommerville Road (off Braddell Road) and D' Castilia which is situated across D' Fresco at Joo Chiat.

Projects in the pipelines

Development Properties	Location	Tenure	Type of Development
D' Almira	Sommerville Road	Freehold	Residential
D' Castilia	Joo Chiat Lane	Freehold	Residential
D' Fresco	Joo Chiat Lane	Freehold	Residential
D' Lithium	Playfair Road	Freehold	Industrial

LOOKING AHEAD

Much remains to be done. We have yet to fully exploit the potential of our team and our businesses. More key strategic decisions need to be taken, to promote transformation in our operations as well as to improve structural weaknesses to achieve better growth and development. To maintain our calm while understanding that nothing remains constant except change, will present many challenges for the Group. Barring any unforeseen circumstances, we are cautiously optimistic that we will be on track with our plan in the year 2008.

In conclusion, I would like to take this opportunity to express our thankfulness to our shareholders for their support and at the same time, on behalf of the Company and our Board of Directors, we give our commitment to work towards a better performance in the coming year.

ONG BEE HUAT
Deputy Chairman

Operations Review

OVERVIEW OF THE FINANCIAL

Review of Income Statement

Turnover
The Group recorded turnover of approximately $9.12 million in FY2007 compared to approximately $68,000 recorded in the previous FY2006 which is mainly attributable to the revenue derived from the rental income and sales recognized for the development properties of approximately $7.14 million under its Property Development and Real Estate division. The remaining turnover of approximately $1.97 million is mainly the trading income derived from its Agricultural division. The Group has minimal revenue generating operation in the previous FY2006.

Other operating income
The other operating income of the Group in the current FY2007 has increased by approximately $1.58 million from approximately $127,000 in FY2006 to approximately $1.71 million in FY2007. The higher other operating income is mainly attributable to the recognition of an approximately $1.22 million of unrealized gain on quoted investments, an increase in the interest income and gain on structured investment of approximately $0.26 million and an increase in the other sundry income of approximately $0.1 million that was partially offset by gain on liquidation of a subsidiary of an approximately $0.10 million included in the previous FY2006.

Distribution and selling expenses
The distribution and selling expenses incurred in FY2007 are selling expenses that relates to the development property held by the Group that was launched in the current year. There was no distribution and selling expense incurred in the previous FY2006.

Administrative expenses
The administrative expenses of the Group have increased 134.0% from approximately $1.20 million in the previous FY2006 to approximately $2.80 million in FY2007 mainly due to the increase in the overall operation cost resulting in increase in business activities and operations of the Group.

Other operating expenses
The other operating expenses in FY2007 have increased by approximately $0.12 million attributable mainly to the recognition of impairment of the work-in-progress relating to the trial planting in our Indonesia operation.

Financial expenses
The financial expenses of the Group in FY2007 has increased by approximately $0.10 million or 71.8% mainly due to the financing costs incurred for the additional investment properties acquired by the Group in the current year.

Operating profit before exceptional items and taxation
As a result of the increase in the income generating activities, the Group has achieved an operating profit before exceptional items and taxation of approximately $1.31 million compared to an operating loss of approximately $1.16 million incurred in the previous FY2006.

Exceptional Items
In the current financial year, the Group recognised an approximately $2.89 million as amortization of the commitment fee during the year and an additional of approximately $0.48 million arising from the changes in the fair value of the derivative financial instrument pursuant to the issue of the Convertible Notes. In addition, the Group recognized an approximately $0.76 million as expenses relating to 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 was 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 the services rendered. The amounts relating to the amortization of the commitment fee, the changes in fair value of the derivative financial instrument and the services fees in the foregoing are notional non-cash items that will not result in the transfer of any tangible cash flow of the Group.

The exceptional item included in the previous FY2006 comprises of an approximately $14.78 million relating to the waiver of debts by the trade creditors pursuant to completion of the Scheme of Arrangement ("SOA") that was executed in FY2006; an approximately $0.46 million of net gain arising from the difference between the fair value and the issue price of the share issued on the Debt Conversion, Bank Loan Conversion and SOA; and an approximately $0.49 million relating to the waiver of debts by other sundry creditors.

Taxation
The tax expenses incurred in FY2007 are mainly provision of deferred tax liabilities for its development property which is expected to be taxable in subsequent year upon the completion of the development of the properties, taken to be the date of issue of the Temporary Occupation Permit.

The tax credit of approximately $51,000 in the previous FY2006 relates to the over-provision of tax for prior years.

Net (loss)/ profit
Net profit of the Group for FY2007 has reduced by approximately $17.73 million from a profit of approximately $14.62 million in the previous FY2006 to a net loss of approximately $3.11 million incurred in FY2007 resulting from the adjustment of the losses and expenses under the exceptional items.

	FY2007 S$'000	FY2006 S$'000
Net profit attributable to:		
Shareholders of the Company		
- before exceptional items	1,090	(1,112)
- exceptional items	(4,129)	15,728
Minority interests	(71)	–
	(3,110)	14,616

		FY2007	FY2006
Earnings per share (cents)			
Basic	- before exceptional items	0.07	(0.19)
	- after exceptional items	(0.19)	2.49
Diluted	- before exceptional items	0.07	(0.19)
	- after exceptional items	(0.19)	2.49

Review of Balance Sheet

Capital Resources and Financing
During the financial year 2007, the Group has capital resources and financing arising from the following activities:

In February 2007, the Company raised an approximately $0.83 million pursuant to the Share Issue Mandate obtained on 28 July 2006;

In June 2007, the Company raised further equity of approximately $19.51 million pursuant to the Shareholders' Mandate obtained on 15 June 2007;

Operations Review

In May 2007, the Company signed an agreement with Pacific Capital Investment Management Limited ("PCIM") for the issue of S$50 million zero coupon Convertible Notes (the "Notes") due in the year 2012 pursuant to the Shareholders' Mandate obtained on 27 April 2007. During the year, PCIM has subscribed to an approximately S$30.00 million of the Notes whereby an approximately $29.35 million have been converted into the ordinary shares of the Company;

During the year, the Group obtained a net proceed of an aggregate of approximately $9.67 million of various interest bearing loans and borrowings from the financial institutions to finance the investment and development properties and certain fixed assets held by the Group.

Balance Sheet

The net book value of the fixed assets of the Group has increased mainly due to the machineries and equipments acquired for use in the agricultural business.

The investment properties of the Group have increased by approximately $6.18 million due to the acquisition of four investment properties during the year. The Group has in July 2007, signed an option to dispose all the investment properties at a carrying value of approximately $12.36 million for a consideration of approximately $12.70 million. The sales of the properties were completed subsequent to the end of FY2007, and accordingly, the investment properties held by the Group was reclassified from non-current assets to current assets pursuant to the sales.

Working Capital

- The development properties have increased by approximately $13.44 million mainly due to the increase in the few new development properties that the Group has undertaken during the year.

- The investment in quoted shares of approximately $2.59 million relates to the investment by the Company in shares (dominated in USD) of a company whose shares are listed in the Alternative Investment Market on the London Stock Exchange. The cost of the investment on initial recognition was approximately $1.53 million. As at the end of the current reporting period, the Company recognized a gain on fair value of approximately $1.22 million based on the lowest market share price at the end of the financial period and partially offset by a foreign exchange loss of approximately $0.17 million.

- The cash and cash equivalent has increased mainly due to the proceeds received from the placement exercise and the subscription of the Convertibles Notes. An approximately $20.35 million was raised from the 2 placement exercises during the year. In addition, $30.00 million was raised from the subscription of the Convertibles Notes of which $29.35 million was converted into the ordinary shares of the Company.

- Pursuant to the issue of the Notes to PCIM, the Company recognized a notional amount of approximately $4.93 million under the financial assets as prepayment on commitment fee arising from the fair value recognised for the commitment of the option holder to subscribe for the Notes, at the point of inception. During the financial period, PCIM has subscribed for a nominal value of $30.00 million of the Notes whereby a nominal value of $29.35 million was converted into the ordinary shares of the Company. Accordingly, the Company amortised an approximately $2.89 million of the commitment fee relating to the Notes that were converted during the period. The carrying amount of the commitment fee as at the end of FY2007 relates to the Notes that are not converted into the ordinary shares of the Company which encompass the Notes that has been subscribed and those that has not been subscribed, as at the financial year ended.

- Corresponding to the issue of the Notes to PCIM, the Company also recognized a notional amount of approximately $4.93 million under the financial liabilities as equity conversion option being fair value of the embedded derivatives recognized at the point of inception as a result of the issue of the Notes. Pursuant to the conversion of the Notes by PCIM, the Company derecognized an approximately $3.36 million of which an approximately $0.47 million relates to the changes in the fair value of the option premium. The carrying amount of the option premium as at the end of FY2007 relates to the Notes that are not converted into the ordinary shares of the Company which encompass the Notes that has been subscribed and those that has not been subscribed, as at the financial year ended.

- The remaining of the working capital of the group such as trade and other receivables, construction work-in-progress, inventories, trade and other payables, except for the interest bearing loans and borrowings, have increased corresponding to the increase in the business activities of the Group. As mentioned earlier, the Group has minimal revenue generating operation in the FY2006.

The aggregate interest bearing loans and borrowing have increased approximately $4.54 million mainly due to the financing of the new investment and development properties that the Group has acquired during the year. An approximately $6.29 million that relates to the finance for the investment properties was classified as current liabilities as a result of the sale of the properties subsequent to the end of FY2007.

The Group grew its net assets value from approximately $6.07 million as at the end of 2006 to approximately $55.20 million as at the end of FY2007 as a result of the injection of equity through the 2 placement exercises and the conversion of the Convertible Notes during the year. The net gearing ratio of the Group has improved from 1.02 times to 0.27 times.

Review of Cash Flow

The net cash of the Group that are used in operating activities has increased by approximately $12.96 million from approximately $4.74 million used in the previous FY2006 to approximately $17.70 million used in FY2007 resulting from a general increase in the working capital of the Group, especially the increase in the development properties, construction work-in-progress and the trade and other receivables. There was tax refund for both the year under review, an approximately $0.28 million in FY006 and approximately $5,000 in FY2007. Interest paid has increased from approximately $0.15 million in the previous FY2006 to approximately $0.45 million in FY2007. Interest income has also increased from approximately $29,000 in FY2006 to approximately $0.22 million in FY2007.

The net cash of the Group that are used in the investing activities has increased by approximately $2.30 million attributable mainly to the investment in quoted shares of $1.53 million and purchase of fixed assets of approximately $0.86 million. There was a same amount of approximately $6.18 million used in the acquisition of investment properties in both FY2006 and FY2007.

The net cash of the Group that was generated from the financing activities has increased by approximately $45.07 million from approximately $12.97 million in FY2006 to approximately $58.04 million in FY2007. Proceeds from the issuance of new shares via share placements have increased $12.50 million from $7.85 million in FY2006 to $20.35 million in FY2007, and proceeds received from subscription of the Notes during the year amounted to $29.97 million while share issue expenses incurred during the year for these issues amounted to approximately $1.57 million. Net proceeds from other interest bearing loans and borrowings have increased by approximately $4.54 million from $5.13 million in FY2006 to $9.67 million in FY2007. There was a proceeds of $0.30 million received from issue of shares to a minority shareholder during the year. An approximately $0.69 million has been pledged to the bank for various trade financing facilities offered by the banks.

Corporate Governance

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;

g. approving the nominations to the Board of directors by Nomination Committee; and

The Board conducts regular scheduled meetings on a half-yearly basis to coincide with the announcements of the Group's half-yearly results. Ad-hoc meetings will be convened regularly to discuss and update on matters including the development of major investments, strategic plans, evaluating the adequacy of internal controls, risk management and brainstorm on strategic decisions. 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 2007 were as follows:

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Wang Kai Yuen	3	3	2	2	1	1	1	1
Ong Bee Huat (i)	3	2	NA	NA	NA	NA	NA	NA
Wong Wen-Young Winston	3	0	NA	NA	NA	NA	NA	NA
Gan Wui Koh Veronica	3	3	NA	NA	NA	NA	NA	NA
Mah Peek Sze Patsy	3	3	NA	NA	NA	NA	NA	NA
Luar Eng Hwa	3	3	2	2	1	1	1	1
Chen Seow Phun John	3	3	2	2	1	1	1	1
See Tow Siew Chuan (ii)	3	1	NA	NA	NA	NA	NA	NA
Paul P. S. Teng (iii)	3	0	NA	NA	NA	NA	NA	NA
Lam Yue Pak (iv)	3	1	NA	NA	NA	NA	NA	NA

(i) Dato' Dr Ong Bee Huat was appointed on 25 June 2007
(ii) Mr See Tow Siew Chuan has resigned on 30 June 2007
(iii) Professor Paul P. S. Teng has resigned on 4 July 2007
(iv) Mr Lam Yue Pak was appointed on 23 May 2007 and resigned on 19 October 2007

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 John Chen Seow Phun 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, a proposal has to be submitted to the relevant committees for their deliberation and consideration before taken to the Board for approval. The review procedure is to enable the independent exercise of objective judgment on corporate affairs of the Group as well as to ensure that due diligence and care are taken in the best interest of the Company and its shareholders without conflicting with the applicable laws and regulations of the relevant authorities.

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

Principle 3:
"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 approves the appointment and ensures that the announcement is made accordingly.

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

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 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 meetings. From time to time, they are furnished with information concerning the Group to enable them to be informed of the development and performance of the Group's business operations.

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

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

Principle 7:
"There should be a formal and transparent procedure 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 Independent Directors and Non-executive Directors have no service contracts.

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

Name of Directors	Remuneration Bands	Salary (%)	Bonus (%)	Directors' Fee (%)	Other Benefits (%)	Total (%)
Wang Kai Yuen	$0 to $249,999	–	–	100	–	100
Ong Bee Huat	$0 to $249,999	90.2	8.4	–	1.4	100
Wong Wen-Young Winston	$0 to $249,999	–	–	100	–	100
Gan Wui Koh Veronica	$250,000 to $449,999	64.4	29.5	–	6.1	100
Mah Peek Sze Patsy	$0 to $249,999	71.3	28.7	–	–	100
Luar Eng Hwa	$0 to $249,999	–	–	100	–	100
Chen Seow Phun John	$0 to $249,999	–	–	100	–	100
See Tow Siew Chuan	$0 to $249,999	–	–	100	–	100
Paul P. S. Teng	$0 to $249,999	–	–	100	–	100
Lam Yue Pak	$0 to $249,999	100	–	–	–	100

The non-executive directors are paid directors' fees, the amount of which is dependent on their level of responsibilities. Each non-executive director 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.

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 not currently permitted to ensure proper authentication of the identity of the shareholders and their voting intentions.

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

The Chairman of each Board Committee is required to be present to address question 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 incorporate 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 two 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 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 are prohibited from any dealing in the Company's shares during the periods commencing one month prior to the announcement of the Group's half-yearly and full year financial results and ending on the date of the announcement of the results. 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 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.

The aggregate values of interested person transactions entered during the financial year were as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conduct under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transaction less than $100,000)
Abundo Pte Ltd (i)	S$760,108 (dominated in US$400,000)	Nil
Waan Holdings Pte Ltd (ii)	S$1,146,000	Nil

(i) The allotment of 20% shareholding interests (translated into an approximately US$400,000 of ordinary shares) in a subsidiary of the Group, to Abundo ("Abundo") a company that is related to Ong Bee Huat, a Director of the Company by virtue of his 100% shareholding interests in Abundo, as consideration payable in lieu of the services rendered and to be rendered by Abundo. The shares were allotted pursuant to the Shareholders' approval obtained at the Extraordinary General Meeting of the shareholders of the Company that was held on 27 June 2007. The transaction was recognised as an exceptional item in the income statement;

(ii) The sale of a strata unit of the freehold light industrial development property at 82 Playfair Road, #08-01, Singapore 368001to Waan Holdings Pte Ltd, a company jointly owned by Dr Wang Kai Yuen, the Chairman of the Board of Directors of the Company, with his spouse. Accordingly, the Company has on 23 July 2007 made an announcement to the exercise of the option by Waan Holdings Pte Ltd pursuant to Rule 910(1) of the SGX-ST Listing Manual.

Save as disclosed, there is no other 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 2007.

Directors

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

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)

In accordance with Article 88 of the Company's Articles of Association, Ong Bee Huat retires, and, being eligible, offers himself for re-election.

In accordance with Article 89 of the Company's Articles of Association, Luar Eng Hwa and Chen Seow Phun, John retire, and, being eligible, offer themselves 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 2007/date of appointment	**31 December 2007**	**1 January 2007/date of appointment**	**31 December 2007**
HLH Group Ltd (formerly known as PDC Corp Ltd) 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	127,000,000	224,904,733	224,904,733

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

DIRECTORS' REPORT

Subsequent to the financial year end, Abundo Pte Ltd has on 14 January 2008, transferred to Ong Bee Huat its 2,443,000 shares held in the Company. Accordingly, the direct interest and deemed interest in the shares held by Ong Bee Huat has changed to 129,443,000 and 222,461,733 respectively pursuant to the transfer. Saved as disclosed, there was no other change in any of the above-mentioned interests between the end of the financial year and the date of this report.

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 date of appointment if later, or at the end of the financial year.

Directors' contractual benefits

Pursuant to the Extraordinary General Meeting of the shareholders (the "Shareholders") of the Company that was held on 27 June 2007, the Shareholders approved the allotment of 20% shareholding interests (translated into an approximately US$400,000 of ordinary shares) in a subsidiary (the "Subsidiary") of the Group to Abundo Pte Ltd ("Abundo"), a company that is related to Ong Bee Huat, a Director of the Company by virtue of his 100% shareholding interests in Abundo. The 20% shareholding interests in the share capital of the Subsidiary to be held by Abundo is consideration payable to Abundo for services rendered and to be rendered to the Company. Further details with regards to the contractual benefits are disclosed in Note 27.

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 have expressed their willingness to accept reappointment as auditors.

On behalf of the Board,

Ong Bee Huat
Director

Mah Peek Sze Patsy
Director

Singapore
1 April 2008

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 2007 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 2008

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 83, which comprise the balance sheets of the Group and the Company as at 31 December 2007, 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 transactoins 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.

Independent Auditors' Report To the Members of HLH Group Limited

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 2007 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
Public Accountants and Certified Public Accountants
Singapore
1 April 2008

Balance Sheets as at 31 December 2007

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Equity attributable to equity holders of the Company					
Share capital	3	83,403,787	31,916,076	83,403,787	31,916,076
Reserves	4	(29,112,420)	(25,844,562)	(27,186,284)	(24,618,959)
Shareholders' equity		54,291,367	6,071,514	56,217,503	7,297,117
Minority interests		913,206	–	–	–
Total equity		55,204,573	6,071,514	56,217,503	7,297,117
Non-current assets					
Property, plant and equipment	5	773,143	32,628	33,487	23,682
Investment properties	6	–	6,180,009	–	–
Subsidiaries	7	–	–	1,100,100	100,200
Construction work-in-progress	10	1,522,309	–	–	–
Current assets					
Investment properties held for sale	6	12,361,926	–	–	–
Development properties	9	17,445,827	4,063,151	–	–
Inventories	11	34,668	–	–	–
Biological assets	12	525	–	–	–
Trade receivables	13	1,555,967	544,696	–	–
Other receivables, deposits and prepayments	14	3,781,284	215,194	519,234	9,583
Amount due from subsidiaries	15	–	–	22,223,741	6,673,462
Investment in quoted shares	16	2,585,460	–	2,585,460	–
Prepayment on commitment fee	21	2,036,099	–	2,036,099	–
Cash and bank balances	17	35,048,277	3,277,374	31,690,371	2,040,997
		74,850,033	8,100,415	59,054,905	8,724,042
Current liabilities					
Trade payables	18	891,685	26,226	–	15,861
Other payables and accruals	19	2,174,983	1,879,645	461,028	683,414
Derivative financial instrument	21	2,046,804	–	2,046,804	–
Amount due to subsidiaries	15	–	–	654,411	681,636
Amount due to a minority shareholder	15	600,000	–	–	–
Current tax liabilities		43,278	11,871	43,278	11,871
Interest-bearing loans and borrowings	20	7,018,058	871,512	692,557	42,557
		12,774,808	2,789,254	3,898,078	1,435,339
Net current assets		62,075,225	5,311,161	55,156,827	7,288,703
Non-current liabilities					
Interest-bearing loans and borrowings	20	(8,900,032)	(5,450,702)	(71,329)	(113,886)
Deferred tax liabilities	8	(266,072)	(1,582)	(1,582)	(1,582)
Net assets		55,204,573	6,071,514	56,217,503	7,297,117

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 2007

	Note	2007	2006
		$	$
Turnover	22	9,116,971	67,569
Cost of sales		(6,313,545)	(14,758)
Gross profit		2,803,426	52,811
Other income	23	1,704,300	127,464
Distribution and selling expenses		(31,603)	–
Administrative expenses		(2,799,752)	(1,196,549)
Other expenses		(116,576)	(698)
Financial expenses	24	(250,082)	(145,586)
Profit/(loss) before exceptional items and taxation	25	1,309,713	(1,162,558)
Exceptional items	27	(4,128,996)	15,727,839
(Loss)/profit before taxation		(2,819,283)	14,565,281
Taxation	28	(290,528)	50,667
Net (loss)/profit for the year		(3,109,811)	14,615,948
(Loss)/profit attributable to:			
Shareholders of the Company			
- before exceptional items		1,089,850	(1,111,891)
- exceptional items		(4,128,996)	15,727,839
Minority interests		(70,665)	–
		(3,109,811)	14,615,948
Earnings/(loss) per share (cents)			
Basic	29		
- before exceptional items		0.07	(0.19)
- after exceptional items		(0.19)	2.49
Diluted			
- before exceptional items		0.07	(0.19)
- after exceptional items		(0.19)	2.49

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 2007

Group	Share Capital (Note 3) $	Share premium $	Accumulated losses $	Capital reserve (Note 4) $	Currency translation reserves (Note 4) $	Minority interests $	Total $
At 1 January 2006	10,000,058	9,938,921	(40,893,899)	891,980	–	–	(20,062,940)
Adjustment	–	–	–	(458,591)	–	–	(458,591)
Net expense recognised directly in equity	–	–	–	(458,591)	–	–	(458,591)
Net profit for the year	–	–	14,615,948	–	–	–	14,615,948
Total recognised income and expense for the year	–	–	14,615,948	(458,591)	–	–	14,157,357
Issuance of ordinary shares for settlement of debts (Note 3)	4,132,097	–	–	–	–	–	4,132,097
Issuance of ordinary shares for cash (Note 3)	7,845,000	–	–	–	–	–	7,845,000
Transfer from share premium reserve to share capital (Note 3)	9,938,921	(9,938,921)	–	–	–	–	–
Balance at 31 December 2006 and 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 loss 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
Balance at 31 December 2007	83,403,787	–	(29,317,097)	433,389	(228,712)	913,206	55,204,573

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 2007 (CONT'D)

	capital (Note 3) $	Share premium $	Accumulated losses $	reserve (Note 4) $	Total $
Company					
At 1 January 2006	10,000,058	9,938,921	(23,851,960)	–	(3,912,981)
Adjustment	–	–	–	(458,591)	(458,591)
Net expense recognised directly in equity	–	–	–	(458,591)	(458,591)
Loss for the year	–	–	(308,408)	–	(308,408)
Total recognised income and expense for the year	–	–	(308,408)	(458,591)	(766,999)
Issuance of ordinary shares for cash (Note 3)	7,845,000	–	–	–	7,845,000
Issuance of ordinary shares for settlement of debts (Note 3)	4,132,097	–	–	–	4,132,097
Transfer of share premium reserve to share capital (Note 3)	9,938,921	(9,938,921)	–	–	–
At 31 December 2006 and 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 income and 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	83,403,787	–	(26,727,693)	(458,591)	56,217,503

Consolidated Cash Flow Statement for the financial year ended 31 December 2007

	Note	2007	2006
		$	$
Cash flows from operating activities			
(Loss)/profit before tax		(2,819,283)	14,565,281
Adjustments:			
Interest costs		250,082	145,586
Depreciation of property, plant and equipment		56,109	110,698
Loss on disposal of property, plant and equipment		500	–
Foreign exchange adjustments		(119,217)	–
Unrealised gain on quoted investments		(1,223,840)	–
Exceptional items		4,128,996	–
Waiver of debts by trade creditors		–	(14,779,536)
Adjustment relating to Scheme of Arrangement		–	(1,577,900)
Waiver of debts by sundry creditors		–	(489,712)
Gain on liquidation of a subsidiary		–	(98,606)
Interest income		(221,805)	(28,858)
Adjustment on debt conversion		–	642,000
Adjustment on bank loan conversion		–	477,309
Operating profit/(loss) before working capital changes		51,542	(1,033,738)
(Increase)/decrease in:			
Trade and other receivables		(4,550,061)	(758,706)
Development properties		(13,180,890)	(4,063,151)
Construction work-in-progress		(1,522,309)	–
Inventories and biological assets		(35,193)	–
Increase in:			
Trade and other payables		1,160,797	960,541
Due to a minority shareholder		600,000	–
Cash used in operations		(17,476,114)	(4,895,054)
Interest paid		(451,868)	(147,505)
Income tax refund, net		5,369	277,948
Interest income received		221,805	28,858
Net cash used in operating activities		(17,700,808)	(4,735,753)
Cash flows from investing activities			
Purchase of property, plant and equipment		(857,156)	(44,026)
Proceeds from sale of property, plant and equipment		42,500	–
Investment in quoted shares		(1,529,820)	–
Purchase of investment properties		(6,181,917)	(6,180,009)
Net cash used in investing activities		(8,526,393)	(6,224,035)
Cash flows from financing activities			
Proceeds from term loans		12,090,000	5,450,000
Repayment of term loans		(2,441,819)	(273,367)
Net proceeds from/(payment to) hire purchase creditors		26,397	(49,821)
Placement of fixed deposits pledged		(687,913)	–
Proceeds from issuance of new shares		20,347,750	7,845,000
Proceeds from subscription of convertible notes		29,972,700	–
Share issue expenses		(1,568,222)	–
Proceeds from issue of shares to a minority shareholder		300,000	–
Net cash generated from financing activities		58,038,893	12,971,812
Net increase in cash and cash equivalents		31,811,692	2,012,024
Cash and cash equivalents at beginning of year	17	2,548,672	536,648
Cash and cash equivalents at the end of year	17	34,360,364	2,548,672

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

1. Corporate information

HLH Group Limited *(formerly known as PDC Corp Ltd)* (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 76 Playfair Road #04-02 LHK2 Building Singapore 369776.

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

During the year:

(i) the Company changed its name to HLH Group Limited pursuant to approval given by shareholders at an Extraordinary General Meeting of the Company held on 15 June 2007;

(ii) one of its subsidiaries changed its principal activities during the year as disclosed in Note 7.

Except as disclosed, 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 for investment property that has been measured at its fair value. The financial statements are presented in Singapore dollars (SGD or $).

2.2 ***Changes in accounting policies***

The accounting policies have been consistently applied by the Company and the Group and are consistent with those used in the previous financial year, except for FRS 40 as indicated below.

On 1 January 2007, the Group adopted FRS 40 *Investment Property* which is effective for annual periods beginning on or after 1 January 2007.

As a result of adopting FRS 40, investment properties are measured at fair value and gains or losses arising from changes in the fair value of investment properties are included in the income statement in the year in which they arise.

The adoption of FRS 40 has no material impact to the financial statements in the period of application as the carrying amounts of the investment properties approximate their fair values.

2.3 ***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
FRS 23	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 111	Group and Treasury Share Transactions (the interpretation is not expected to apply to the Company)	1 March 2007
INT FRS 112	Service Concession Arrangements	1 January 2008

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 108 as indicated below.

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.

2.4 ***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 machineries' 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 2007 was $773,143 (2006: $32,628). 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) *Income taxes*

The Group has exposure to income taxes in the various countries the Company and its subsidiaries are present. 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 2007 were $43,278 (2006: $11,871) and $266,072 (2006: $1,582) respectively.

2.4 ***Significant accounting estimates and judgements (cont'd)***

(iii) *Impairment of investments in subsidiaries and financial assets*

Assessment for impairment of investments in subsidiaries and financial assets requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(iv) *Fair value of investment properties*

The investment properties have been valued by an independent valuer at the date of acquisition. The directors are of the opinion that the fair value of these properties as at 31 December 2007 does not differ significantly from the valuation performed in August 2006. The carrying amount of Group's investment properties as at 31 December 2007 was $12,361,926 (2006: $6,180,009). The changes in the property market could significantly impact on the carrying value of these properties.

(v) *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 an liabilities arising from construction contracts at the balance sheet date are disclosed in Note 9 to the financial statements.

(vi) *Other receivables and deposits*

The carrying amount of the Group's other receivables and deposits at 31 December 2007 was $2,490,172 (2006: $213,377). Included in other receivables and deposits were approximately $1,172,000 due from a supplier and $478,000 of deposit placed for acquisition of land in Cambodia. The timing of collection from the supplier depends on the ability of the supplier to transfer funds despite the exchange controls imposed by the supplier's country of domicile. Please refer to Notes 14 and 35 of the financial statements for details.

(b) ***Critical judgements made in applying accounting policies***

In the process of applying the Group's accounting policies, which are described in Note 2, management is of the opinion that there are no judgements made that have significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which have been dealt with above).

2.5 ***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 fluctuations in SGD.

2.5 ***Functional and foreign currency***

(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.

(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.

2.6 ***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. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

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. Consistent accounting policies are applied to like transactions and events in similar circumstances.

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

2.6 ***Subsidiaries and principles of consolidation (cont'd)***

(b) ***Principles of consolidation (cont'd)***

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.

2.7 ***Properties, 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.

Depreciation is calculated on a straight-line method to write off the cost of property, plant and equipment over their estimated useful lives as follows :-

Leasehold improvement	-	10 - 30 years
Building and structure	-	10 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 year of acquisition and no depreciation is provided in the year of 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 amounts 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.

2.8 ***Investment properties***

Investment properties are initially recorded at cost. Subsequent to recognition, investment properties are measured at fair value and gains or losses arising from changes in the fair value of investment properties are included in the income statement in the year in which they arise.

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, fertilizing 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.

2.11 ***Financial assets***

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available-for-sale financial assets, as appropriate. 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. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

2.11 ***Financial assets (cont'd)***

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

Subsequent to initial recognition, financial assets at fair value through profit or loss 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 profit or loss 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.

The Group classifies the following financial assets as loans and receivables:

- cash, bank balances and short term deposits;
- trade and other receivables, including amounts due from subsidiaries

2.12 ***Impairment of assets***

(a) *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 financial assets 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.

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

(a) *Assets carried at amortised cost (cont'd)*

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.

(b) *Non-financial assets*

The carrying amounts of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of any impairment. If any such indication exists, 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' or treated as revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

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 unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the income statement is treated as a revaluation increase. 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.

2.13 ***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.

2.14 ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that 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.

2.15 ***Financial liabilities***

Financial liabilities include trade payables, which are normally settled on 30-90 day terms, other amounts payable, payables to subsidiaries and interest-bearing loans and borrowings. 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 of consideration received less 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.

2.16 ***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.

2.17 ***Interest bearing loans and borrowings***

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the balance sheet date are presented as current borrowings even though the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the balance sheet date are presented as non-current borrowings in the balance sheet.

2.18 ***Borrowing costs***

Borrowing costs are generally expensed as incurred. 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 being incurred. Borrowing costs are capitalised until the assets are ready for their intended use.

2.19 ***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.

(b) *Employee leave entitlement*

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

2.20 ***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 directly in equity.

(b) *Deferred tax*

Deferred income tax is provided, using the liability method on temporary differences at the balance sheet date 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; and
- 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.

Deferred tax assets are recognised for all temporary differences and carry-forward of unused tax credits and unused tax losses, to the extent that 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 recovered.

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.

2.20 ***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.

2.21 ***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 losses on the derecognition of derivative financial instruments are recognised in the income statement.

2.22 ***Commitment fee***

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

2.23 ***Leases***

(a) *As lessee*

Finance leases, which transfer to the Company and 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.

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(b).

2.24 ***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.

2.25 ***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.

2.26 ***Contingencies***

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not realisable on the balance sheet of the Group.

2.27 ***Properties held for sale***

Properties held for sale are stated at the lower of cost and estimated net realisable value.

2.28 ***Revenue***

Turnover 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) Revenue from fixed price construction contracts and rendering services for long term contract is recognised by reference to the stage of completion when this can be measured reliably. The stage of completion is determined based on surveys of work performed.

(b) Rental income arising from investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases. 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.

(c) Revenue from the sale of properties under development is recognised using the percentage of completion method. The percentage of completion is determined by the level of construction costs incurred as a proportion of the estimated total construction costs to completion. Full provision is made for foreseeable losses.

(d) 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.

(e) Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

(f) Dividend income is recognised when the Group’s right to receive payment is established.

3. Share capital

	Group and Company			
	2007		2006	
	No. of ordinary shares	$	No. of ordinary shares	$
Issued and fully paid				
At 1 January	1,239,920,895	31,916,076	200,001,160	10,000,058
Issued for cash [1]	273,500,000	20,347,750	784,500,000	7,845,000
Issued pursuant to conversion of the convertible notes [2]	552,896,000	29,350,000	–	–
Issued for settlement of debts [5]	–	–	255,419,735	4,132,097
Share issue expenses	–	(1,568,222)	–	–
Arising from the conversion of the convertible notes [3]	–	3,358,183	–	–
Transfer of share premium reserve to share capital[4]	–	–	–	9,938,921
	2,066,316,895	83,403,787	1,239,920,895	31,916,076

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 has, in February 2007 issued 26,500,000 new shares at an issue price of S$0.0315 each pursuant to the Share Issue Mandate obtained on 28 July 2006 and in June 2007 issued 247,000,000 new shares at an issue price of S$0.079 each pursuant to the Shareholders' Mandate obtained on 15 June 2007.

(2) During the year, the Company issued 552,896,000 shares to Pacific Capital Investment Management Limited ("PCIM") from the Conversion of the Convertible Notes at a nominal value of 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.

(3) Pursuant to the issue of the Notes to PCIM, the Company 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 financial period, PCIM had subscribed for a nominal value of $30,000,000 of the Notes whereby a nominal value of $29,350,000 was converted into the ordinary shares of the Company. The amount of $3,358,183 included in the share capital has arisen from the derecognition of the derivative financial instrument and approximately $475,000 relating to the changes in the fair value of the derivative financial instrument relating to the Notes converted during the period.

(4) In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have a par value and the amount standing in the share premium reserve became part of the Company's share capital.

3. **Share capital (cont'd)**

(5) In the prior year, the Company and the Group had successfully completed the Scheme of Arrangement ("SOA") and executed a restructuring exercise whereby pursuant to the Shareholders' Mandate obtained on 28 July 2006 the following shares were issued in the share capital of the Company to settle the following liabilities that were alleged to be owed by the Group:

- The issuance of 31,558,002 new shares of the Company at $0.06 each (as quoted in the circular to shareholders) in connection with the Scheme between Hong Lai Huat Construction Pte Ltd ("HLHC"), a wholly-owned subsidiary of the Company and the creditors of HLHC included in the Scheme pursuant to section 210 of the Companies Act read with section 227X of the Companies Act, Chapter 50 of Singapore. As a result, $16,673,016 of the alleged debts owing to the creditors of the Group was settled, a net gain of $14,779,536 had arisen from the settlement and an adjustment on share issuance of $1,577,900 (Note 27) was recorded;

- The issuance of 128,400,000 new shares of the Company at $0.01 each (as quoted in the circular to shareholders) to settle the debts amounting to $1,284,239 that was assigned by the former directors to an assignee through a private deal. As a result, $1,284,000 of debts was settled, $239 was waived and an adjustment on share issuance of $642,000 (Note 27) was recorded; and

- The issuance of 95,461,733 new shares of the Company at S$0.01 (as quoted in the circular to shareholders) each to settle the loan of S$954,617 inclusive of accrued interest, amounting to $232,909, owed by the Group to Malayan Banking Berhad. As a result, the total debt owing to Malayan Banking Berhad was fully settled and an adjustment on share issuance of $477,309 (Note 27) was recorded.

4. **Reserves**

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Capital reserve (Note (i))	433,389	433,389	(458,591)	(458,591)
Currency translation (Note (ii))	(228,712)	–	–	–
Accumulated losses	(29,317,097)	(26,277,951)	(26,727,693)	(24,160,368)
	(29,112,420)	(25,844,562)	(27,186,284)	(24,618,959)

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. 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	Leasehold improvement	Building and structure	Computers	Furniture and fittings	Machinery and equipments	Motor vehicles	Office equipments	Renovation	Total
Cost	$	$	$	$	$	$	$	$	$
As at 1.1.2006	–	–	–	–	–	331,000	1,300	–	332,300
Additions	–	–	16,522	11,410	–	–	2,734	13,360	44,026
Written off	–	–	–	–	–	–	(1,300)	–	(1,300)
As at 31.12.2006 and 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	68,970	32,816	53,959	27,026	515,304	452,368	6,657	13,360	1,170,460
Accumulated depreciation									
As at 1.1.2006	–	–	–	–	–	231,700	1,300	–	233,000
Charge for the year	–	–	3,304	1,141	–	99,300	273	6,680	110,698
Written off	–	–	–	–	–	–	(1,300)	–	(1,300)
As at 31.12.2006 and 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	1,060	523	13,953	3,725	24,150	339,569	977	13,360	397,317
Net book value									
As at 31.12.2007	67,910	32,293	40,006	23,301	491,154	112,799	5,680	–	773,143
As at 31.12.2006	–	–	13,218	10,269	–	–	2,461	6,680	32,628

Included in the depreciation charges for this year is an amount of $17,848 allocated to the biological assets of the corn plantation as stated in Note 12 and the remaining $38,261 charged to the administrative expenses of the Group.

During the financial year, the Group acquired motor vehicles with an aggregate cost of $109,372 (2006 : $nil) by means of finance lease.

The Group had asset under hire purchase arrangement with net book value of $101,186 (2006: $nil). The leased assets are pledged as security for the related financial lease liabilities.

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

(b) Company

	Computers	Furniture and fittings	Motor vehicle	Office equipment	Renovation	Total
	$	$	$	$	$	$
Cost						
As at 1.1.2006	–	–	331,000	–	–	331,000
Additions	5,986	11,410	–	2,160	13,360	32,916
As at 31.12.2006 and 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	25,892	12,920	331,000	4,110	13,360	387,282
Accumulated depreciation						
As at 1.1.2006	–	–	231,700	–	–	231,700
Charge for the year	1,197	1,141	99,300	216	6,680	108,534
As at 31.12.2006 and 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	6,375	2,433	331,000	627	13,360	353,795
Net book value						
As at 31.12.2007	19,517	10,487	–	3,483	–	33,487
As at 31.12.2006	4,789	10,269	–	1,944	6,680	23,682

The Company had motor vehicle under hire purchase arrangement with net book value of $nil (2006: $nil). The leased assets are pledged as security for the related financial lease liabilities.

6. Investment properties

During the year, the Group has acquired an additional four investment properties at 290, 292, 294 and 296 Geylang Road. These investment properties are stated at Directors' valuation based on a valuation performed by a registered independent valuer, Bernard Valuers & Real Estate Consultants Pte Ltd, at the date when the sale and purchase agreement was signed. The valuation was arrived at by reference to market evidence of transaction prices for similar properties, and was performed in accordance to International Valuation Standards.

	Group	
	2007	**2006**
Balance sheet	$	$
Non-current		
As at 1 January	6,180,009	–
Additions (subsequent expenditure)	6,181,917	6,180,009
Reclassified to investment properties held for sale	(12,361,926)	–
As at 31 December	–	6,180,009
Current – investment properties held for sale		
As at 31 December	12,361,926	–
Income statement		
Rental income from investment properties:		
- minimum lease payments	605,750	64,934
Direct operating expenses (including repairs and maintenance) arising from:		
- rental generating properties	88,430	5,445

Details of the investment properties held by the Company as at 31 December 2007 are:

Name of Property	Description	Tenure	Carrying value
284, 286 and 288 Geylang Road Singapore	3 units of 2-storey commercial shophouses	Freehold	S$6,180,009
290, 292, 294 and 296 Geylang Road Singapore	4 units of 2-storey commercial shophouses	Freehold	S$6,181,917

The turnover recognised by the Group from property rental income earned for the year ended 31 December 2007 from its investment properties, all of which are leased out under operating leases.

The Group has in July 2007, extended an option to Messer Lim Chye Teng and/or nominee to dispose of all the investment properties for an aggregate consideration of $12,700,000. Subsequent to the financial year ended 31 December 2007, the sale of the properties was completed in January 2008. Accordingly as at 31 December 2007, the Company reclassified all the investment properties held under the non-current assets to current assets.

As at 31 December 2007, all the investment properties have been mortgaged to a financial institution for bank overdraft and term loan facilities. The details of the term loan and the bank overdraft facilities are disclosed in Note 20 to the accompanying financial statements respectively. The bank overdraft and term loans have been discharged subsequent to the financial year ended 31 December 2007 pursuant to the completion of the sale of the properties in January 2008.

7. **Subsidiaries**

(a) Investment in subsidiaries comprises of:

	Company 2007 $	Company 2006 $
Unquoted equity shares, at cost	24,368,885	23,368,985
Less: Impairment losses	(23,268,785)	(23,268,785)
	1,100,100	100,200

(b) The Company has the following subsidiaries as at 31 December 2007:

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held 2007 %	Percentage of equity held 2006 %	Cost of investment 2007 $	Cost of investment 2006 $
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 (i) *	Investment holding	Singapore	100	100	987,944	987,944
Lithium Development Pte Ltd (ii) *	Property development and real estate	Singapore	100	100	100	100
Alpha-Glyph Technologies Pte Ltd (iii)	Dormant	Singapore	100	100	300,000	300,000
HLH Development Pte Ltd (iv) *	Investment holding	Singapore	100	100	100,000	100,000
HLH Agri R&D Pte Ltd *	Agricultural research and experimentation including trading.	Singapore	100	100	1,000,000	100
					24,368,885	23,368,985

7. Subsidiaries (cont'd)

(b) The Company has the following subsidiaries as at 31 December 2007 *(cont'd)*:

(i). The subsidiary changed its name to HLH Agri International Pte Ltd *(formerly known as PDC International Pte Ltd)* on 19 June 2007.

(ii). The subsidiary changed its name to Lithium Development Pte Ltd *(formerly known as PDC Investment Pte Ltd)* on 19 June 2007.

(iii). The subsidiary has applied to be struck-off during the year and is not audited.

(iv). The subsidiary changed its name to HLH Development Pte Ltd *(formerly known as RC Industrial Development Pte Ltd)* on 19 June 2007.

(c) The following are subsidiaries held by the Group (except those held by the Company) as at 31 December 2007 :

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held 2007 %	2006 %
(A) Held by Hong Lai Huat Construction Pte Ltd				
HLH Global Trading Pte Ltd (v) *	General wholesale trade, including imports and exports	Singapore	–	100
Hong Lai Huat Realty Pte Ltd *	Property development and real estate	Singapore	100	100
Proveho Pte Ltd (vi)	Dormant	Singapore	100	100
Agri-Aqua Bio-Technologies (S) Pte Ltd *	Agrotechnology consultancy services – Bio-tech, agriculture, aqua-marine industry	Singapore	–	51
Fresco Development Pte Ltd*	Property development and real estate	Singapore	–	–
(B) Held by HLH Agri International Pte Ltd				
PT HLH Agri Indonesia #	Agriculture	Indonesia	75	–
Agri-Aqua Bio-Technologies (S) Pte Ltd *	Property development and real estate	Singapore	100	–
HLH Global Trading Pte Ltd (v) *	General wholesale trade, including imports and exports	Singapore	100	–

7. Subsidiaries (cont'd)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held 2007 %	2006 %
(C) Held by HLH Development Pte Ltd				
Castilia Development Pte Ltd (vii)	Investment holding, property development and real estate	Singapore	100	–

(v). The subsidiary changed its name to HLH Global Trading Pte Ltd *(formerly known as Splendeo Pte Ltd)* on 29 June 2007. In addition, the subsidiary changed its principal activities to that of general wholesale trade, including imports and exports *(the subsidiary was dormant in the previous financial year)*.

(vi). The subsidiary has applied to be struck-off and is not audited.

(vii). Audit not required under the laws in the country of incorporation.

* Audited by Ernst & Young, Singapore

\# Audited by a member firm of Ernst & Young Global for consolidation purposes

8. Deferred taxation

	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Deferred tax liabilities :				
Recognition of profit on percentage of completion	(264,490)	–	–	–
Others	(1,582)	(1,582)	(1,582)	(1,582)
	(266,072)	(1,582)	(1,582)	(1,582)
Movement in deferred income tax account is as follows :				
At beginning of financial year	(1,582)	(1,582)	(1,582)	(1,582)
Tax charge to income statement (Note 28)	(264,490)	–	–	–
At end of financial year	(266,072)	(1,582)	(1,582)	(1,582)

As at 31 December 2007, the Group made a provision for deferred tax of approximately $264,490 (2006: $nil) as the profit generated from the sale of the development properties in the current financial year is expected to be taxable in subsequent year upon the completion of the development of the properties, which is taken to be the date of issue of the Temporary Occupation Permit ("TOP").

9. Development properties

The development properties held by the Group are:

(i) Development property at 15, Pereira Road (renamed to 82, Playfair Road) with gross floor area of approximately 43,195.9 square foot and it is intended to be developed into a 14-storey high-tech light industrial office building. The Group has, during the year commenced the construction activity in January 2007. The development property is expected to obtain the Temporary Occupation Permit ("TOP") in the year 2008.

(ii) Development properties at 54, 54A, 54B, 54C, 56, 56A, 56C and 58 Joo Chiat Lane, Singapore with site of approximately 20,817.6 square foot and it is intended to be developed into 30-units residential apartments. The construction activity is expected to commence during the year 2008.

(iii) Development properties 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 foot. The acquisition of the land was completed subsequent to the financial year ended 31 December 2007.

	Group	
	2007	**2006**
	$	$
Land acquisition costs	16,575,071	3,916,974
Development costs	3,678,111	117,340
Borrowing costs capitalised	201,786	28,837
Aggregate amount of development costs incurred to-date	20,454,968	4,063,151
Recognised profits less recognised losses to date	2,148,354	–
Progress billings to-date	(5,157,495)	–
	17,445,827	4,063,151

As at 31 December 2007, the development properties stated in Note 9 (i) and (ii) 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 relates mainly to the cost of land and construction costs for the on-going development of the property at 2 Neo Tiew Lane that is intended to be held as an investment property upon completion, which is taken to be the date of issue of the Temporary Occupation Permit (“TOP”). The Group has not taken up any funding facilities from financial institution to finance the development costs of the property.

11. Inventories

The inventories relate to the corn plantations of the subsidiary in Indonesia.

	Group	
	2007	**2006**
	$	$
At cost		
Chemicals	22,977	–
Fertilizers	7,931	–
Seedlings	3,760	–
	34,668	–

12. Biological assets

	Group	
	2007	**2006**
	$	$
Balance at beginning of year	–	–
Additions	108,664	–
Less : Change in fair value	(108,139)	–
Balance at end of year	525	–

The fair value of the biological assets was determined based on the actual selling price in January less estimated point-of-sales costs.

13. Trade receivables

	Group	
	2007	**2006**
	$	$
Trade receivables	1,555,967	544,696
Less: Allowance for doubtful trade debts	–	–
	1,555,967	544,696

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.

At the balance sheet date, trade receivables arising from export sales amounting to $1,000,960 (2006: $Nil) are arranged to be settled via letters of credits issued by reputable banks in countries where the customers are based.

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

	Group	
	2007	**2006**
	$	$
Lesser than 3 months	85,207	364,208
Receivables that are impaired :		
Gross amount	–	12,482
Less : Allowance for doubtful debts	–	(12,482)
At end of year	–	–

Trade receivables that are determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and who have defaulted on payments.

At beginning of year	–	12,482
Written off against allowance	–	(12,482)
At end of year	–	–
Singapore Dollar	555,007	544,696
United States Dollar	1,000,960	–
At end of year	1,555,967	544,696

14. Other receivables, deposits and prepayments

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Other receivables (Note i)	1,102,993	176	–	–
Deposits (Note ii)	1,387,179	213,201	489,484	7,766
Prepayments (Note iii)	1,260,690	1,650	29,750	1,650
GST recoverable	30,422	167	–	167
	3,781,284	215,194	519,234	9,583

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

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Singapore Dollar	77,329	213,544	61,274	7,933
United States Dollar	2,443,265	–	428,210	–
	2,520,594	213,544	489,484	7,933

Note (i)

- Included is an amount of loan inclusive of accrued interest of approximately $1,087,000 (denominated in US$) extended to Tieling HLH Agri Processing Co. Ltd (China) (refer to Note 32) as working capital pursuant to a Loan Agreement signed on 15 November 2007. The loan is unsecured and carries an interest rate of 8% calculated on a daily rest basis and the principal sum plus interest is repayable within a year.

Note (ii)

- Included is an amount of approximately $74,000 (denominated in US$) paid for the proposed investment in Tieling HLH Agri Processing Co. Ltd (China) (refer to Note 32).

- Included is a deposit of approximately S$428,000 (denominated in US$) paid 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. The completion of the project is subject to the approval of the Royal Government of Cambodia relating to the transfer of the land title. As at the date of this report, the Company has not received the necessary approval.

Note (iii)

- Included is an amount of approximately S$1,172,000 (denominated in US$) that relates to deposits for the purchase of prilled agricultural fertilizer. Pursuant to an announcement made on 2 October 2007 by the Group, the Sales and Purchase Agreement (the “Agreement”) to supply the fertilizer was terminated due to the inability of the buyer to fulfill the terms and conditions in the Agreement. The amount is expected to be recovered within the financial year 2008. Subsequent to the financial year end, approximately S$145,000 has been received.

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

	Company	
	2007	**2006**
	$	$
Due from subsidiaries		
- trade	853,073	93,354
- non-trade	22,140,176	7,365,641
	22,993,249	7,458,995
Less : Allowance for doubtful debts	(758,274)	(760,479)
Less : Bad debts written off	(11,234)	(25,054)
	22,223,741	6,673,462

Allowance for doubtful debts during the year is as follows:

At beginning of year	760,479	978,399
Written off against allowance	(2,205)	(217,920)
At end of year	758,274	760,479

The non-trade balances due from subsidiaries carries a cost of funds of 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	
	2007	**2006**
	$	$
Due to subsidiaries		
- non-trade	654,411	681,636

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 shares

	Group and Company	
	2007	**2006**
	$	$
Current:		
Held for trading investment		
- equity instruments (quoted)	2,585,460	–

17. Cash and cash equivalents

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Cash at bank and in hand	4,829,660	3,277,374	1,509,667	2,040,997
Fixed deposits with financial institutions	30,218,617	–	30,180,704	–
Bank overdrafts (Note 20)	–	(728,702)	–	–
	35,048,277	2,548,672	31,690,371	2,040,997
Less : Fixed deposits pledged	(687,913)	–	–	–
	34,360,364	2,548,672	31,690,371	2,040,997

Cash at banks earns interest on floating rates based on daily deposit rates ranging from 0.15% to 2.80% (2006 : 0.15% to 1.44%) per annum.

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Singapore Dollar	34,965,514	2,379,290	31,690,371	2,040,997
Indonesian Rupiah	45,667	–	–	–
United States Dollar	37,096	169,382	–	–
	35,048,277	2,548,672	31,690,371	2,040,997

18. Trade payables

These amounts are non-interest bearing and normally settled on 60-day terms. The trade payables are denominated in Singapore Dollars.

19. Other payables and accruals

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	$	$	$
Accrued operating expenses	657,471	770,904	436,640	683,414
Other payables	6,123	–	–	–
Deposits received	1,440,740	1,108,741	–	–
Goods and services tax payables	53,988	–	24,388	–
Deferred lease income	16,661	–	–	–
	2,174,983	1,879,645	461,028	683,414

These amounts are non-interest bearing.

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	
	2007	2006	2007	2006
	$	$	$	$
Singapore Dollar	1,458,856	106,800	–	–
US Dollar	–	1,001,941	–	–
Indonesian Rupiah	41,995	–	–	–
	1,500,851	1,108,741	–	–

20. Interest-bearing loans and borrowings

	Year of maturity	Weighted average effective interest rate (p.a.)		Group	
		2007	2006	2007	2006
Current:		%	%	$	$
Bank term loan A (secured)	2026	4.48	4.48	3,037,358	100,253
Bank term loan B (secured)	2032	4.28	–	3,247,892	–
Bank overdrafts (secured)	–	4.75	4.75	–	728,702
Obligations under finance leases A (Note 31 (d))	2010	4.31	4.31	42,557	42,557
Obligations under finance leases B (Note 31 (d))	2010	7.93	–	9,783	–
Obligations under finance leases C (Note 31 (d))	2009	12.23	–	13,627	–
Obligations under finance leases D (Note 31 (d))	2009	11.07	–	16,841	–
Convertible Notes (Note 21)	2012		–	650,000	–
				7,018,058	871,512
Non-current:					
Bank term loan A (secured)	2026	4.48	4.48	–	3,036,816
Bank term loan C (secured)	2018	4.77 [1]	5.02 [1]	–	2,300,000
Bank term loan D (secured)	2009	3.74 [1]	–	8,800,000	–
Obligations under finance leases A (Note 31 (d))	2010	4.31	4.31	71,329	113,886
Obligations under finance leases B (Note 31 (d))	2010	7.93	–	13,454	–
Obligations under finance leases C (Note 31 (d))	2009	12.23	–	7,609	–
Obligations under finance leases D (Note 31 (d))	2009	11.07	–	7,640	–
				8,900,032	5,450,702

(1) The interest rate of the loan is repriced on a monthly basis, 1.5% above the bank's cost of fund.

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

Term loans A & B

The term loans A & B are secured by:

(a) a first legal mortgage, that must be the only encumbrances, over the investment properties (Note 6) of the Group;

(b) an assignment (non-notification basis) of all rights and benefits including rental income, present and future, in respect of the existing and future tenancies entered into;

(c) a charge on the Group's non-checking account maintained with the financial institution designated to hold all rental proceeds;

(d) assignment of insurance; and

(e) a corporate guarantee by HLH Group Limited.

The term loan is repayable in equal monthly instalments over a period of twenty (20) years commencing from December 2006. The interest rate is fixed at 4.45% and 4.85% for the first and second year respectively and is charged at the prevailing Enterprise Financing Rate thereafter.

Term loan B is repayable in equal monthly instalments over a period of twenty five (25) years commencing from June 2007. The interest rate is fixed 4.28% and 4.65% for the first and second year and at 4.89% thereafter.

The term loan A & term loan B have been reclassified as current liabilities as at the financial year ended 31 December 2007 as the term loans have been settled subsequent to the financial year end pursuant to the completion of the sale of the investment properties in January 2008 as disclosed in Note 6.

Term loan C

The term loan C (1) – land loan facility and term loan C (2) – construction loan facility are secured by:

(a) a legal mortgage over the development property of the Group;

(b) a corporate guarantee by the HLH Group Ltd;

(c) assignment of insurance; and

(d) assignment of interest under sale and purchase and tenant agreements in respect of the development property or units thereon which includes assignment of sales proceeds of the units sold.

The term loan is repayable in monthly instalments over a period of ten (10) years commencing from the third year from date of first disbursement of the loan. The interest rate shall be at 1.5% over the financial institution's cost of fund for a tenor of 1, 3 or 6 months on rollover basis.

During the year, the Company has fully repaid the land loan facility from the sales proceeds received from the sale of the development property while the construction loan facility is not expected to be utilised as the development costs are financed by the sales proceeds received from the launch of the properties during the year. As at the date of this report, both the land loan and the construction loan have been fully discharged by the bank.

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

Term loan D

The term loan D (1) – land loan facility and term loan D (2) – construction loan facility are secured by:

(a) a legal mortgage over the development property of the Group;

(b) a joint corporate guarantees by HLH Group Limited and the holding company of the subsidiary holding the development property and the guarantee by a minority shareholder of the Group in accordance to their respective equity interest in the subsidiary holding the development property;

(c) assignment of insurance; and

(d) assignment of interest under sale and purchase and tenant agreements in respect of the development property or units thereon which includes assignment of sales proceeds of the units sold.

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 interest rate shall be at 1.5% over the financial institution's cost of fund for a tenor of 1, 3 or 6 months on rollover basis.

As at 31 December 2007, the Group has fully drawn down the land loan facility while the construction loan facility has not been utilised.

Bank overdraft

As at 31 December 2007, the bank overdraft held by the Group is secured by the development property that is held by the Group and corporate guarantees from the Company. The bank overdraft bears interest at the rate of 0.5% per annum above the prevailing bank prime rate. The current prevailing bank prime rate is 4.25% per annum. The bank overdraft was fully repaid by way of cash during the current financial year.

	Year of maturity	Weighted average effective interest rate (p.a.)		Company	
		2007	2006	2007	2006
		%	%	$	$
Current:					
Obligations under finance leases	2010	4.31	4.31	42,557	42,557
Convertible notes (Note 21)	2012	–	–	650,000	–
				692,557	42,557
Non-current					
Obligations under finance leases	2010	4.31	4.31	71,329	113,886

21. Convertible notes

During the year, the Company entered into an agreement to issue to Pacific Capital Investment Management Limited unsecured zero coupon convertible bonds at a nominal value of up to $50,000,000 (in five equal tranches of S$10,000,000 per tranche and each tranche comprising of five sub-tranches of S$2,000,000 each). The bonds will mature in five (5) years from the issue date which is 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 either at (i) the fixed conversion rate of 130% of the average of the traded Closing Day Price per Share for the 30 Business Days immediately prior to the date of the Subscription Agreement in respect of the first sub-tranche of the Notes, and the respective closing dates in respect of the subsequent sub-tranches or (ii) the floating conversion rate of 90% of the average of the Closing Day Price per Share on any five consecutive Business Days (as may be selected by the Noteholder, being PCIM in this context) during the 30 Business Days immediately preceding the relevant Conversion Date.

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.

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

	2007
	$
Prepaid commitment fee at initial recognition	4,930,021
Amortisation during the year (Note 27)	(2,893,922)
Balance at year end	2,036,099

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

	2007
	$
Derivative financial instrument at initial recognition	4,930,021
Fair value loss recognised during the year (Note 27)	474,966
Amount transferred to share capital upon conversion (Note 3)	(3,358,183)
Derivative financial instrument at year end	2,046,804

22. Turnover

Turnover comprises of:

	Group	
	2007	**2006**
	$	$
Turnover recognised on the sale of the development property	6,537,720	–
Sales on merchandising activities	1,973,501	–
Rental income	605,750	64,934
Contract revenue	–	2,635
	9,116,971	67,569

23. Other income

	Group 2007 $	Group 2006 $
Interest income from banks	221,805	28,858
Gain on investment in bonds	65,746	–
Unrealised gain on investment in quoted shares	1,223,840	–
Foreign exchange gain	68,694	–
Gain on liquidation of a subsidiary	–	98,606
Other sundry income	124,215	–
	1,704,300	127,464

24. Financial expenses

	Group 2007 $	Group 2006 $
Interest expense		
- hire purchase	(12,089)	(6,852)
- bank overdrafts	(21,263)	(7,699)
- term loans	(216,730)	(131,035)
	(250,082)	(145,586)

25. Profit/(loss) before exceptional items and taxation

This is determined after charging the following :

	Group 2007 $	Group 2006 $
Personnel expenses (Note 26)	1,349,329	319,624
Depreciation of property, plant and equipment (Note 5)	38,261	110,698
Directors' fees	120,000	95,000
Rental premises and office facilities	76,662	19,434
Legal and professional fees	118,780	255,760
Travelling expenses	262,322	51,412
Fair value changes in biological assets	108,139	–

26. Personnel expenses

	Group 2007 $	Group 2006 $
Wages, salaries and bonuses	1,546,726	278,188
CPF contribution	113,172	26,412
Other personnel expenses	24,330	9,331
Provision for unutilised leave	32,794	5,693
Write-back of unutilised leave in respect of prior year	(5,693)	–
Write-back of overprovision of salaries and bonus in respect of prior year	(362,000)	–
	1,349,329	319,624

27. Exceptional items

	Group 2007 $	Group 2006 $
Consultancy and services fee (Note (i))	(760,108)	–
Amortisation of commitment fee (Note (ii))	(2,893,922)	–
Changes in fair value of the derivative financial instrument (Note (ii))	(474,966)	–
Waiver of debts by sundry creditors (Note 3)	–	489,712
Waiver of debts by trade creditors (Note 3)	–	14,779,536
Adjustment relating to Scheme of Arrangement (Note 3)	–	1,577,900
Adjustment on debt conversion (Note 3)	–	(642,000)
Adjustment on loan conversion (Note 3)	–	(477,309)
	(4,128,996)	15,727,839

Note (i)

In the current financial year, the Group recognized $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.

Note (ii)

In the current financial year, the Group recognised $2,893,922 as amortization of the commitment fee during the year (Note 21) and an additional $474,966 arising from the changes in the fair value of the derivative financial instrument (Note 3(3)).

28. Taxation

Major components of income tax expense

The major components of income tax expenses for the years ended 31 December 2007 and 2006 are :

	Group 2007 $	Group 2006 $
Income statement :		
Current income tax		
- current	–	–
- under/(over) provision in respect of prior years	26,038	(50,667)
	26,038	(50,667)
Deferred income tax		
- origination of temporary differences (Note 8)	264,490	–
Income tax expenses recognised in income statement	290,528	(50,667)

28. Taxation (cont'd)

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

	Group 2007 $	Group 2006 $
(Loss)/profit before taxation	(2,819,283)	14,565,281
Tax at the applicable tax rate of 18% (2006: 20%)	(507,471)	2,913,056
Tax effect of income not taxable in determining taxable profits	(38,988)	(340,302)
Tax effect of expenses not deductible in determining taxable profits	26,367	334,281
Utilisation of tax benefits not recognised previously	(6,742)	(2,966,600)
Deferred tax assets not recognised	818,774	59,565
Effect of partial tax exemption	(27,450)	–
Under/(over) provision of tax in respect of prior years, net	26,038	(50,667)
	290,528	(50,667)

The Group has tax losses of approximately $10,731,000 (2006: $15,000,000) 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 $1,932,000 (2006: $3,000,000) is not recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the companies operate. As there is a change of major shareholdings pursuant to a restructuring exercise the previous year as stated in Note 3, the unabsorbed tax losses carried forward then may not be made available to the Company. 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. Earnings per share

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

Diluted earnings per share amounts are calculated by dividing profit for the year that is attributable to ordinary equity holders of the Company 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 2007 $	Group 2006 $
Net profit/(loss) attributable to ordinary shareholders for basic and diluted earnings per share		
- before exceptional items	1,089,950	(1,111,891)
- after exception items	(3,039,046)	14,615,948
Weighted average number of ordinary shares outstanding used in the calculation of basic earnings per share	1,565,130,312	587,176,050
Weighted average number of ordinary shares outstanding used in the calculation of diluted earnings per share *	1,566,802,062	587,176,050

29. Earnings per share (cont'd)

* Subsequent to the financial year ended 31 December 2007, the Company has on 8 January 2008 completed the partial issue of the sub tranche one of tranche four issuance of S$1,000,000 zero coupon Convertible Notes (the "Notes") due 2012 to PCIM, whereby all these notes were fully converted into the ordinary shares of the Company on 11 January 2008 and 22 February 2008 respectively. The conversion of the Notes shall be limited to a conversion amount such that the Conversion Shares when issued upon conversion of the Notes shall in aggregate not exceed 50% of the issued share capital as at the date the issuance of the Notes were approved by the shareholders which is 27 April 2007.The Company has on 27 March 2008 terminated the Subscription Agreement with PCIM under mutual agreement (Note 32). As at the date of this report, all the outstanding Notes have been fully converted into the ordinary shares of the Company.

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 during the financial year were fully converted into 1,671,750 weighted average number of ordinary shares of the Company. Based on this assumption, the weighted average number of issued shares would be 1,566,802,062 as at 31 December 2007.

The Group did not have any potential dilutive equity instrument as at 31 December 2006.

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 interest***

	Company	
	2007	**2006**
	$	$
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	760,108	–
Sale of a strata unit of a development property	1,146,000	–

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

	Company	
	2007	**2006**
	$	$
Management fees from subsidiaries	845,000	–

30. Related party disclosures (cont'd)

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

	Group	
	2007	**2006**
	$	$
Short term employee benefits	949,587	241,624
Central Provident Fund contributions	56,481	19,979
	1,006,068	261,603
Comprise amounts paid to:		
Directors of the Company	663,676	110,535
Other key management personnel	342,392	151,068
	1,006,068	261,603

31. Commitments and contingencies

(a) ***Contingent liabilities***

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

	Group	
	2007	**2006**
	$	$
Corporate guarantees given by the Group to financial institutions for credit facilities granted to subsidiaries (Note (i))	31,970,000	8,700,000

	Company	
	2007	**2006**
	$	$
Corporate guarantees given by the Company to financial institutions for credit facilities granted to subsidiaries (Note (i))	22,380,000	8,700,000

Note (i)

The corporate guarantees that were outstanding as at 31 December 2007 have arisen from guarantees issued in the current year for the term loans and bank overdraft facilities granted by the financial institutions for the purchase of the investment properties and the expenditure incurred on the development property as disclosed in Notes 6 and 9 respectively. The corporate guarantees as at 31 December 2007, has included an amount of $9,500,000 that is co-guaranteed by the Company and a subsidiary of the Group for the purchase of the investment properties held by the Group.

31. Commitments and contingencies (cont'd)

(b) ***Capital commitment***

The expenditure that are contracted for as at the balance sheet date but not recognised in the financial statement is as follow:

	Company	
	2007	**2006**
	$	$
In respect of the development cost for a development property at 82 Playfair Road (i)	3,194,245	–
In respect of the construction costs for the on-going development of the property at Neo Tiew Lane 2 (i)	536,515	–
In respect of the purchase of the properties at 45 Joo Chiat Lane for the purpose of redevelopment (ii)	7,975,024	–
In respect of the acquisition and commissioning of the sewerage treatment plant for the property at Neo Tiew Lane 2 (iii)	50,960	–
	11,756,744	–

The expenditures approved but not contracted for as at the balance sheet date is as follow:

	Group	
	2007	**2006**
	$	$
In respect of the construction costs for the on-going development of the property at Neo Tiew Lane 2 (iv)	3,897,000	–
In respect of the construction costs for properties at 54, 54A, 54B, 54C, 56, 56A, 56C and 58 Joo Chiat Lane (v)	7,000,000	–
In respect of the development cost for a development property at 82 Playfair Road	–	6,190,500
	10,897,000	6,190,500

(i) The total contract sum of the construction costs in respect of the development property at 82 Playfair Road is $6,190,500 and the construction costs awarded to the contractors prior to the financial year then ended for the property at Neo Tiew Lane 2 is $2,703,000.

(ii) The amount relates to the purchase of the properties 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 (Note 9) pursuant to the option signed by the Group in December 2007. As at 31 December 2007, the Group has capitalised $1,295,812 under the development properties relating to the option fees and stamp duties paid for the properties.

(iii) The amount committed to the acquisition and commissioning of a sewerage treatment plant for the property at Neo Tiew Lane 2 is denominated in US$. As at the financial year ended 31 December 2007, S$36,400 (denominated in US$) has been paid as deposits for the commitment.

(iv) In the current financial year ended 31 December 2007, the Group has entered into capital commitment in respect of the construction costs of the properties at Neo Tiew Lane 2, to be awarded to the contractors and disbursed subsequent to the financial year end. The construction costs are expected to be financed by internal funds.

31. Commitments and contingencies (cont'd)

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

(v) In the current financial year ended 31 December 2007, the Group has entered into capital commitment in respect of the construction costs of the development properties at 54, 54A, 54B, 54C, 56, 56A, 56C and 58 Joo Chiat Lane. A committed bank term loan for the finance of the part of the construction costs has been obtained during the year .

In the previous financial year ended 31 December 2006, the Group has entered into capital commitment in respect of the development costs for the development property at 82 Playfair Road to be disbursed subsequent to the financial year end. As disclosed in Note 20, the development costs were subsequently financed by the sales proceeds received.

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

As a lessor

The Group has entered into commercial property leases on its investment properties portfolio as disclosed in Note 6. These non-cancellable leases have remaining non-cancellable lease terms of 1 year to 3 years. As disclosed in Note 6, the investment properties held by the Group are disposed subsequent to the financial year ended 31 December 2007. Accordingly, the non-cancellable leases have been assigned to the buyer pursuant to the sale.

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

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Within 1 year	34,020	427,200	–	–
Within 2 to 5 years	–	619,300	–	–
	34,020	1,046,500	–	–

As a lessee

During the current year ended 31 December 2007, the Company has entered into commercial lease for the use of additional office space at the premises next to the office premises leased in the previous financial year. The lease is expected to expire in January 2009 with no renewal option or escalation clauses included in the contract and no restriction is being placed upon the Company or the Group by entering into the lease. Additionally, there is not penalty clause for early termination of the lease included in the contract subject to a one (1) month advance notice given prior to the termination. Operating lease payments recognised in the consolidated income statement during the year amounted to $51,296 (2006: $19,434).

During the previous financial year ended 31 December 2006, the Company has entered into commercial lease for the use of office premises as lessee. The lease is expected to expire in June 2008 with no renewal option or escalation clauses included in the contract. There is no restriction placed upon the Company or the Group by entering into the lease.

31. Commitments and contingencies (cont'd)

(c) ***Operating lease commitments (cont'd)***

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

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Not later than one year	31,548	39,096	31,548	39,096
Later than one year but not later than five years	1,000	19,548	1,000	19,548
	32,548	58,644	32,548	58,644

(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 3 years. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

The effective interest rate for the hire purchases ranges from 4.31% to 12.23% (2006: 4.31%) 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:

	2007			2006		
Group	Minimum lease payments	Interest	Present value of payments	Minimum lease payments	Interest	Present value of payments
	$	$	$	$	$	$
1 to 5 years	112,750	12,718	100,032	132,157	18,271	113,886
Not later than 1 year	95,546	12,738	82,808	49,409	6,852	42,557
	208,296	25,456	182,840	181,566	25,123	156,443
Company						
1 to 5 years	82,748	11,419	71,329	132,157	18,271	113,886
Not later than 1 year	49,409	6,852	42,557	49,409	6,852	42,557
	132,157	18,271	113,886	181,566	25,123	156,443

32. Subsequent events

(a) ***Mandate share placement***

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 will be that of purchasing, processing, storage & distribution of corn/ grains and any related businesses / activities. The JV Company will be 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 will have an issued and paid-up share capital of RMB13million. The Group will hold 85% and TLLY will hold 15% of the paid up capital of the JV Company respectively. Upon receiving the paid up capital of RMB13million, the JV Company will 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 RMB11million valued by an independent valuer.

Subsequent to the financial year end, the Group has incorporated the JV Company and obtained it business license in January 2008. As at the date of this report, the Group is awaiting the approval from the relevant authorities in Liaoning Province of People's Republic of China for the transfer of the title of the land before proceeding with the purchase of the fixed assets from TLLY.

(b) ***Termination of the Co-operation Agreement with the Regency Government of Toba Samosir at Sumatra, Indonesia***

On 20 March 2008, the Group made an announcement on the termination of the Co-operation Agreement dated 6 November 2006 signed with the Regency Government of Toba Samosir at Sumatra, Indonesia (the "Regency").

Subsequent to the acceptance of 200 hectares of the Land from the Regency since 3rd quarter 2007, the Group has found that all proposed sites by the Regency to be unsuitable for the proposed development of corn plantations. As the Regency Government has indicated its preference to cease further collaboration, the Co-Operation Agreement is terminated with immediate effect on mutual consent without any further claims by either party.

Notwithstanding this development, the Group will continue to focus on Agricultural business and Property Development and Real Estate business, moving forward.

Meantime, the Group has decided to keep the Indonesia subsidiary dormant to reduce overhead expenses. However, the Group will continue to monitor the prospect of the acquisition of arable land in other provinces in Indonesia as well as in the neighboring countries.

(c) ***Termination of the Subscription Agreement with Pacific Capital Investment Management Limited***

On 27 March 2008, the Company has made an announcement relating to the termination of the Subscription Agreement with Pacific Capital Investment Management Limited ("PCIM") signed on 30 April 2007 for the issue of the unsecured zero coupon convertible bonds at a nominal value of $50,000,000 due 2012 (in five equal tranches of S$10,000,000 per tranche and each tranche comprising of five sub-tranches of S$2,000,000 each). To-date, PCIM has subscribed for up to S$31 million of the notes and has converted the notes into an aggregate number of 607,330,000 new shares between 16 May 2007 and 23 January 2008. The total issued share capital of the Company as at 23 January 2008 and the date of the announcement is 2,120,750,895 shares.

The Company has served a notice in writing to PCIM to terminate the Subscription Agreement. The Company has also 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.

33. 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:

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

Property Development and

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

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.

Others

The Others segment comprises of:

(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.

33. **Segment information (cont'd)**

2007	Property development and real estate	Agriculture	Others	Elimination	Group
	$	$	$	$	$
Revenue					
External sales	7,143,470	1,973,501	–	–	9,116,971
Inter-segment sales	71,788	–	845,000	(916,788)	–
	7,215,258	1,973,501	845,000	(916,788)	9,116,971
Profit and loss					
Segment results	1,491,158	(857,947)	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	Property development and real estate	Agriculture	Others	Group
	$	$	$	$
Other information				
Segment assets	34,682,133	5,598,701	36,864,651	77,145,485
Segment liabilities	(2,880,641)	(324,999)	(2,507,832)	(5,713,472)
Unallocated liabilities				(16,227,440)
Consolidated total liabilities				(21,940,912)
Capital expenditure	6,326,063	670,921	23,367	7,020,351
Depreciation	10,808	31,740	13,561	56,109
Non-cash items	–	136,751	96,190	232,941

33. **Segment information (cont'd)**

2006 (Restated)	Property development and real estate $	Agriculture $	Others $	Elimination $	Group $
Revenue					
External sales	67,569	–	–	–	67,569
Inter-segment sales	–	–	152,970	(152,970)	–
	67,569	–	152,970	(152,970)	67,569
Profit and loss					
Segment results	23,040,130	331,166	579,252	(24,967,520)	(1,016,972)
Financial expenses					(145,586)
Loss before taxation and exceptional items					(1,162,558)
Exceptional items					15,727,839
Profit before taxation					14,565,281
Taxation					50,667
Net profit for the year					14,615,948

2006 (Restated)	Property development and real estate $	Agriculture $	Others $	Group $
Other information				
Segment assets	10,876,014	1,362,039	2,074,999	14,313,052
Segment liabilities	(145,953)	(30,611)	(1,729,307)	(1,905,871)
Unallocated liabilities				(6,335,667)
Consolidated total liabilities				(8,241,538)
Capital expenditure	6,182,303	8,816	32,916	6,224,035
Depreciation	459	1,705	108,534	110,698
Non-cash items	16,058,146	528,221	112,925	16,171,071

34. **Directors' remuneration**

Company	2007 Executive Directors	2007 Non-executive Directors	2007 Total	2007 Executive Directors	2007 Non-executive Directors	2007 Total
$500,000 and above	–	–	–	–	–	–
$250,000 to $499,999	1	–	1	–	–	–
$0 to $249,999	3	6	9	2	7	9
	4	6	10	2	7	9

35. **Financial risk management objectives and policies**

The Group's activities expose it to a variety of financial risks. The main risks arising from the Group's operations are interest rate risk, credit risk, liquidity risk, currency risk and market price risk. The Group's overall risk management program 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 obtains additional financing through bank borrowings and hire purchase arrangements. The Group's policy is to obtain the most favourable interest rates available, limiting the negative impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. Information relating to the Group's interest rate exposure is disclosed in the relevant notes, where applicable.

Sensitivity analysis for interest rate risk

In the current financial year, the Company has interest bearing deposits both fixed and structured, placed with various financial institutions. If the yield would have fluctuated by a favourable/(adverse) movement of 50 basis points, the interest income and gain on structured deposits derived during the year would have increased/(decreased) by approximately $60,000.

In both the financial year ended 31 December 2006 and 31 December 2007, the Group has interest costs relating to floating rate loans and borrowings that are capitalised under the development properties (Note 2.9 and Note 9) and the interest expenses taken to the income statement relate to fixed rate loans and borrowings. Hence, the Group's exposure to the interest rate risk relating to the loans and borrowings are limited.

Credit risk

Credit risk, or the risk of counter parties defaulting, is managed through the application of credit approvals, credit limits and monitoring procedures. For rental of investment properties, the risks of tenants defaulting on their rental are managed by requiring tenants to furnish cash deposits and/or banker's guarantees and a policy of regular review of debt collection, and the credit worthiness of tenants. As mentioned in Note 6 that subsequent to the financial year ended 31 December 2007, the Group has disposed of all of its investment properties and all outstanding receivables were duly recovered.

For the sale of the development property, the sales are governed by the legally binding sale and purchase contracts and the collection of the sales proceeds from the customers are closely monitored by our legal advisors. Consequently, the management does not foresee any concentration of risks on these receivables.

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

Credit risk (cont'd)

In the current financial year, the Group has begun its operating activities in the merchandising of agriculture products and as at the date of this report, the Group has few trade receivables that relate to overseas customers. However, with the intention of the Group to expand the merchandising business, the Group foresee that there is likely a concentration of credit risk especially with respect to overseas customers with diversity of geographical spread. To minimise this credit concentration, the Group has policies and guidelines in place to ensure that sales are only made to customers with appropriate credit standing and with suitable historical payment trends as well as limiting the amount of credit given to any single customer or requesting the issuance of Letters of Credits by reputable banks.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and other receivables (including related party balances), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Exposure to credit risk

As at balance sheet date, the Group's 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 except for Note 35(ii) below;

(ii) a nominal amount of approximately $1,172,000 (denominated in US$) included in other receivables that relates to deposits for the purchase of prilled agricultural fertilizer. Pursuant to an announcement made on 2 October 2007 by the Group, the Sales and Purchase Agreement (the "Agreement") to supply the fertilizer was terminated due to the inability of the buyer to fulfill the terms and conditions in the Agreement. The Group has obtained a commitment letter from the debtor together with a payment schedule and the Group has since, received partial payment towards the satisfaction of the indebtedness. As at 31 December 2007, the receivable is past due due to difficulties faced by the debtor in obtaining United States Dollars, arising from exchange controls in their country of domicile.

Subsequent to the financial year end, the Group has accepted a proposal of the debtor to extend the instalment period. As at the date of this report, a further payment equivalent to approximately $145,000 has been received. As at the end of the current financial period, the management has made an assessment of the recoverability of the receivable and believe that no provision for impairment was necessary; and

(iii) a nominal amount of $31,970,000 (2006: $8,700,000) relating to corporate guarantees provided by the Group for bank facilities granted to subsidiary companies of the Group, of which, approximately $18,129,000 (2006: $6,200,000) has been utilised as at the balance sheet date.

35. Financial risk management objectives and policies (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 is as follows:

	2007		2006	
		% of total		% of total
	$		$	
By industry				
Property development and real estate	555,007	35.7	544,696	100.0
Agriculture	1,000,960	64.3	–	–
	1,555,967	100.0	544,696	100.0
By country				
Singapore	555,007	35.7	544,696	100.0
Taiwan	1,000,960	64.3	–	–
	1,555,967	100.0	544,696	100.0

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows and at the same time, ensure that adequate funds are available to fund the growth of the business through the use of interest bearing loans and borrowings.

The Group's main liquidity risk arise mainly from the funding required for the finance of the acquisition and construction costs of the development properties, the acquisition costs of the investment properties and the working capital required for the merchandising of agriculture products. The Group's and the Company's liquidity management policy is to maintain sufficient liquid financial assets and have an adequate amount of committed credit facilities while at the same time exercise continual monitoring to mitigate any financial distress resulting from high gearing risk.

35. 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.

	2007				2006			
Group	**1 year or less** $'000	**1 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000	**1 year or less** $'000	**1 to 5 years** $'000	**Over 5 years** $'000	**Total** $'000
Trade and other payables	3,067	–	–	3,067	1,906	–	–	1,906
Borrowings	7,018	8,900	–	15,918	871	1,324	4,127	6,322
	10,085	8,900	–	18,985	2,777	1,324	4,127	8,228
Company								
Trade and other payables	461	–	–	461	699	–	–	699
Borrowings	693	71	–	764	43	114	–	157
	1,154	71	–	1,225	742	114	–	856

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

Foreign exchange risk

The Group is involved in merchandising of agriculture products that are predominantly denominated in United States Dollar and the foreign currencies of the countries in which the Group operates. Currently, the Group, however, does not hedge against the foreign currency exposure as the cash flows from purchases partially offset the cash flows from sales transactions and 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 minimize 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 resort to the matching of sales and purchases to minimize the net exposure. The choice of invoicing currency must be made such that the Group's total currency exposure is minimized and the currencies must be which the exchange rates are regularly trade on the foreign exchange market. Besides, 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 the Group's policies that only currency flows based on an underlying commercial transaction that with great certainty will be realised may be hedged.

Other than the foreign exchange risk exposure arising from the operating activities, the Group also has foreign exchange risk arising from the purchases of machineries and equipment predominantly denominated in United States Dollar as well as currency translation risk arising from its investments in foreign subsidiary company in Indonesia that are predominantly in Indonesia Rupiah. The machineries and equipment are non-monetary items which are not expected to result in any foreign currency gain or loss arising from the translations as at the balance sheet date, while the Group's exposure in the net investment is not hedged as the investment is considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a 5% change in the United States Dollar (USD) and Indonesia Rupiah exchange (RP) rates against Singapore dollar with all other variables, in particular interest rates and market prices, remain constant.

	2007		**2006**	
	Profit after tax	**Equity**	**Profit after tax**	**Equity**
	$'000	$'000	$'000	$'000
USD – (strengthen 5%)	211	211	–	–
USD – (weaken 5%)	(211)	(211)	–	–
RP – (strengthen 5%)	(12)	118	–	–
RP – (weaken 5%)	12	(118)	–	–

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

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. These instruments are quoted on the Stock Exchange in the Alternative Investment Market ("AIM") in London and are classified as held for trading financial assets. Currently, the investment in quoted equity instruments represents approximately 4.6% of the Group's NTA as at 31 December 2007. The Group's policy is to minimize the equity price risk by restricting the Group's speculative investment portfolio.

In addition, the Group has exposure to commodity price risk as the Group has merchandising activities in agricultural commodity products that are largely affected by the fluctuation in the commodity prices internationally. The exposure to the commodity price risk is minimal in the current financial year as the sales volume is considered to be relatively low. As the merchandising activities of the Group are expected to increase subsequently, the Group foresees that the market price risk may become significant. In order to minimize the market price risk, the Group has implemented policies and guidelines to facilitate the management of the market price risk. Whenever practicable, the Group must secure confirmed orders with both the buyer and supplier before executing the delivery of the contact. In addition, the Group focuses on establishing long-term trading relationships with credible buyer and supplier as well as establishing corn collection centre in some of the Asian countries to secure long term supplies. The Group may explore other possibilities such as hedging in the futures market when the sales volume is sufficiently viable, with the objective of taking only physical deliveries without involving in any risk in speculative activities.

Sensitivity analysis for equity price risk

The sensitivity analysis for the equity price risk of its investment in quoted equity instruments in this illustration is based on the exclusive assumption that the investment in the quoted equity instruments is co-related to the movements of the FTSE AIM UK 50 Index with all other variables held constant. At the balance sheet date, if the FTSE AIM UK 50 Index had been 2% (2006: Nil) higher/lower, the Group would have an increase/decrease in the other operating income of approximately $61,200 (2006: Nil), arising as a result of higher/lower fair value gains on held for trading investments in equity instruments.

Sensitivity analysis for commodity price risk

During the financial year, if the commodity prices has been 5% (2006: Nil) higher/lower, the Group would have an increase/decrease in the gross profit of approximately $12,600.

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

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 investment properties, cash and short term deposits, current trade and other receivables, bank overdrafts, current 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.

Financial instruments carried at other than fair value

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.

	2007		2006	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Group				
Financial liabilities				
Obligations under finance leases	182,840	162,638	156,443	157,577
Company				
Obligations under finance leases	113,886	102,481	156,443	157,577

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

Interest rate risk

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

2007 Group	**Within 1 year**	**1-2 years**	**2-3 years**	**More than 3 years**	**Total**
	$	$	$	$	$
Bank term loan A (secured)	3,037,358	–	–	–	3,037,358
Bank term loan B (secured)	3,247,892	–	–	–	3,247,892
Bank term loan C (secured)	–	8,800,000	–	–	8,800,000
Obligations under finance leases A (Note 31 (d))	42,557	42,557	28,772	–	113,886
Obligations under finance leases B (Note 31 (d))	9,783	10,659	2,795	–	23,237
Obligations under finance leases C (Note 31 (d))	13,627	7,609	–	–	21,236
Obligations under finance leases D (Note 31 (d))	16,841	7,640	–	–	24,481
	6,368,058	8,868,465	31,567	–	15,268,090

Interest rate risk

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

2006 Group	**Within 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
	$	$	$	$	$	$	$
Bank term loan C (secured)	100,253	100,566	102,403	107,739	113,351	2,612,757	3,137,069
Bank term loan D (secured)	–	95,833	230,000	230,000	230,000	1,514,167	2,300,000
Bank overdraft (Note 20) (secured)	728,702	–	–	–	–	–	728,702
Obligations under finance leases (Note 31 (d))	42,557	42,557	42,557	28,772	–	–	156,443
	871,512	238,956	374,960	366,511	343,351	4,126,924	6,322,214

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

2007 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 (Note 31 (d))	42,557	42,557	28,772	–	–	–	113,886

2006 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 (Note 31 (d))	42,557	42,557	42,557	28,772	–	–	156,443

36. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and optimum capital ratios in order to support its business, to maximise shareholders' value as well as to maintain the confidence of stakeholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. During the year, the Group has enlarged its shareholder's equity base from approximately $6.07 million in the financial year 2006 to approximately $55.20 million in the current financial year mainly through the 2 placement exercises and the conversion of the Convertible Notes (Note 3). The Group's objective is to maintain a strike between higher returns that may be possible from the use of external borrowing and the risk of financial distress resulting from high gearing risk. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Property Development and Real Estate division of the Group may have higher gearing ratios compared to the other division mainly due to the higher quantum of bank borrowing applied towards the finance of the investment and development properties that is inherent to the specific industry/sector. The Group targets to keep the gearing ratio between 50% and 60%. The Group includes within net debt, loans and borrowings including convertible notes, trade and other payables, other liabilities, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Company.

In the current financial year, the Group and the subsidiaries are not subject to externally imposed capital requirement.

36. Capital management (cont'd)

	Group	
	2007	**2006**
	$'000	$'000
Loans and borrowings (Note 20)	15,918	6,322
Trade payables (Note 18)	892	26
Other payables and accruals (Note 19)	2,774	1,880
Less: Cash and cash equivalents (Note 17)	(35,048)	(3,277)
Net debt	(15,464)	4,951
Equity attributable to the equity holders of the Company	55,205	6,072
Total capital	55,205	6,072
Capital and net debt	39,741	11,023
Gearing ratio	–	45%

37. Comparative information

During the year, the Group has entered into the agricultural business pursuant to shareholders' mandate obtained at an extraordinary general meeting held by the Company on 15 June 2007. In the previous financial year, the Group's core businesses consisted of the Construction segment and Property Development and Real Estate segment.

Accordingly, the Group has undertaken a major reclassification of few of its subsidiaries into two (2) new segments namely the Property Development and Real Estate segment and the Agriculture segment to better reflect the nature of the principal activities of the subsidiaries. The comparative figures were restated in accordance with the requirements under FRS 14 Segmental Reporting.

Certain comparative figures have been reclassified to conform to the current year's presentation.

	2006 as previously reported	**2006 as restated**
	$	$
Group		
Consolidated income statement		
Other income	16,974,612	127,464
Other expenses	(1,120,007)	(698)
Exceptional items	–	15,727,839

38. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 1 April 2008.

ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2008

ISSUED AND FULLY PAID UP CAPITAL	:	S$83,263,336.45
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	0.32	12,407	0.00
1,000 - 10,000	897	11.57	5,322,826	0.25
10,001 - 1,000,000	6,672	86.08	896,749,362	42.29
1,000,001 AND ABOVE	157	2.03	1,218,666,300	57.46
TOTAL	7,751	100.00	2,120,750,895	100.00

TOP TWENTY SHAREHOLDERS AS AT 31 MARCH 2008	NO. OF SHARES	%
ONG BEE HUAT	129,443,269	6.10
GOH BAK HENG	125,750,000	5.93
HSU HUNG-CHUN	118,000,000	5.56
MAYBAN NOMINEES (S) PTE LTD	109,982,908	5.19
WONG WEN-YOUNG	100,000,000	4.72
UNITED OVERSEAS BANK NOMINEES PTE LTD	39,408,000	1.86
TOH TIAM HOCK	28,763,000	1.36
DBS NOMINEES PTE LTD	25,872,000	1.22
KIM ENG SECURITIES PTE. LTD.	19,791,000	0.93
KUIK SIN PHENG	19,000,000	0.90
LIEW ENG LENG	18,054,000	0.85
KHONG HENG POH	18,000,000	0.85
NG SEE CHENG	15,949,000	0.75
PHILLIP SECURITIES PTE LTD	15,921,083	0.75
CIMB-GK SECURITIES PTE. LTD.	15,766,000	0.74
DBS VICKERS SECURITIES (S) PTE LTD	15,250,000	0.72
HSBC (SINGAPORE) NOMINEES PTE LTD	15,083,000	0.71
OCBC SECURITIES PRIVATE LTD	13,763,000	0.65
OCBC NOMINEES SINGAPORE PTE LTD	13,266,000	0.62
CITIBANK NOMINEES SINGAPORE PTE LTD	12,045,000	0.57
	869,107,260	40.98

SUBSTANTIAL SHAREHOLDERS	DIRECT INTEREST	DEEMED INTEREST	TOTAL %
ONG BEE HUAT (1)	129,443,269	95,461,733	10.60
GOH BAK HENG (2)	132,750,000	4,000,000	6.45
HSU HUNG-CHUN	118,000,000	-	5.56

(1) Ong Bee Huat is deemed to be interested in the shares held by Malayan Banking Berhad (95,461,733 shares 4.50%) by virtue of the Put & Call Option Deed dated 5 June 2006.

(2) Goh Bak Heng is deemed to be interested in the shares held by SCE Enterprise Pte Ltd (4,000,000 shares 0.19%) by virtue of Section 7 of the Companies Act, Cap. 50.

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

72.67% 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 OF 9TH ANNUAL GENERAL MEETING

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of HLH GROUP LIMITED will be held on Tuesday, 29 April 2008 at 2.00 p.m. at Orchid Country Club, Ruby Suite, 1 Orchid Club Road Singapore 769162 to transact the following business:-

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the financial year ended 31 December 2007 and the Reports of the Directors and Auditors and the Statement by Directors thereon. **[Resolution 1]**

2. To re-elect the following Director retiring pursuant to Article 88 of the Company's Articles of Association:
   (i) Dato Dr Ong Bee Huat **[Resolution 2]**

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

   (i) Mr Luar Eng Hwa **[Resolution 3]**
   (ii) Dr Chen Seow Phun, John **[Resolution 4]**

   Mr Luar Eng Hwa will, upon re-election as a Director of the Company, remain as the Chairman of Audit Committee and a member of Remuneration and Nominating Committees and he will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

   Dr Chen Seow Phun, John will, upon re-election as a Director of the Company, remain as the Chairman of Nominating Committee and a member of Remuneration and Audit Committees and he will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

4. To re-appoint Messrs Ernst & Young as the Auditors of the Company and to authorise the Directors to fix their remuneration. **[Resolution 5]**

5. 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:-

6. To approve the payment of Directors' Fees of S$128,000 for the financial year ended 31 December 2007(2006: S$95,000). **[Resolution 6]**

7. Authority to allot and issue shares up to fifty per centum (50%) of the issued share capital

   "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

NOTICE OF 9TH ANNUAL GENERAL MEETING

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 always that the aggregate number of shares and/or convertible securities to be issued shall not exceed fifty per centum (50%) of the issued share capital of the Company, of which the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not exceed twenty per centum (20%) of the issued share capital of the Company (percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities on issue at the time such authority is given and any subsequent consolidation or subdivision of shares) and unless revoked or varied by the Company in general meeting and that such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." [See Explanatory Note (i)] **[Resolution 7]**

By Order of The Board

HELEN CAMPOS
Company Secretary

Singapore
11 April 2008

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 76 Playfair Road #04-02 Singapore 367996 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 no. 7 under the heading "Special Business" in this Notice of Annual General Meeting will empower the Directors of the Company, from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the share capital of the Company. The number of new shares, which the Directors may allot and issue under this Resolution shall not exceed fifty per centum (50%) 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)

IMPORTANT:	
1.	For investors who have used their CPF monies to buy shares in HLH Group Limited, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2.	This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3.	CPF investors who wish to vote should contact their CPF Approved Nominees.

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 Ninth Annual General Meeting of the Company to be held at Orchid Country Club, Ruby Suite, 1 Orchid Club Road Singapore 769162 on Tuesday, 29 April 2008 at 2.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Ninth 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 Ninth Annual General Meeting.)

No.	Resolutions relating to:	For	Against
1	Adoption of Audited Accounts for the financial year ended 31 December 2007 and the Reports of the Directors and Auditors and the Statement by Directors thereon.		
2	Re-election of Dato Dr Ong Bee Huat retiring pursuant to Article 88 of the Articles of Association of the Company.		
3	Re-election of Mr Luar Eng Hwa retiring pursuant to Article 89 of the Articles of Association of the Company.		
4	Re-election of Dr Chen Seow Phun John retiring pursuant to Article 89 of the Articles of Association of the Company.		
5	Re-appointment of Messrs Ernst & Young as Auditors of the Company and authorisation of Directors to fix their remuneration.		
6	Approval of Directors' Fees of S$128,000 for the financial year ended 31 December 2007.		
7	Authority to Directors to allot and issue new shares.		

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

Dated this ________ day of __________________________ 2008

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

* Delete accordingly

FOLD HERE FOR SEALING

PLEASE AFFIX
26 CENTS POSTAGE
STAMP HERE

The Company Secretary
HLH Group Limited
76 Playfair Road #04-02 LHK2
Singapore 367996

FOLD HERE

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 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 76 Playfair Road #04-02 LHK2 Singapore 367996 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 authorised 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 authorised.

6. A corporation which is a member may also authorise 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.

Agriculture

Biotechnology

Research &
Development

Construction

Property &
Investments

HLH GROUP LIMITED
Company Reg No. 199905292D
76 Playfair Road #04-02 LHK2 Singapore 367996 Tel: (65) 6289 8286 Fax: (65) 6289 8166 Website: http://www.hlh.com.sg