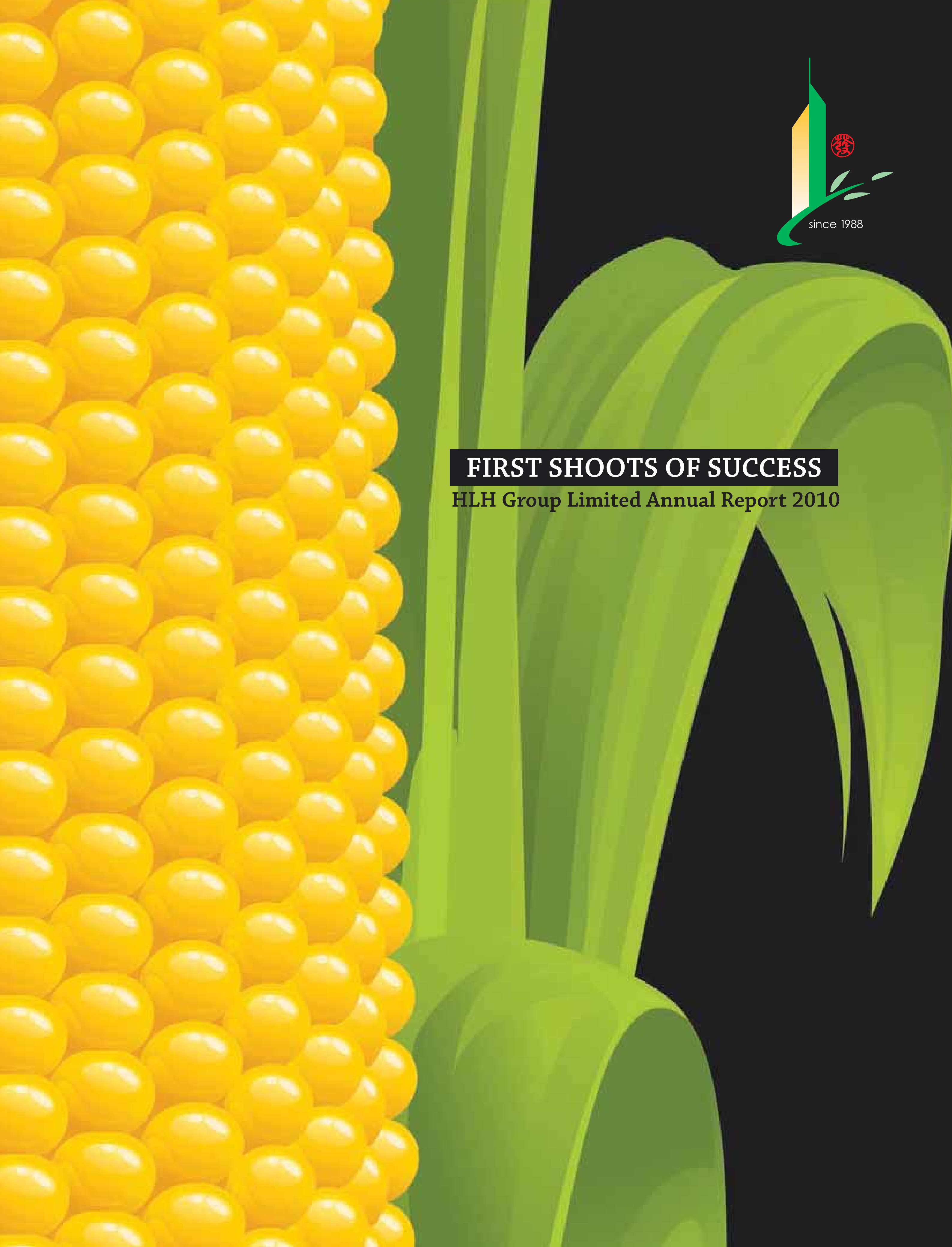


since 1988

# FIRST SHOOTS OF SUCCESS

## HLH Group Limited Annual Report 2010

# CONTENT



# First Shoots of Success

We studiously tiled the land and religiously watered the plants. Days passed, then weeks. The sun shone brightly over us and the seedlings grew to become sturdy shrubs bearing fruits the colour of sunshine.

We tirelessly harvested the fruits and contentedly processed the harvest. Hours passed, then days. The colour of sunshine shone from the faces of our farmers and we are finally seeing the fruits of our success.

# Corporate Profile

## THE COMPANY

### Company Background

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

Market Interests: South East Asia, China and Taiwan

The Company is a diversified group with interests in:

- **Agriculture**

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

- **Properties Development and Real Estate**

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

# Corporate Information

**Directors**
Dr. Ong Bee Huat
(Executive Director)
Gan Wui Koh
(Executive Director)
Dr. Wang Kai Yuen
(Independent Director)
Dr. Chen Seow Phun, John
(Independent Director)
Dr. Wong Wen-Young, Winston
(Non-Executive Director)
Yeo Guat Kwang
(Independent Director appointed on
6 September 2010)

**Secretary**
Helen Campos

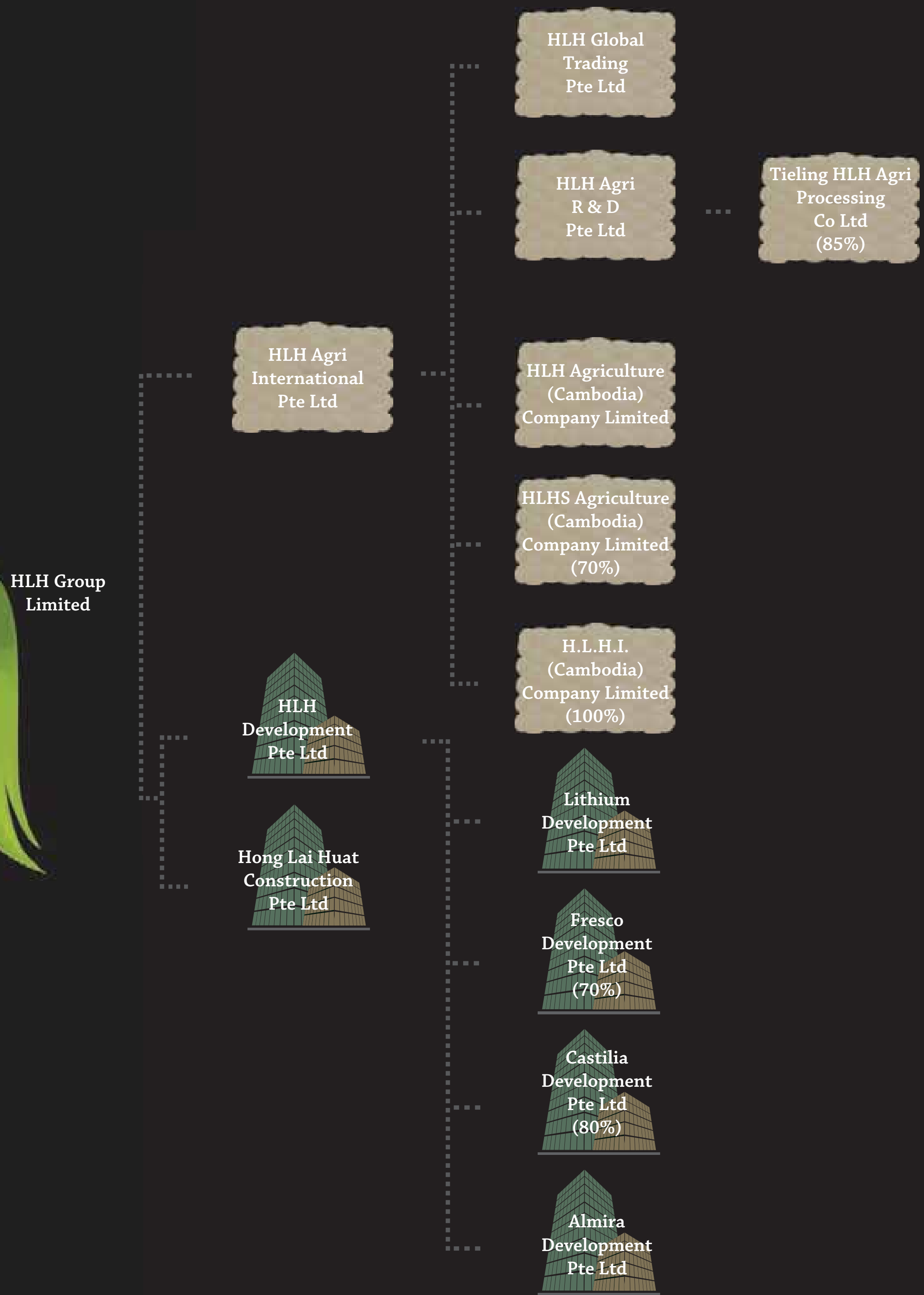
**Share Registrar &**
**Share Transfer Office**
B.A.C.S Private Limited
63 Cantonment Road
Singapore 089758
Tel: 6593 4848
Fax: 6593 4847

**Registered Office**
82 Playfair Road #13-01
D' Lithium
Singapore 368001

**Bankers**
United Overseas Bank Limited
The Development Bank of Singapore Ltd
Standard Chartered Bank
The Hong Kong and Shanghai Banking
Corporation Limited
Asean Finance Corporation Limited

**Auditors**
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Engagement partner:
Philip Ng Weng Kwai
(since financial year ended 31 December 2006)

# Organisation Structure



# Message to Shareholders

**Dear Shareholders,**

HLH Group Limited has been through ten exciting years of being listed on the Singapore Exchange. During these ten years, we have transformed our business into two core business divisions of properties development and real estate, and agriculture.

In 2006, the Group ventured into a new business division in agriculture. This decision has not been easy taking into consideration the challenges ahead. Nevertheless, we strongly believe that the Group is on the right track for this long term investment.

In 1H2008 and 1Q2009, the Group acquired two plots of land in Cambodia: a 450-hectare freehold land in Amleang Commune, Thpong District in Kampong Speu, and another 9,985-hectare concession land in Oral District in Kampong Speu respectively to initiate our entry into the agriculture business. These two plots of land are part of the Group's expanding arsenal of plantation land as we progress towards our goal of achieving plantation acreage to 100,000 hectares as our long term strategy.

In 2010, the Group continued to attain positive achievement in the launch of one of its development properties and obtained Temporary Occupation Permit ("TOP") for another of its development properties launched in 2009.

**Strategic Development during the Year**

**Agriculture Division**

<u>Plantation operations (Cambodia)</u>

In 1Q2009, the Group acquired approximately 9,985 hectares of concession land in Cambodia in addition to the approximately 450 hectares of freehold land acquired in 1H2008, to develop its corn plantation business in Cambodia.

In 2010, harvest from the corn plantation has made positive contribution to the revenue and gross profit of the Group's Agriculture Division.

To-date, the Group has completed its first processing and storage facility and cleared approximately 6,500 hectares of land. Currently, the second processing and storage facility with larger capacity is under construction and is expected to be completed by 2H2011. The Group is also currently conducting pre-plantation land treatment to nurture new land areas cleared before the next planting season commencing 2Q2011.

To capitalise on the capacity of the processing and storage facilities, the Group will also co-operate with local corn farmers on corn collection to bolster its production volume and strengthen its competiveness.

<u>Merchandising operations</u>

The business climate for merchandising operations has been exceptionally challenging. In FY2010, the Group's Merchandising operations saw a decreased in trading volume and gross profit margin which resulted in reduction to the Group's turnover and profitability as compared to FY2009.

In FY2011, the Group expects to scale down the Merchandising operations to focus management attention on Plantation operations.

# Message to Shareholders (cont'd)

Agri-tainment Farm

The business environment for the resort industry has remained difficult and challenging. Nevertheless, the Group will continue to provide competitive and attractive farm stay packages to attract more visitors. Further, the Group is in the midst of obtaining approval for "face-life" from the relevant authorities and will continue to attract more holiday-makers and visitors by introducing more farm activities and stimulating new ideas to liven up the Farm.

**Property Division**

The Group completed the construction and obtained TOP for D' Fresco, a 30-unit freehold boutique residential development in 4Q2010 and expects to complete the construction for D' Almira, a 25-unit freehold boutique residential development in 2Q2011.

In addition, the Group has launched another 28-unit residential development – D' Castilia and has achieved sales of 62% as of end 2010. The Group has commenced construction for D' Castilia in 1Q2011 and expects to complete construction in 1Q2012.

Moving forward, the Group will continue to explore and venture into other feasible property development projects to grow its property business regionally.

**Moving Forward**

For HLH Group Limited, the year ahead is to continue focusing on developing our agriculture operations in Cambodia and optimistically to be able to achieve a sustainable revenue earnings stream and growth in the mid to long term. We will remain steadfast and continuously take cognizance of market conditions and do our utmost to make astute judgment in every strategic decision and at the same time, continue to focus unequivocally on cost control, effectiveness and efficiency in execution of our on-going projects.

**Appreciation**

On behalf of the Company and the Board, I would like to thank our management team and staff for their dedication and hard work. My grateful appreciation also goes out to our customers, bankers, suppliers and business partners. Last but not least, I would like to thank our shareholders for their faith and steadfast continued support.

**Dr. Wang Kai Yuen**
Chairman

**Dr. Ong Bee Huat**
Executive Deputy Chairman and
Chief Executive Officer

18 March 2011

# Board of Directors

**Dr. Wang Kai Yuen**
Chairman / Non-Executive Independent Director

Dr. Wang was appointed as Director on 1 May 2006. He is also the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committee. He retired as the Managing Director of Fuji Xerox Singapore Software Centre, Fuji Xerox Asia Pacific in December 2009.

He also holds directorships of other public listed companies including Asian Micro Holdings Ltd, China Lifestyle Food & Beverages Group Ltd, ComfortDelGro Corporation Ltd, COSCO Corporation (Singapore) Ltd, Hiap Hoe Holdings Ltd, Matex International, SuperBowl Holdings, and CAO (Singapore) Ltd. Dr. Wang was Member of Parliament for the Bukit Timah Constituency from December 1984 to April 2006. He was the Chairman of Feedback Unit established by the Ministry of Community Development from 2002 till April 2006.

**Dato' Dr. Ong Bee Huat**
Executive Deputy Chairman and Chief Executive Officer

Dato' Dr. Ong is the founder of our organization. Currently, as Deputy Chairman and Chief Executive Officer, 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) and Doctor of Science honoris causa from Imperial College of Science & Technology, University of London, joined the Board on 27 February 2007. He is a well-known Taiwanese entrepreneur who is the Founder and Chief Executive Officer of renowned Taiwanese electronics and plastics conglomerate Grace T.H.W Group. He is the Founder and Director of Grace Semiconductor Manufacturing Corp, China; and the Founder and Director of Trust-Mart Co., Ltd. Dr. Wong has with him wealth of experience and expertise in petrol-chemical products which adds value to the Group's agribusiness expansion plan.

# Board of Directors (cont'd)

**Dr. Wang Kai Yuen**
Chairman / Non-Executive Independent Director

**Dato' Dr. Ong Bee Huat**
Executive Deputy Chairman and Chief Executive Officer

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

**Ms. Gan Wui Koh Veronica**
Executive Director

**Dr. Chen Seow Phun, John**
Non-Executive Independent Director

**Mr. Yeo Guat Kwang**
Non-Executive Independent Director

# Board of Directors (cont'd)

**Ms. Gan Wui Koh Veronica**
Executive Director

Ms. Gan was appointed as Executive Director on 11 August 2006. 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.

**Dr. Chen Seow Phun, John**
Non-Executive Independent Director

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

**Mr. Yeo Guat Kwang**
Non-Executive Independent Director

Mr. Yeo was appointed as Director on 6 September 2010. He is currently a member of the Audit, Nominating and Remuneration Committee. He also serves on the Boards of Japan Foods Holding Ltd, United Envirotech Ltd, Koyo International Limited and Asia Water Technology Ltd.

Mr. Yeo has been a Member of Parliament since January 1997. He has been elected as the President of the Consumers Association of Singapore (CASE) in 2002. He is also the Alignment Director of NTUC and the Executive Secretary for the Amalgamated Union of Statutory Board Employees. He was awarded the People's Association Youth Movement Award in 1990 and 1992, and the People's Action Party Youth Award in 1993.

Mr. Yeo also serves as a member of the Board of Directors of the Public Utilities Board, Financial Industry Disputes Resolution Centre Ltd and the Agri-Food & Veterinary Authority of Singapore.

# Operations Review

**Review of Income Statement**

**Revenue**

The Group's revenue in FY2010 has increased by $14.24 million from $27.26 million in FY2009 to $41.50 million in FY2010 mainly attributed by higher revenue recognition from the development properties of the Property Development Division. Revenue of the Agriculture Division has decreased by $1.19 million attributed mainly by the reduction in revenue of the Merchandising operations partially offset by the increase in revenue generated from the Plantation operations.

**Gross Profit**

The Group's gross profit generated for FY2010 was $4.45 million compared to $2.44 million generated in FY2009, an increase of $2.01 million mainly attributed by contribution from the Property Development Division. The Agriculture Division generated gross loss for both FY2010 and FY2009 despite the gross profit generated from the Plantation operations as compared to gross loss in FY2009. The overall gross profit performance of the Agriculture Division was affected by the reduction in gross profit of the Merchandising operations and the operational losses generated from the Farm Resort.

**Other Income**

Other income decreased by 54% from $0.71 million in FY2009 to $0.33 million in FY2010. The decrease in the current year was mainly attributed by decrease in fair value gain on quoted equity instruments, gain on sale of investment properties, subsidy income, interest income and other sundry income. The decrease was partially offset by increase in gain on sale of quoted equity instruments, rental income and dividend from investment in quoted equity instruments.

**Distribution and Selling Expenses**

Distribution and selling expenses have reduced by 58% from $1.55 million incurred in FY2009 to $0.65 million incurred in FY2010. These expenses were mainly attributed by sale of the development properties held by the Group. There was a new development property launched in 4Q2010 while there were 2 development properties launched in the previous year.

**Administrative Expenses**

Administrative expenses of the Group have reduced marginally to $4.91 million incurred in FY2010 compared to $5.12 million incurred in FY2009 attributed by the reduction in personnel expenses, and property, plant and equipment upkeep expenses of an aggregate amount of $0.33 million offset by increase in legal and professional fees, and other administrative expenses of an aggregate amount of $0.12 million.

### Other Expenses

Other expenses have reduced to $0.60 million in FY2010 compared to $1.06 million in FY2009 mainly due to reduction in exchange losses resulted from reclassification of some related parties' loans and borrowings from current to non-current receivables. As a result of the reclassification, all related exchange differences were taken directly to equity.

### Finance Costs

Finance costs for the Group incurred in FY2010 were $0.29 million compared to $0.28 million incurred in FY2009. These costs were mainly related to loans obtained for financing of corporate office and development properties held by the Group.

### Income Tax Expense

Tax expenses have increased from $0.23 million incurred in FY2009 to $0.63 million incurred in FY2010. The was largely attributed by profits generated from a development property which becomes taxable upon completion of the property's development of which is taken to be the date of issue of Temporary Occupation Permit ("TOP") in 4Q2010.

However, the Group has incurred lower net loss of $2.29 million in FY2010 as compared to net loss of $5.08 million in FY2009. The lower net loss was mainly attributed by an increase in gross profit of $2.01 million and reduction in overall operating expenses of $1.57 million partially offset by reduction in other income of $0.39 million and an increase in income tax expense of $0.41 million.

**Review of Financial Position**

**Non-current Assets**

The net book value of property, plant and equipment of the Group had increased by $3.53 million mainly due to the acquisition of property, machinery and equipment for the Plantation operations in Cambodia partially offset by foreign exchange adjustment, depreciation charges, impairment loss on a leasehold land and reclassification of a property to investment properties.

The net book value of investment properties had increased by $0.70 million. During FY2010, the Group reclassified a property with a carrying value of $0.48 million from property, plant and equipment to investment properties as the property was rented out to generate rental income during the year. Additionally, $0.28 million paid for the acquisition of 20% shares for an investment property in Cambodia was reclassified from deposit paid (held as at end FY2009). Thus, further increasing the carrying value of investment properties. Depreciation charged for investment properties was approximately $53k in the current year 2010.

# Operations Review (cont'd)

**Working Capital**

i. Development properties for sale has reduced by $12.43 million from $29.78 million as at end FY2009 to $17.35 million as at end FY2010 mainly due to increased progress billings over the costs incurred in the current year 2010 and partially reduced by profit recognised for development properties in the current year 2010.

ii. Inventories increased by $0.21 million from $0.19 million as at end FY2009 to $0.40 million as at end FY2010. Inventories held by the Group as at end FY2009 and FY2010 were mainly inventories and direct materials of the Plantation operations in Cambodia.

iii. Trade receivables have increased by $3.43 million from $1.58 million as at end FY2009 to $5.01 million as at end FY2010. Trade receivables as at end FY2010 were mainly related to progress billings amounting to $4.17 million of a development property which obtained TOP in 4Q2010, while trade receivable as at end FY2009 comprised mainly of the balance proceeds of $1.03 million from sale of a development property.

Consequently, amounts due from a non-controlling shareholder increased by $0.53 million from $4k as at end FY2009 to $0.53 million as at end FY2010 primarily due to a unit of a development property which obtained TOP in 4Q2010 sold to the non-controlling shareholder.

**Working Capital (cont'd)**

iv. Investment in quoted equity instruments decreased by $0.43 million from $3.24 million as at end FY2009 to $2.81 million as at end FY2010. The decrease was attributed by sale of quoted equity instruments with carrying values of $0.57 million and exchanged losses of $0.24 million recognised in the current year 2010, offset by additional investment and fair value gain recognised amounting to $0.20 million and $0.18 million respectively in the current year 2010.

v. Trade payables increased to $1.10 million as at end FY2010 compared to $0.70 million as at end FY2009. The increase was mainly contributed by the Merchandising operations and billings by contractors in respect of a development property in progress.

vi. Amount due to non-controlling shareholders increased $0.46 million from $0.86 million as at end FY2009 to $1.32 million as at end FY2010. These amounts were mainly related to the funds/working capital contributed by non-controlling shareholders to the Group for financing of development property projects of the Group.

vii. Provision for taxation has increased by $0.64 million to $0.66 million as at end FY2010 mainly attributed by the provision for taxation of $0.82 million in relation to accumulated profits generated from sale of a development property which become taxable upon obtaining TOP in 4Q2010 partially offset by tax paid during the year of $0.19 million.

**Interest-bearing Loans and Borrowings**

The aggregate interest-bearing loans and borrowings as at end FY2010 were $23.20 million compared to $22.49 million as at end FY2009, a reduction of $0.71 million mainly due to term loan of US$6.0 million extended to the Group during 4Q2010 to finance the Plantation operations. The increase was offset by net repayment of term loans for financing of several development properties held by the Group.

# Operations Review (cont'd)

**Net Assets**

The net assets of the Group were $51.45 million as at end FY2010 (FY2009: $55.51 million).

The gearing ratio of the Group was 0.45 times as at end FY2010 (FY2009: 0.41 times).

**Review of Cash Flow Statement**

**Net cash flows from operating activities**

Net cash flows from operating activities was $10.01 million for FY2010 compared to $2.16 million in the previous corresponding year 2009. The increase in net cash flows was mainly attributed by lower loss before taxation of $1.66 million in FY2010 compared to loss before taxation of $4.85 million in FY2009.

The working capital changes was comparatively more favourable then FY2009 mainly attributed by reduction in financing of development properties by $13.26 million, partially offset by increase in trade and other receivables of $3.44 million which is consequent of a development property which obtained TOP in 4Q2010.

Interest paid in FY2010 was $1.12 million (FY2009: $0.73 million) and income tax paid was $0.19 million in FY2010 (FY2009: $14k).

**Net cash used in investing activities**

Net cash of $8.12 million was used in the current year 2010, of which $8.61 million were mainly used in the acquisition of property, plant and equipment in Cambodia and $0.20 million were used to invest in quoted equity instruments. Proceeds from sale of quoted equity instruments, proceeds from sale of plant and equipment, and dividend received during the period aggregated to approximately $0.69 million.

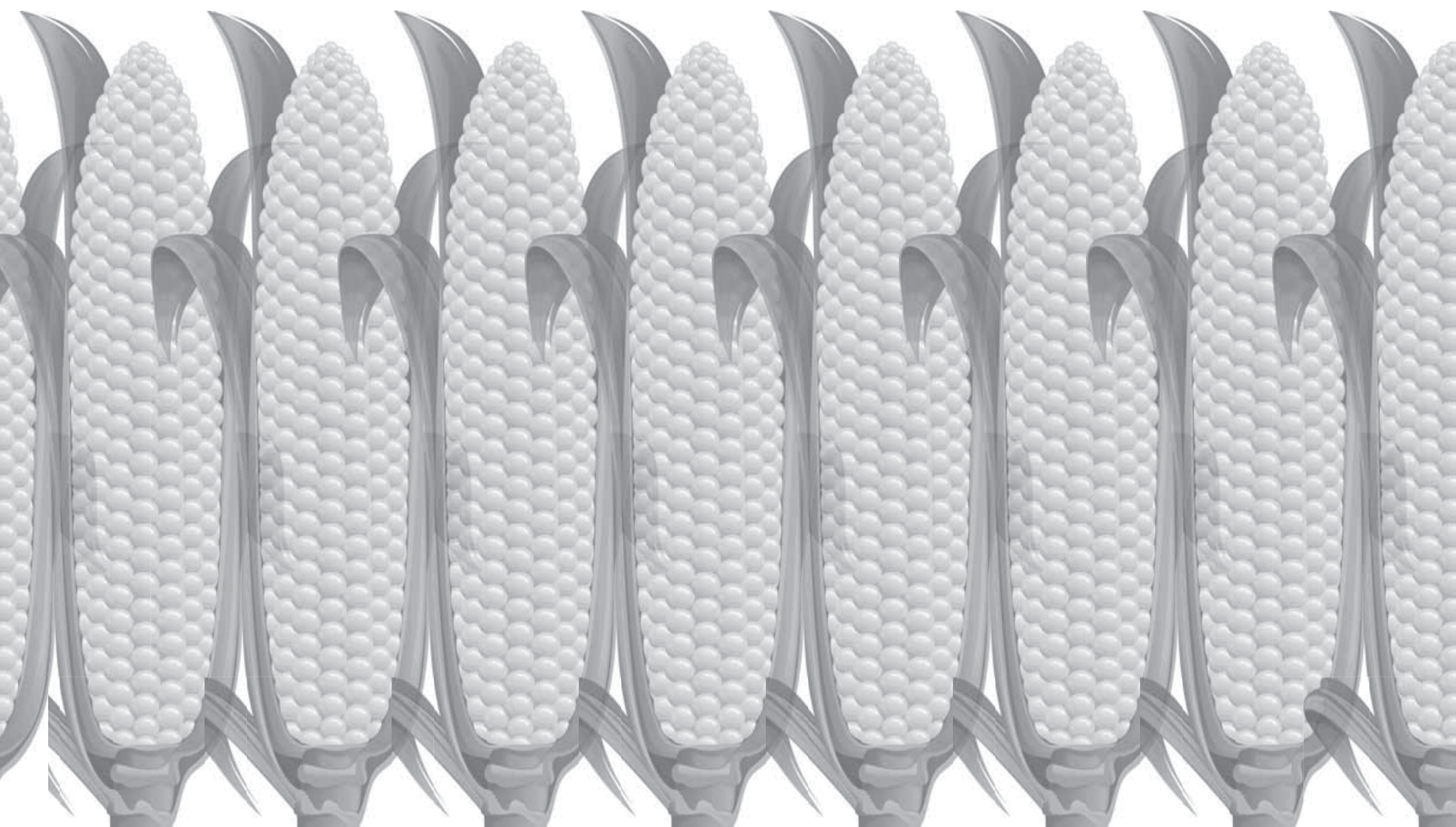
**Net cash generated from financing activities**

Net cash of $0.91 million was generated from financing activities during FY2010 mainly attributed by draw down of term loan amounting to US$6.0 million extended to the Group during 4Q2010 to finance the Plantation operations and proceeds of $0.20 million from issuance of shares to a non-controlling shareholder. The increase was offset by net repayment of term loans for financing of several development properties held by the Group and payment of $0.23 million in respect of transaction costs related to the term loan of US$6.0 million.

Overall, cash and cash equivalent of the Group excluding fixed and margin deposits pledged, stood at $22.04 million as at end FY2010.

# Report on Corporate Governance, Financial Statements and Other Information





# Report on Corporate Governance

The Board believes that good and well-defined corporate governance establishes and improves internal control, risk management and governance in our organisation and focuses on shareholder value and its creation. In a broader aspect, the Code 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 six Directors – two 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. Each Committee has its own specific Terms of Reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

The Board comprises 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 to:

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 carries out the following activities regularly:-

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

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

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

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

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

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

g. approving the nominations to the Board of Directors by Nomination Committee.

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

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

The number of Directors' and other committees' meetings and the record of attendance of each Director during the financial year ended 31 December 2010 were as follows:

| **Name** | **Board** | | **Audit Committee** | | **Nominating Committee** | | **Remuneration Committee** | |
|---|---|---|---|---|---|---|---|---|
| | **No. of meetings held** | **No. of meetings** | **No. of meetings held** | **No. of meetings** | **No. of meetings held** | **No. of meetings** | **No. of meetings held** | **No. of meetings** |
| Dr. Wang Kai Yuen | 4 | 4 | 4 | 4 | 2 | 2 | 2 | 2 |
| Dr. Wong Wen-Young Winston | 4 | 0 | NA | NA | NA | NA | NA | NA |
| Dato' Dr. Ong Bee Huat | 4 | 4 | NA | NA | NA | NA | NA | NA |
| Ms. Gan Wui Koh | 4 | 3 | NA | NA | NA | NA | NA | NA |
| Dr. Chen Seow Phun John | 4 | 4 | 4 | 4 | 2 | 2 | 2 | 2 |
| Mr. Luar Eng Hwa * | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Mr. Yeo Guat Kwang ** | 1 | 1 | 1 | 1 | NA | NA | NA | NA |

* Mr. Luar Eng Hwa has retired from the Board on 26 April 2010.
** Mr. Yeo Guat Kwang has been appointed on 6 September 2010.

# Report on Corporate Governance

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

Currently, the Board comprises three Independent Non-executive Directors. They are Dr. Wang Kai Yuen who is the Chairman of the Board, Dr. Chen Seow Phun John and Mr. Yeo Guat Kwang. The Independent Directors are not associated in any way with any of the substantial shareholders of the Company.

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

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

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

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

The Chairman is responsible for, among other statutory duties:

a. directing meetings of the Board;

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

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

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

e. assisting 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 and one Executive Director of the Company, Dr. Chen Seow Phun John as the Chairman, and Dr. Wang Kai Yuen, Mr. Yeo Guat Kwang and Dato' Dr. Ong Bee Huat as members.

The responsibilities of the Nominating Committee are to:

a. 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. determine annually the independence of the Directors;

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

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

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

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

# Report on Corporate Governance

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

Pursuant to the Articles of Association of the Company:-

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

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

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

Management reports containing accurate, timely and complete information are provided to all Board members before each Board meeting or as and when required. Such explanatory information may also be in the form of briefings to the Directors or formal presentations made by the Executive Directors or senior management staff in attendance at Board 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 developing policy on executive remuneration and for fixing the remuneration packages of individual Director. No Director should be involved in deciding his own remuneration."***

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

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

The Remuneration Committee ("RC") comprises three Independent Non-executive Directors and one Executive Director of the Company, Dr. Wang Kai Yuen as the Chairman, and Dr. Chen Seow Phun John, Mr. Yeo Guat Kwang and Dato' Dr. Ong Bee Huat as members.

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

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

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

| Name of Directors | Remuneration Bands | Salary | Bonus | Directors' Fee | Other Benefits | Total |
|---|---|---|---|---|---|---|
| | | % | % | % | % | % |
| Dr. Wang Kai Yuen | $0 to $249,999 | – | – | 100 | – | 100 |
| Dato' Dr. Ong Bee Huat (Note) | $250,000 to $499,999 | 88.4 | 8.6 | – | 3.0 | 100 |
| Dr. Wong Wen-Young Winston | $0 to $249,999 | – | – | 100 | – | 100 |
| Ms. Gan Wui Koh | $0 to $249,999 | 82.6 | 12.9 | – | 4.5 | 100 |
| Dr. Chen Seow Phun John | $0 to $249,999 | – | – | 100 | – | 100 |
| Mr. Yeo Guat Kwang | $0 to $249,999 | – | – | 100 | – | 100 |
| Mr. Luar Eng Hwa | $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 is paid a basic fee. The Chairman of each Board committee is also paid a higher fee compared with members of the committee in view of greater responsibility carried by that office. Executive Directors are not paid Directors' fees. The amount of Directors' fees payable to Non-executive Directors is subject to shareholders' approval at the Company's annual general meetings.

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

Note:
Over and above the salary, bonus and other benefits, Dato' Dr. Ong Bee Huat, the executive Deputy Chairman and Chief Executive Officer of the Company is entitled to the benefit of the use of a motor vehicle during his three (3) years service contract signed with the Company whereby the motor vehicle shall beneficially belong to him upon the completion of the service contract. The service contract has been extended for an additional one (1) year. In addition, the service contract of Dato' Dr Ong Bee Huat also includes a profit share element which is related to the performance of the Group.

# Report on Corporate Governance

***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 questions at the Annual General Meeting. External auditors are also present at such meetings to assist the Directors to address shareholders' queries, if necessary.

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

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

The Board welcomes the views of shareholders of matters arising in 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."***

# Report on Corporate Governance

The Audit Committee ("AC") comprises three Independent Non-executive Directors of the Company, Dr. Wang Kai Yuen as the Chairman, Dr. Chen Seow Phun John and Mr. Yeo Guat Kwang who have invaluable professional expertise and managerial experience as members.

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

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

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

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

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

e. reviews with the external auditors on any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company or the Group's results or financial position;

f. reviews the quarterly, half and full-year financial results announcements 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 audit function; and

m. makes 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.

## Report on Corporate Governance

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 mitigate but not eliminate the risks of 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.

**Dealing in Securities**

Directors and relevant officers have been informed to abstain from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. Specifically, all Directors and relevant officers is prohibited from any dealing in the Company's shares during the periods commencing one month prior to the announcement of the Group's quarterly, half-year 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 were 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.

Saved as disclosed below, there are no interested person transactions between the Company or its subsidiaries and any of its interested persons during the financial year under review.

| **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 conducted under shareholders' mandate pursuant to Rule 920)** | | **Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)** | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **S$'000** | **S$'000** | **S$'000** | **S$'000** |
| | | | | |
| **Chew Tian Transport Services** | | | | |
| Provision of shuttle bus service at D'Kranji Farm Resort | 129 | 39 | – | – |
| | | | | |
| **DE' BEER GARDEN** | | | | |
| Management fee income in respect of beer garden and restaurant operations at D'Kranji Farm Resort | 103 | 36 | – | – |

# 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 (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2010.

**Directors**

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

| | |
|---|---|
| Dr. Ong Bee Huat | (Executive director) |
| Gan Wui Koh | (Executive director) |
| Dr. Wang Kai Yuen | (Independent director) |
| Dr. Chen Seow Phun, John | (Independent director) |
| Dr. Wong Wen-Young Winston | (Non-Executive director) |
| Yeo Guat Kwang | (Independent director - appointed on 6 September 2010) |

In accordance with Articles 88 and 89 of the Company's Articles of Association, Dr. Chen Seow Phun, John, Dr. Ong Bee Huat and Mr. Yeo Guat Kwang 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 objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

**Directors' interests in shares and 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 and debentures of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

| | **Direct interest** | | **Deemed interest** | |
|---|---|---|---|---|
| | **1 January 2010** | **31 December 2010** | **1 January 2010** | **31 December 2010** |
| **HLH Group Ltd** | | | | |
| **Ordinary shares** | | | | |
| Dr. Wang Kai Yuen | 203,000 | 203,000 | – | – |
| Dr. Wong Wen-Young Winston | 133,333,000 | 133,333,000 | – | – |
| Dr. Ong Bee Huat | 221,614,000 | 265,255,500 | 87,283,000 | – |
| Gan Wui Koh | – | – | 87,283,000 | 43,641,500 |

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2011.

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' Report

**Directors' contractual benefits**

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 the director has a substantial financial interest.

**Share options**

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

**Audit Committee**

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

**Auditors**

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

On behalf of the Board of Directors:

Dr. Ong Bee Huat
Director

Gan Wui Koh
Director

Singapore
18 March 2011

# Statement by Directors

We, Dr. Ong Bee Huat and Gan Wui Koh, 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 statement of comprehensive income, 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 2010 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:

Dr. Ong Bee Huat
Director

Gan Wui Koh
Director

Singapore
18 March 2011

# Independent Auditors' Report

For the financial year ended 31 December 2010

# To the Members of HLH Group Limited

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of HLH Group Limited (the Company) and its subsidiaries (collectively, the Group) set out on pages 33 to 110, which comprise the balance sheets of the Group and the Company as at 31 December 2010, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

**Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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
For the financial year ended 31 December 2010

# To the Members of HLH Group Limited

**Opinion**

In our opinion, 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 2010 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.

**Report on other legal and regulatory requirements**

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants

Singapore
18 March 2011

# Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2010

| | Note | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|---|
| **Revenue** | 4 | 41,499 | 27,259 |
| Cost of sales | | (37,050) | (24,816) |
| Gross profit | | 4,449 | 2,443 |
| Other income | 5 | 327 | 712 |
| Distribution and selling expenses | | (646) | (1,550) |
| Administrative expenses | | (4,905) | (5,120) |
| Other expenses | 6 | (596) | (1,059) |
| Finance costs | 7 | (290) | (277) |
| **Loss before taxation** | 8 | (1,661) | (4,851) |
| Income tax expense | 9 | (633) | (227) |
| **Net loss for the year** | | (2,294) | (5,078) |
| **Other comprehensive income:** | | | |
| Foreign currency translation | | (1,888) | 22 |
| Exchange differences on monetary items forming part of net investment in a foreign operation | | (76) | – |
| **Other comprehensive income for the year, net of tax** | | (1,964) | 22 |
| **Total comprehensive income for the year** | | (4,258) | (5,056) |
| **Net loss attributable to:** | | | |
| Owners of the parent | | (2,989) | (5,416) |
| Non-controlling interests | | 695 | 338 |
| | | (2,294) | (5,078) |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | | (4,938) | (5,387) |
| Non-controlling interests | | 680 | 331 |
| | | (4,258) | (5,056) |
| **Loss per share (cents)** | | | |
| Basic | 10 | (0.11) | (0.21) |
| Diluted | | (0.11) | (0.21) |

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

# Balance Sheets

as at 31 December 2010

| | Note | Group 2010 $'000 | Group 2009 $'000 | Company 2010 $'000 | Company 2009 $'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | 30,423 | 26,894 | 91 | 197 |
| Investment properties | 12 | 1,204 | 503 | 276 | – |
| Investment in subsidiaries | 13 | – | – | 1,000 | 1,000 |
| Long-term deposit | 22 | – | 430 | – | – |
| | | 31,627 | 27,827 | 1,367 | 1,197 |
| **Current assets** | | | | | |
| Development properties | 14 | 17,347 | 29,777 | – | – |
| Inventories | 15 | 375 | 185 | – | – |
| Biological assets | 16 | 21 | – | – | – |
| Trade receivables | 18 | 5,007 | 1,577 | – | – |
| Other receivables, deposits and prepayments | 19 | 1,120 | 1,510 | 8 | 360 |
| Amounts due from subsidiaries | 20 | – | – | 61,208 | 55,509 |
| Amounts due from non-controlling shareholders | 17 | 535 | 4 | – | – |
| Investment securities | 21 | 2,814 | 3,239 | 2,572 | 2,808 |
| Cash and short-term deposits | 22 | 22,465 | 19,364 | 1,386 | 7,432 |
| | | 49,684 | 55,656 | 65,174 | 66,109 |
| **Total assets** | | 81,311 | 83,483 | 66,541 | 67,306 |
| **Equity and liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade payables | 23 | 1,103 | 697 | – | – |
| Deferred tax liability | 24 | – | 193 | – | – |
| Other payables and accruals | 25 | 3,577 | 3,715 | 502 | 448 |
| Amounts due to subsidiaries | 20 | – | – | 1,349 | – |
| Amount due to a non-controlling shareholder | 17 | 1,320 | 860 | – | – |
| Provision for taxation | | 661 | 20 | 2 | 20 |
| Loans and borrowings | 26 | 8,374 | 9,490 | 25 | 49 |
| | | 15,035 | 14,975 | 1,878 | 517 |
| **Net current assets** | | 34,649 | 40,681 | 63,296 | 65,592 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 26 | 14,827 | 13,001 | 31 | 56 |
| **Total liabilities** | | 29,862 | 27,976 | 1,909 | 573 |
| **Net assets** | | 51,449 | 55,507 | 64,632 | 66,733 |

# Balance Sheets (cont'd)

as at 31 December 2010

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2010** | **2009** | **2010** | **2009** |
| | | $'000 | $'000 | $'000 | $'000 |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 27 | 92,052 | 92,052 | 92,052 | 92,052 |
| Reserves | 28 | (42,293) | (37,422) | (27,420) | (25,319) |
| | | 49,759 | 54,630 | 64,632 | 66,733 |
| Non-controlling interests | | 1,690 | 877 | – | – |
| **Total equity** | | 51,449 | 55,507 | 64,632 | 66,733 |
| **Total equity and liabilities** | | 81,311 | 83,483 | 66,541 | 67,306 |

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 2010

| Group | Share Capital (Note 27) $'000 | Accumulated losses (Note 28) $'000 | Capital reserve (Note 28) $'000 | Currency translation reserve (Note 28) $'000 | Non-controlling interests $'000 | Equity total $'000 |
|---|---|---|---|---|---|---|
| **At 1 January 2009** | 85,148 | (32,643) | 414 | 194 | 546 | 53,659 |
| Net foreign exchange difference arising on consolidation of foreign subsidiaries | – | – | – | 29 | (7) | 22 |
| Net loss for the year | – | (5,416) | – | – | 338 | (5,078) |
| **Total comprehensive income for the year** | – | (5,416) | – | 29 | 331 | (5,056) |
| Contributions by and distributions to owners: | | | | | | |
| - Issuance of ordinary shares pursuant to rights issue (Note 27) | 7,069 | – | – | – | – | 7,069 |
| - Share issue expenses (Note 27) | (165) | – | – | – | – | (165) |
| **Total transactions with owners in their capacity as owners** | 6,904 | – | – | – | – | 6,904 |
| **Balance at 31 December 2009 and 1 January 2010** | 92,052 | (38,059) | 414 | 223 | 877 | 55,507 |
| Net foreign exchange difference arising on consolidation of foreign subsidiaries | – | – | – | (1,873) | (15) | (1,888) |
| Exchange differences on monetary items forming part of net investment in a foreign operation | – | – | – | (76) | – | (76) |
| Net loss for the year | – | (2,989) | – | – | 695 | (2,294) |
| **Total comprehensive income for the year** | – | (2,989) | – | (1,949) | 680 | (4,258) |
| Changes in ownership interests in subsidiaries that do not result in a loss of control: | | | | | | |
| Dilution of non-controlling interests in a subsidiary | – | – | 67 | – | (67) | – |
| Capital contribution by non-controlling interests in a subsidiary | – | – | – | – | 200 | 200 |
| **Total transactions with owners in their capacity as owners** | – | – | 67 | – | 133 | 200 |
| **Balance at 31 December 2010** | 92,052 | (41,048) | 481 | (1,726) | 1,690 | 51,449 |

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

# Statements of Changes in Equity (cont'd)

For the financial year ended 31 December 2010

| **Company** | **Share capital (Note 27)** $'000 | **Accumulated Losses (Note 28)** $'000 | **Capital reserve (Note 28)** $'000 | **Equity total** $'000 |
|---|---|---|---|---|
| **At 1 January 2009** | 85,148 | (25,077) | (459) | 59,612 |
| Net profit for the year | – | 217 | – | 217 |
| **Total comprehensive income for the year** | – | 217 | – | 217 |
| Contributions by and distributions to owners: | | | | |
| Issuance of ordinary shares pursuant to rights issue (Note 27) | 7,069 | – | – | 7,069 |
| Share issue expenses (Note 27) | (165) | – | – | (165) |
| **Total transactions with owners in their capacity as owners** | 6,904 | – | – | 6,904 |
| **At 31 December 2009 and 1 January 2010** | 92,052 | (24,860) | (459) | 66,733 |
| Net loss for the year | – | (2,101) | – | (2,101) |
| **Total comprehensive income for the year** | – | (2,101) | – | (2,101) |
| **At 31 December 2010** | 92,052 | (26,961) | (459) | 64,632 |

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

# Consolidated Cash Flow Statement

For the financial year ended 31 December 2010

| | Note | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | (1,661) | (4,851) |
| Adjustments for: | | | |
| Interest expense | | 290 | 277 |
| Bad debt recovered | | – | (8) |
| Bad debts written off | | 74 | – |
| Depreciation of property, plant and equipment | | 1,540 | 1,568 |
| Depreciation of investment properties | | 53 | – |
| (Gain) / Loss on disposal of plant and equipment | | (2) | 17 |
| Foreign exchange adjustments | | 395 | 1,053 |
| Gain on sale of held for trading investment securities | | (52) | (5) |
| Gain on sale of investment properties | | – | (41) |
| Fair value gain on held for trading investment securities | 5 | (175) | (419) |
| Impairment loss on land use rights | | 202 | – |
| Inventories written down | | 8 | 240 |
| Interest income | | (7) | (54) |
| Dividend income from held for trading investment securities | | (22) | (8) |
| **Operating profit / (loss) before working capital changes** | | 643 | (2,231) |
| Changes in working capital: | | | |
| Decrease in fixed deposits pledged | | – | 375 |
| Increase in trade and other receivables | | (3,436) | (83) |
| Decrease in development properties | | 13,258 | 3,510 |
| (Increase) / decrease in inventories and biological assets | | (234) | 165 |
| Increase in amount due from a non-controlling shareholder | | (531) | – |
| Increase in trade and other payables | | 1,147 | 1,195 |
| Increase in amount due to a non-controlling shareholder | | 460 | 200 |
| Decrease in amount due to a director | | – | (283) |
| **Cash flows from operations** | | 11,307 | 2,848 |
| Interest paid | | (1,115) | (733) |
| Income tax paid | | (185) | (14) |
| Interest received | | 7 | 54 |
| **Net cash flows from operating activities** | | 10,014 | 2,155 |

# Consolidated Cash Flow Statement (cont'd)

For the financial year ended 31 December 2010

| | Note | 2010 $'000 | 2009 $'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (8,607) | (11,494) |
| Proceeds from sale of plant and equipment | | 50 | 77 |
| Proceeds from sale of investment securities | | 619 | 5 |
| Purchase of investment securities | | (203) | – |
| Proceeds from sale of investment properties | | – | 1,734 |
| Dividend received from investment securities | | 22 | 8 |
| **Net cash used in investing activities** | | (8,119) | (9,670) |
| **Cash flows from financing activities** | | | |
| Proceeds from term loans | | 16,304 | – |
| Repayment of term loans | | (15,567) | (1,458) |
| Payment of transaction costs related to a term loan | | (229) | – |
| Proceeds from bill payable | | 254 | – |
| Repayment to hire purchase creditors (net) | | (56) | (8) |
| Proceeds from issuance of new shares | | – | 7,069 |
| Share issue expenses | | – | (165) |
| Proceeds from issue of shares to a non-controlling shareholder | | 200 | – |
| **Net cash flows from financing activities** | | 906 | 5,438 |
| **Net increase / (decrease) in cash and cash equivalents** | | 2,801 | (2,077) |
| Cash and cash equivalents at beginning of year | 22 | 19,364 | 21,474 |
| Effect of exchange rate changes on balances held in foreign currencies | | (130) | (33) |
| **Cash and cash equivalents at end of year** | 22 | 22,035 | 19,364 |

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

# Notes to the Financial Statements
31 December 2010

## 1. Corporate information

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

The Company's registered office and principal place of business is located at 82 Playfair Road #13-01 D' Lithium Singapore 368001.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 13 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 *Basis of preparation*

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

The financial statements have been prepared under the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

FRS 103 *Business Combinations (revised)* and FRS 27 *Consolidated and Separate Financial Statements (revised)*.

The revised FRS 103 Business Combinations and FRS 27 Consolidated and Separate Financial Statements are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

2.2 ***Changes in accounting policies (cont'd)***

FRS 103 *Business Combinations (revised)*

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;

- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;

- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and

- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

FRS 27 *Consolidated and Separate Financial Statements (revised)*

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;

- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

# Notes to the Financial Statements
31 December 2010

2.2 ***Changes in accounting policies (cont'd)***

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

2.3 ***Standards issued but not yet effective***

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| Amendment to FRS 32 *Financial Instruments: Presentation - Classification of Rights Issues* | 1 February 2010 |
| INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments* | 1 July 2010 |
| Revised FRS 24 *Related Party Disclosures* | 1 January 2011 |
| Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement* | 1 January 2011 |
| INT FRS 115 *Agreements for the Construction of Real Estate* | 1 January 2011 |
| Amendments to FRS 107 *Disclosures – Transfers of Financial Assets* | 1 July 2011 |
| Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets* | 1 January 2012 |

Except for the revised FRS 24 and INT FRS 115, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 and INT FRS 115 is described below.

Revised FRS 24 *Related Party Disclosures*

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

2.3 ***Standards issued but not yet effective (cont'd)***

INT FRS 115 *Agreements for the Construction of Real Estate*

INT FRS 115 *Agreements for the Construction of Real Estate*, which is effective for annual periods beginning on or after 1 January 2011 and is to be applied retrospectively.

INT FRS 115 clarifies when revenue and related expenses from a sale of real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of real estate is completed. INT FRS 115 determines that contracts which do not classify as construction contracts in accordance with FRS 11 can only be accounted for using the percentage of completion method if the entity continuously transfers to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses.

The Group's previous accounting policy for all residential property sales was to recognise revenue using the percentage of completion method as construction progresses. The Group is currently assessing the possible impact that application of INT FRS 115 will have on the Group's financial statements in the period of initial application.

2.4 ***Basis of consolidation***

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. 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.

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.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.4 ***Basis of consolidation (cont'd)***

Business combinations from 1 January 2010 (cont'd)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets. Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.5 ***Transactions with non-controlling interests***

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

2.6 ***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.

(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 end of the reporting period. 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 end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

# Notes to the Financial Statements

31 December 2010

2.6 ***Functional and foreign currency (cont'd)***

(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 the end of the reporting period; and

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

The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.21. 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 any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings at the end of the reporting period.

# Notes to the Financial Statements

31 December 2010

2.7 ***Property, plant and equipment (cont'd)***

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

| | | |
|---|---|---|
| Leasehold land | – | Over the lease period of between 20 to 70 years |
| Land use rights | – | Over the lease period of 50 years |
| Leasehold improvement | – | 10 - 30 years |
| Building and structure | – | 10 - 20 years |
| Computers | – | 5 years |
| Furniture and fittings and office equipment | – | 10 years |
| Machineries and equipments | – | 10 years |
| Motor vehicle | – | 3 - 10 years |
| Renovation | – | 2 - 10 years |

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

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

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

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 statement of comprehensive income in the year the asset is derecognised.

2.8 ***Investment properties***

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met and they are accounted for as finance leases.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

2.8 ***Investment properties (cont'd)***

Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight line method to allocate the depreciable amounts over the estimated useful lives of 10 to 20 years. The residual values, useful lives and depreciation method of investment properties are reviewed and adjusted as appropriate at the end of the reporting period.

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 statement of comprehensive income 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 policy for property, plant and equipment set out in Note 2.7 up to the date of change in use.

2.9 ***Impairment of non-financial assets***

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses are recognised in the profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 ***Subsidiaries***

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

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

2.11 ***Development properties***

Development properties are properties held or developed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation. Development properties are held as inventories and are 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 is the estimated selling price in the ordinary course of the business, based on market prices at the end of the reporting period and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

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).

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

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.

2.12 ***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 statement of comprehensive incomes for the period in which they arise.

2.13 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes all costs in bringing the inventories to their present location and condition.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.14 ***Financial assets***

*Initial recognition and measurement*

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. The Group determines the classification of its financial assets at initial recognition.

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

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

(a) *Loans and receivables*

Non-derivative 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, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(b) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

(b) *Financial assets at fair value through profit or loss (cont'd)*

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

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 profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

*Derecognition*

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 had been recognised directly in other comprehensive income is recognised in profit or loss.

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.

2.15 ***Impairment of financial assets***

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

2.15 ***Impairment of financial assets (cont'd)***

(a) *Financial assets carried at amortised cost (cont'd)*

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 flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

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

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

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

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at 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 flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.16 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand, bank balances, 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.

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

2.18 ***Government grants***

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

*Government grants related to income*

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income".

2.19 ***Financial liabilities***

*Initial recognition and measurement*

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. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, and in the case of other financial liabilities, plus directly attributable transaction costs.

2.19 ***Financial liabilities (cont'd)***

*Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

*Other financial liabilities*

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

2.20 ***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 as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss 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 profit or loss.

2.21 ***Borrowing costs***

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.22 ***Employee benefits***

(a) *Defined contribution plans*

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 as a liability when they accrue to employees. The estimated liability for leave as a result of services rendered by employees up to end of the reporting period.

2.23 ***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 at the end of the reporting period.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred income tax is provided, using the liability method on temporary differences at the end of the reporting period 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 liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss:

– In respect of taxable 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.

# Notes to the Financial Statements

31 December 2010

2.23 ***Taxes (cont'd)***

(b) *Deferred tax (cont'd)*

Deferred income tax assets are recognised for all deductible temporary differences, 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 except:

– where the deferred income tax asset relating to the deductible temporary difference 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 deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable 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 the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

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

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.

(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.

2.24 ***Commitment fee***

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

2.25 ***Leases***

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of comprehensive income. Contingent rents, if any, are charged 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 statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

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

2.26 ***Segment reporting***

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

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

2.28 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

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

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

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

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

(c) ***Resort management***

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

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

(d) ***Resort operations***

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

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

The Group recognises income on property development projects when the significant risks and rewards of ownership have been transferred to the buyer through either the transfer of legal title or an equitable interest in a property.

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

(f) ***Interest income***

Interest income is recognised using the effective interest method.

(g) ***Dividend income***

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

2.29 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

2.29 ***Contingencies (cont'd)***

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.30 ***Related parties***

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

 (i) controls, is controlled by, or is under common control with, the Group;

 (ii) has an interest in the Group that gives it significant influence over the Group; or

 (iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

## 3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### 3.1 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

(a) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables and net deferred tax liabilities at 31 December 2010 were $661,000 (2009: $20,000) and $nil (2009: $193,000) respectively. The carrying amount of the Company's tax payable at 31 December 2010 was $2,000 (2009: $20,000).

### 3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Useful life of plant and equipment*

The cost of plant and equipment is depreciated on a straight-line basis over the plant and equipments' useful lives. Management estimates the useful lives of these plant and equipment to be within 2 to 10 years. The carrying amount of the Group's plant and equipment at 31 December 2010 was $7,995,000 (2009: $5,613,000). 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.

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

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

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

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

(c) *Sale of development properties*

The Group recognises revenue on sale of development properties by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 14 to the financial statements.

(d) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 18 and 19 to the financial statements.

## 4. Revenue

Revenue comprises:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Sale of development properties | 28,628 | 13,155 |
| Sale of goods | 12,017 | 12,989 |
| Resort operations income | 506 | 637 |
| Resort management income | 202 | 292 |
| Rental income from investment properties | 146 | 186 |
| | 41,499 | 27,259 |

## 5. Other income

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Interest income from loans and receivables | 7 | 54 |
| Fair value gain on held for trading investment securities | 175 | 419 |
| Gain on sale of held for trading investment securities | 52 | 5 |
| Gain on sale of investment properties | – | 41 |
| Gain on disposal of plant and equipment | 2 | – |
| Government subsidies | 18 | 105 |
| Bad debts recovered | – | 8 |
| Dividend income from held for trading investment securities | 22 | 8 |
| Other rental income | 33 | – |
| Other sundry income | 18 | 72 |
| | 327 | 712 |

During the financial year ended 31 December 2009, the Singapore Finance Minister announced the introduction of a Jobs Credit Scheme (Scheme). Under this Scheme, the Group received a 12% cash grant on the first $2,500 of each month's wages for each eligible employee on their Central Provident Fund payroll. During the current financial year, the Group received grant income of $18,000 (2009: $105,000) under the scheme.

## 6. Other expenses

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| Net foreign exchange loss | 312 | 775 |
| Inventories written down | 8 | 240 |
| Impairment loss on land use rights | 202 | – |
| Loss on disposal of plant and equipment | – | 17 |
| Bad debts written off | 74 | – |
| Others | – | 27 |
| | 596 | 1,059 |

## 7. Finance costs

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| Interest expense on: | | |
| - hire purchase | 3 | 9 |
| - term loans | 287 | 268 |
| | 290 | 277 |

## 8. Loss before taxation

The following items have been included in arriving at loss before taxation:

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| Personnel expenses (Note 29) | 2,177 | 2,639 |
| Depreciation of property, plant and equipment (Note 11) | 1,540 | 1,568 |
| Depreciation of investment properties (Note 12) | 53 | – |
| Directors' fees | 106 | 120 |
| Rental of premises and office facilities | 55 | 45 |
| Legal and professional fees | 192 | 64 |
| Travelling expenses | 89 | 94 |
| Inventories recognised as an expense in cost of sales (Note 15) | 11,572 | 11,757 |

There was no non-audit fees paid to auditors of the Company during the financial year (2009: $nil).

# Notes to the Financial Statements

31 December 2010

## 9. Income tax expense

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2010 and 2009 are:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Statement of comprehensive income: | | |
| Current income tax | | |
| - current income taxation | 818 | 1 |
| - under provision in respect of prior years | 8 | 33 |
| | 826 | 34 |
| Deferred income tax | | |
| - origination and reversal of temporary differences | (193) | 193 |
| Income tax expenses recognised in statement of comprehensive income | 633 | 227 |

(b) The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2010 and 2009 are as follows:

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Loss before taxation | (1,661) | (4,851) |
| Tax at the domestic rates applicable to profits/(losses) in the countries where the Group operates | (32) | (586) |
| Income not subject to taxation | – | (61) |
| Non-deductible expenses | 136 | 109 |
| Utilisation of previously unrecognised tax losses | (39) | (67) |
| Change in unrecognised temporary differences | (40) | – |
| Deferred tax assets not recognised | 601 | 821 |
| Effect of partial tax exemption | (26) | (24) |
| Under provision in respect of prior years | 8 | 33 |
| Others | 25 | 2 |
| | 633 | 227 |

**9. Income tax expense (cont'd)**

(c) The corporate income tax rate applicable to Singapore Companies of the Group was reduced to 17% for the Year of Assessment 2010 onwards from 18% for the Year of Assessment 2009.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

(d) On 22 January 2009, a subsidiary entered into an agreement with an individual for the assignment of a preliminary lease over a parcel of land from the Royal Government of Cambodia for a total consideration of $4,907,000 [Note 11(e)]. Under current tax laws in Cambodia, service agreements entered into with individuals are subject to 15% withholding tax. The Group deemed an assignment of lease would, as a matter of the tax law in Cambodia, be characterised as an acquisition of intangible asset and as such not subject to withholding tax.

(e) Since the incorporation of its subsidiaries in Cambodia, the Group has extended financial support to these subsidiaries to assist these subsidiaries in the acquisition of assets and services. These transactions are interest free and have no fixed terms of repayment. Under current tax laws in Cambodia, deemed interest on loans from a non-resident person and resident person are subject to 14% and 15% withholding tax respectively.

The Group has deemed the financial support to these subsidiaries as quasi-equity which will be converted into the share capital of these subsidiaries progressively in subsequent years, and consequently such financial supports will not be subject to withholding tax in Cambodia.

During the current financial year, the Group has progressively converted an aggregate amount of USD 17,494,000 into share capital of these subsidiaries.

## 10. Loss per share (cents)

Basic loss per share is calculated by dividing loss for the year that is attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share is calculated by dividing loss for the year that is attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares, if any.

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

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Net loss attributable to owners of the parent | (2,989) | (5,416) |
| Weighted average number of ordinary shares for basic loss per share computation | 2,827,667,860 | 2,613,236,281 |
| Weighted average number of ordinary shares for diluted loss per share computation | 2,827,667,860 | 2,613,236,281 |

# Notes to the Financial Statements

31 December 2010

## 11. Property, plant and equipment

| Group | Freehold land $'000 | Leasehold land $'000 | Land use rights(f) $'000 | Leasehold improvement $'000 | Building and structure $'000 | Construction-in-progress $'000 | Computers $'000 | Furniture and fittings $'000 | Machineries and equipment $'000 | Motor vehicles $'000 | Office equipment $'000 | Renovation $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | | | |
| As at 1.1.2009 | 2,867 | 916 | 1,204 | – | 9,082 | 181 | 209 | 633 | 2,036 | 353 | 61 | 311 | 17,853 |
| Additions | – | 5,276 | – | 1,183 | – | 2,709 | 8 | 47 | 2,861 | 606 | 49 | 64 | 12,803 |
| Reclassification | – | – | – | – | 1,427 | (1,427) | – | – | – | – | – | – | – |
| Transfer to investment properties (b) | – | – | – | – | (544) | – | – | – | – | – | – | – | (544) |
| Disposal | – | – | – | – | – | – | – | (1) | (67) | (37) | (3) | – | (108) |
| Translation differences | (35) | (369) | (29) | (53) | (144) | (93) | – | (2) | (188) | (21) | – | (2) | (936) |
| As at 31.12.2009 and 1.1.2010 | 2,832 | 5,823 | 1,175 | 1,130 | 9,821 | 1,370 | 217 | 677 | 4,642 | 901 | 107 | 373 | 29,068 |
| Additions | – | – | – | 2,803 | 67 | 716 | 7 | 10 | 4,013 | 368 | 28 | 5 | 8,017 |
| Reclassification | – | – | – | – | 789 | (789) | – | – | – | – | – | – | – |
| Transfer to investment properties (b) | – | – | – | – | (516) | – | – | – | – | – | – | – | (516) |
| Disposal | – | – | – | – | (8) | – | (2) | – | (50) | (1) | – | – | (61) |
| Translation differences | (238) | (413) | (62) | (40) | (256) | (111) | (2) | (3) | (934) | (52) | (5) | (5) | (2,121) |
| As at 31.12.2010 | 2,594 | 5,410 | 1,113 | 3,893 | 9,897 | 1,186 | 220 | 684 | 7,671 | 1,216 | 130 | 373 | 34,387 |
| **Accumulated depreciation** | | | | | | | | | | | | | |
| As at 1.1.2009 | – | 17 | 24 | – | 196 | – | 36 | 41 | 148 | 45 | 5 | 26 | 538 |
| Charge for the year | – | 103 | 24 | – | 556 | – | 43 | 100 | 483 | 184 | 11 | 64 | 1,568 |
| Transfer from provision for directors' remuneration (a) | – | – | – | – | – | – | – | – | – | 150 | – | – | 150 |
| Transfer to investment properties (b) | – | – | – | – | (41) | – | – | – | – | – | – | – | (41) |
| Disposal | – | – | – | – | – | – | – | – | (8) | (5) | (1) | – | (14) |
| Translation differences | – | (3) | (1) | – | (5) | – | – | – | (17) | (1) | – | – | (27) |
| As at 31.12.2009 and 1.1.2010 | – | 117 | 47 | – | 706 | – | 79 | 141 | 606 | 373 | 15 | 90 | 2,174 |
| Charge for the year | – | 116 | 23 | 1 | 527 | – | 44 | 103 | 682 | 173 | 17 | 69 | 1,755 |
| Impairment loss (f) | – | – | 202 | – | – | – | – | – | – | – | – | – | 202 |
| Transfer to investment properties (b) | – | – | – | – | (38) | – | – | – | – | – | – | – | (38) |
| Disposal | – | – | – | – | – | – | (2) | – | (11) | – | – | – | (13) |
| Translation differences | – | (7) | (10) | – | (19) | – | (1) | – | (69) | (8) | (1) | (1) | (116) |
| As at 31.12.2010 | – | 226 | 262 | 1 | 1,176 | – | 120 | 244 | 1,208 | 538 | 31 | 158 | 3,964 |
| **Net book value** | | | | | | | | | | | | | |
| As at 31.12.2010 | 2,594 | 5,184 | 851 | 3,892 | 8,721 | 1,186 | 100 | 440 | 6,463 | 678 | 99 | 215 | 30,423 |
| As at 31.12.2009 | 2,832 | 5,706 | 1,128 | 1,130 | 9,115 | 1,370 | 138 | 536 | 4,036 | 528 | 92 | 283 | 26,894 |

# Notes to the Financial Statements

31 December 2010

## 11. Property, plant and equipment (cont'd)

| Company | Computers | Furniture and fittings | Motor vehicles | Office equipment | Renovation | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Cost** | | | | | | |
| As at 1.1.2009 | 30 | 8 | 151 | 4 | 10 | 203 |
| Additions | – | 3 | 323 | – | 7 | 333 |
| As at 31.12.2009 and 1.1.2010 | 30 | 11 | 474 | 4 | 17 | 536 |
| Additions | – | – | – | 1 | – | 1 |
| As at 31.12.2010 | 30 | 11 | 474 | 5 | 17 | 537 |
| **Accumulated depreciation** | | | | | | |
| As at 1.1.2009 | 12 | 2 | 25 | 1 | 1 | 41 |
| Charge for the year | 6 | 1 | 138 | – | 3 | 148 |
| Transfer from provision for directors' remuneration [(a)] | – | – | 150 | – | – | 150 |
| As at 31.12.2009 and 1.1.2010 | 18 | 3 | 313 | 1 | 4 | 339 |
| Charge for the year | 6 | 1 | 96 | 1 | 3 | 107 |
| As at 31.12.2010 | 24 | 4 | 409 | 2 | 7 | 446 |
| **Net book value** | | | | | | |
| As at 31.12.2010 | 6 | 7 | 65 | 3 | 10 | 91 |
| As at 31.12.2009 | 12 | 8 | 161 | 3 | 13 | 197 |

**11. Property, plant and equipment (cont'd)**

(a) In the financial year ended 31 December 2008, included in directors' remuneration of the Company was an amount of $150,000 accrued in respect of benefits-in-kind contractually due to a director. These benefits relate to a motor vehicle that will be transferred to the director conditionally upon the expiry of his 3-year service contract, which has been extended to expire in June 2011.

During the previous financial year ended 31 December 2009, the Company acquired a motor vehicle for the use by the Director and accordingly, the provision of $150,000 made for the benefit-in-kind in the financial year ended 31 December 2008 was transferred to accumulated depreciation as part of the depreciation charge for the said motor vehicle.

Depreciation expense of $65,000 (2009: $108,000) was further made during the year to be in line with the motor vehicle's remaining useful life which correspond with the director's 3-year service contract when the ownership of the motor vehicle will be transferred to the director.

(b) During the financial year, the Group had reclassified a property with net book value of $478,000 (2009: $503,000) (Note 12) to investment property. The property was a strata title unit that was previously used by the Group as its corporate office. The strata title unit was rented out to generate rental income during the current financial year.

(c) The Group and the Company had motor vehicles under finance leases (Note 31d) with net book values of $65,000 (2009: $182,000) and $65,000 (2009: $161,000) respectively. The leased assets are pledged as security for the related financial lease liabilities.

(d) The Group's property with a carrying amount of $1,363,000 (2009: $1,816,000) is mortgaged to secure the Group's bank loan – Term Loan A (Note 26).

(e) During the previous financial year, a subsidiary entered into an agreement with an individual for a total consideration of $4,907,000 (Note 9) for the assignment of a preliminary lease over a parcel of land with an area of 9,985 hectares owned by the Royal Government of Cambodia. This subsidiary has subsequently entered into a concession agreement with the Royal Government of Cambodia to obtain rights to use the same parcel of land in Cambodia for a period of 70 years. The carrying amount of this property is $4,384,000 (2009: $4,855,000) and is included in the Group's leasehold land.

## 11. Property, plant and equipment (cont'd)

(f) The Group's subsidiary has land use rights over a plot of state-owned land in People's Republic of China (PRC). The land use rights are transferable and have a remaining tenure of 47 years (2009: 48 years).

During the financial year, the subsidiary carried out a review of the recoverable amount of its land use rights as the subsidiary has ceased its operations during the year. An impairment loss of $202,000 (2009: $nil), representing the write-down of the land use rights to the recoverable amount was recognised in "Other expenses" (Note 6) line item of profit or loss for the financial year ended 31 December 2010. The recoverable amount of the land use rights was determined by reference to market based evidence.

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Amount to be amortised: | | |
| - Not later than one year | 18 | 24 |
| - Later than one year but not later than five years | 72 | 94 |
| - Later than five years | 761 | 1,010 |
| | 851 | 1,128 |

(g) Depreciation of $215,000 (2009: $nil) in respect of machineries used in clearing agricultural plantation land has been capitalised as part of leasehold improvement.

| | **2010** |
|---|---|
| | $'000 |
| Aggregate additions of property, plant and equipment | 8,017 |
| Less: Capitalisation of land clearing costs | (215) |
| Purchase of property, plant and equipment | 7,802 |
| Aggregate depreciation of property, plant and equipment | 1,755 |
| Less: Capitalisation of land clearing costs | (215) |
| Depreciation of property, plant and equipment | 1,540 |

## 12. Investment properties

| | Group 2010 $'000 | Group 2009 $'000 | Company 2010 $'000 | Company 2009 $'000 |
|---|---|---|---|---|
| **Balance sheet:** | | | | |
| **At cost** | | | | |
| At beginning of the year | 544 | – | – | – |
| Addition | 276 | – | 276 | – |
| Transfer from property, plant and equipment | 516 | 544 | – | – |
| At end of the year | 1,336 | 544 | 276 | – |
| **Accumulated depreciation** | | | | |
| At beginning of the year | 41 | – | – | – |
| Depreciation charge for the year | 53 | – | – | – |
| Transfer from property, plant and equipment | 38 | 41 | – | – |
| At end of the year | 132 | 41 | – | – |
| **Net book value** | 1,204 | 503 | 276 | – |
| **Statement of comprehensive income:** | | | | |
| Rental income from investment properties (Note 4) | 146 | 186 | – | – |
| Direct operating expenses (including repairs and maintenance) arising from: | | | | |
| - Rental generating properties | 27 | 24 | – | – |

The investment properties held by the Group as at 31 December 2010 are as follows:

| Description and location | Existing use | Tenure | Land Area | Carrying value | Fair value |
|---|---|---|---|---|---|
| 82, Playfair Road #11-01 D'Lithium Singapore 368001 | Offices | Freehold | 176 m$^2$ | $452,000 | $1,064,000 |
| 82, Playfair Road #12-01 D'Lithium Singapore 368001 | Offices | Freehold | 190 m$^2$ | $476,000 | $1,126,000 |
| Land at Kmougne Village, Kmougne Commune, Sean Sock District, Phnom Penh City, Cambodia, Plot no: 1157 (20% interest owned by the Group) | Vacant land | Freehold | 6,667 m$^2$ | $276,000 | $276,000 |

## 12. Investment properties (cont'd)

The fair value of the offices is determined by an independent professional valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. Valuations are made annually based on the comparison method that considers the sales of similar properties that have been transacted in the open market with adjustments made for difference in factors that affect the value.

The fair value of the freehold land in Cambodia is determined based on indicative market value of the land with reference made to recent transactions of similar parcels in the area.

The offices are mortgaged to secure bank loans – Term Loan A (Note 26).

## 13. Investment in subsidiaries

(a) Investment in subsidiaries comprises:

| | Company | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Unquoted equity shares, at cost | 23,969 | 23,969 |
| Less: Impairment losses | (22,969) | (22,969) |
| | 1,000 | 1,000 |

(b) The Company has the following subsidiaries as at 31 December 2010:

| **Name** | **Principal activities** | **Country of incorporation and place of business** | **Percentage of equity held** | | **Cost of investment** | |
|---|---|---|---|---|---|---|
| | | | **2010** | **2009** | **2010** | **2009** |
| | | | % | % | $'000 | $'000 |
| **Held by the Company** | | | | | | |
| Hong Lai Huat Construction Pte Ltd * | Dormant | Singapore | 100 | 100 | 21,981 | 21,981 |
| HLH Agri International Pte Ltd * | Investment holding | Singapore | 100 | 100 | 988 | 988 |
| HLH Development Pte Ltd * | Investment holding | Singapore | 100 | 100 | 1,000 | 1,000 |
| | | | | | 23,969 | 23,969 |

**13. Investment in subsidiaries (cont'd)**

| Name | Principal activities | Country of incorporation and place of business | Percentage of equity held 2010 % | 2009 % |
|---|---|---|---|---|
| **(A) Held by Hong Lai Huat Construction Pte Ltd** | | | | |
| Hong Lai Huat Realty Pte Ltd (i)@ | Dormant | Singapore | 100 | 100 |
| **(B) Held by HLH Agri International Pte Ltd** | | | | |
| Agri-Aqua Bio-Technologies (S) Pte Ltd (ii)@ | Agrotechnology consultancy services – Bio-tech, agriculture, aqua-marine industry | Singapore | 100 | 100 |
| HLH Agri R&D Pte Ltd * | Agricultural research and experimentation including trading | Singapore | 100 | 100 |
| Tieling HLH Agri Processing Co. Ltd (China) @ | Dormant | China | 85 | 85 |
| HLH Agri (Cambodia) Co. Ltd ** | Agriculture plantation, processing and distribution | Cambodia | 100 | 100 |
| HLHI (Cambodia) Co. Ltd ***@(iii) | Investment holding, property investment | Cambodia | 100 | 49 |
| HLHS (Cambodia) Co. Ltd ^@ | Dormant | Cambodia | 70 | 70 |

## 13. Investment in subsidiaries (cont'd)

| Name | Principal activities | Country of incorporation and place of business | Percentage of equity held 2010 % | 2009 % |
|---|---|---|---|---|
| **(C) <u>Held by HLH Development Pte Ltd</u>** | | | | |
| Lithium Development Pte Ltd * | Investment holding, property investment | Singapore | 100 | 100 |
| Fresco Development Pte Ltd * | Property development and real estate | Singapore | 70 | 70 |
| Castilia Development Pte Ltd * | Property development and real estate | Singapore | 80 | 100 |
| Almira Development Pte Ltd * | Property development and real estate | Singapore | 100 | 100 |
| D'Vesta (Cambodia) Co. Ltd (ii)#^@ | Property development and real estate | Cambodia | 49 | 49 |

(i) The subsidiary was struck off on 12 January 2011.

(ii) The subsidiary has applied to be struck off during the year.

(iii) Includes amount held in trust of the Group by a director for the economic benefit of the Group.

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

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

* Audited by Ernst & Young LLP, Singapore

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

*** Audited for consolidation purposes.

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

# Notes to the Financial Statements

31 December 2010

## 14. Development properties

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| Land acquisition costs | 22,001 | 33,022 |
| Development costs | 5,787 | 5,228 |
| Borrowing costs capitalised | 550 | 961 |
| Aggregate amount of development costs incurred to-date | 28,338 | 39,211 |
| Recognised profits less recognised losses to date | 503 | 2,551 |
| Progress billings to-date | (11,494) | (11,985) |
| | 17,347 | 29,777 |

The impact on the financial statements, had revenue on the Singapore projects been recognised using the completion of construction method, is as follows:

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| **Statement of comprehensive income:** | | |
| Increase / (decrease) in revenue recognised for the financial year | 1,239 | (13,154) |
| Increase / (decrease) in profit for the financial year | 2,048 | (2,551) |
| **Balance sheet:** | | |
| Decrease in opening accumulated losses | 2,551 | – |
| Increase in properties under development | | |
| At beginning of the financial year | 2,551 | – |
| At end of the financial year | 503 | 2,551 |

## 14. Development properties (cont'd)

The development properties held by the Group are:

| Description and Location | % Owned | Gross floor area * (square feet) | Site area (square feet) | Stage of completion as at date of annual report (expected year of completion) |
|---|---|---|---|---|
| D' Almira | | | | |
| A 5-storey residential apartments at 33, 35 and 37 Sommerville Road, Singapore | 100% | 27,800 | 19,316 | 67% (2011) |
| D' Castilia | | | | |
| A 5-storey residential apartments at 45 Joo Chiat Lane, Singapore | 80% | 26,300 | 16,575.50 | 2% (2012) |

* estimated

In 2010, the Group completed construction of its 5-storey residential development property at 54, 54A, 54B, 54C, 56, 56A, 56C and 58 at Joo Chiat Lane and the TOP was obtained.

As at 31 December 2010, the development properties are mortgaged to secure bank loans – Term Loan B, C, and E (Note 26).

During the financial year, the non-controlling shareholder of Castilia Development Pte Ltd has been appointed as the main contractor for the construction of D' Castilia. No transactions were made during the financial year and there was no outstanding balance at the year end.

## 15. Inventories

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| **Balance sheet:** | | |
| Processed corn | 2 | 73 |
| Raw materials | 329 | 61 |
| Consumables | 11 | 4 |
| Machineries and spare parts | 33 | 47 |
| Total inventories at cost | 375 | 185 |
| **Comprehensive income statement:** | | |
| Inventories recognised as an expense in cost of sales (Note 8) | 11,572 | 11,757 |
| Inventories written-down (Note 6) | 8 | 240 |

## 16. Biological assets

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| At 1 January | – | – |
| Addition | 21 | – |
| At 31 December | 21 | – |

The fair value of biological assets has been determined based on the actual selling prices approximating those at year end and less estimated point-of-sale costs.

## 17. Amounts due from / (to) non-controlling shareholders

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| Due from non-controlling shareholders | | |
| - trade | 531 | – |
| - non-trade | 4 | 4 |
| | 535 | 4 |
| Due to a non-controlling shareholder - non-trade | (1,320) | (860) |

Non-trade amounts due from / (to) non-controlling shareholders are unsecured, interest-free, repayable on demand and are to be settled in cash.

## 18. Trade receivables

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| Trade receivables | 5,007 | 1,577 |

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

Trade receivables in respect of the sale of the development properties held by the Group are non-interest bearing and the progressive collections are governed by the sales and purchase agreements between the developer and the buyers prescribed by the Housing Developers Rules. At the end of the reporting period, trade receivables relating to the completed development properties amounted to $4,174,000 (2009: $1,026,000).

At the end of the reporting period, trade receivables arising from export sales amounting to $581,000 (2009: $433,000) are arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based.

## 18. Trade receivables (cont'd)

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

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| Less than 30 days | 21 | 58 |
| 30 days to 60 days | 23 | 10 |
| 61 days to 90 days | 25 | 9 |
| Over 90 days | 11 | 41 |
| At end of year | 80 | 118 |

Trade receivables are denominated in the following currencies at the end of the reporting period:

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| SGD | 4,277 | 1,144 |
| USD | 730 | 433 |
| At end of year | 5,007 | 1,577 |

## 19. Other receivables, deposits and prepayments

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Other receivables | 42 | 64 | – | – |
| Deposits (Note ii) | 576 | 1,145 | 1 | 276 |
| Tax recoverable | 94 | 137 | – | 77 |
| Other receivables and deposits | 712 | 1,346 | 1 | 353 |
| Prepayments | 408 | 164 | 7 | 7 |
| | 1,120 | 1,510 | 8 | 360 |

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

The Group's other receivables and deposits that are impaired at the end of the reporting period are as follows:

| | | | | |
|---|---|---|---|---|
| Other receivables | 45 | 67 | – | – |
| Less: Allowance for impairment (Note i) | (3) | (3) | – | – |
| | 42 | 64 | – | – |
| Deposits | 1,175 | 1,815 | 1 | 276 |
| Less: Allowance for impairment (Note ii) | (599) | (670) | – | – |
| | 576 | 1,145 | 1 | 276 |

Other receivables and deposits were denominated in the following currencies at the end of the reporting period:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| SGD | 89 | 126 | 1 | 77 |
| USD | 600 | 1,191 | – | 276 |
| RMB | 23 | 29 | – | – |
| | 712 | 1,346 | 1 | 353 |

Note (i)

– Other receivable that is individually determined to be impaired at the end of the reporting period relates to a debtor that has defaulted on payments.

Note (ii)

– Included in the deposits of the Group is an amount of $982,000 (2009: $1,099,000) paid during the financial year 2007 for the purchase of fertilizer. The transaction was aborted in the same year.

  A partial repayment of $383,000 was made during the financial year 2008 to the Group by a third party (the Party) on behalf of the debtor. The Party has made a representation to the Group that he will forgo all his rights to seek recovery from the Group for the monies paid on behalf except to the extent that the Group is able to recover the full payment or any part thereof, and the same will be returned to the Party.

  As there is no right of set-off, the Group did not offset the deposit receivable against the amount paid on behalf by the Party. The Group has made a allowance for doubtful debt on the remaining balance of $599,000 (2009: $670,000).

## 20. Amounts due from / (to) subsidiaries

| | Company | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Due from subsidiaries | | |
| - trade | 6,464 | 4,666 |
| - non-trade | 57,441 | 51,651 |
| | 63,905 | 56,317 |
| Less: Allowance for doubtful debts | (2,697) | (808) |
| | 61,208 | 55,509 |

Allowance for doubtful debts during the year is as follows:

| | Company | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| At beginning of year | 808 | 808 |
| Allowance during the year | 1,889 | – |
| At end of year | 2,697 | 808 |
| Due to subsidiaries | | |
| - non-trade | (1,349) | – |

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

The balances are denominated in SGD.

## 21. Investment securities

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Held for trading investments | | | | |
| - equity instruments (quoted) | 2,814 | 3,239 | 2,572 | 2,808 |

## 22. Cash and deposits

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash at bank and in hand | 15,605 | 18,059 | 1,386 | 6,129 |
| Short-term fixed deposits with financial institutions | 6,860 | 1,305 | – | 1,303 |
| Long-term fixed deposits with financial institutions | – | 430 | – | – |
| | 22,465 | 19,794 | 1,386 | 7,432 |

For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

| | Group | |
|---|---|---|
| | 2010 | 2009 |
| | $'000 | $'000 |
| Cash and bank balances (as above) | 22,465 | 19,794 |
| Less: Fixed deposits pledged | (430) | (430) |
| Cash and cash equivalent per consolidated cash flow statement | 22,035 | 19,364 |

Cash at banks and fixed deposits earn interest on floating rates based on daily deposit rates ranging from 0.150% to 0.328% (2009: 0.055% to 0.425%) per annum. Fixed deposits are held for varying periods of between 1 week to 15 months.

Included in the Group's cash and bank balances are amounts of $6,769,000 (2009: $7,083,000) held under the Project Account Rules (1997 Ed), withdrawals from which are restricted to payments for development expenditure incurred on development properties held for sale.

Cash and deposits were denominated in the following currencies at the end of the reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| | $'000 | $'000 | $'000 | $'000 |
| SGD | 14,122 | 16,609 | 1,346 | 7,389 |
| USD | 8,341 | 3,166 | 40 | 43 |
| RMB | 2 | 19 | – | – |
| | 22,465 | 19,794 | 1,386 | 7,432 |

## 23. Trade payables

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| SGD | 546 | 409 | – | – |
| USD | 557 | 288 | – | – |
| | 1,103 | 697 | – | – |

## 24. Deferred taxation

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Deferred tax liabilities: | | | | |
| Recognition of profit on percentage of completion | – | 193 | – | – |

During the current financial year ended 31 December 2010, the Group reversed a provision for deferred tax of approximately $193,000 in relation to the profit generated from the sale of a development property which became taxable upon the completion of the development of the property, taken to be the date of TOP issued during the year.

The Group has tax losses of approximately $18,705,000 (2009: $10,126,000) that are available for offset against future taxable profits of the Group for which deferred tax assets amounting to approximately $2,612,000 (2009: $1,721,000) are not recognised due to uncertainty of the recoverability. The use of these tax losses is subject to the agreement of tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the companies operate.

## 25. Other payables and accruals

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Other payables | 1,115 | 1,830 | 61 | 46 |
| Deposits received | 193 | 272 | – | – |
| GST payables | 92 | 80 | 26 | – |
| Accrued operating expenses | 2,169 | 1,533 | 415 | 402 |
| | 3,569 | 3,715 | 502 | 448 |
| Deferred income | 8 | – | – | – |
| | 3,577 | 3,715 | 502 | 448 |

Included in other payables of the Group is an amount of S$504,000 (2009: S$1,309,000) relating to a subsidiary's purchase of a 70-year leased land concession in Cambodia [Note 11(e)].

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

Other payables and deposits received were denominated in the following currencies at the end of the reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| SGD | 2,352 | 1,887 | 502 | 448 |
| USD | 1,207 | 1,815 | – | – |
| RMB | 18 | 13 | – | – |
| | 3,577 | 3,715 | 502 | 448 |

## 26. Loans and borrowings

| | Year of maturity | Group 2010 $'000 | Group 2009 $'000 | Company 2010 $'000 | Company 2009 $'000 |
|---|---|---|---|---|---|
| **Current:** | | | | | |
| Bank term loan A (secured) | 2018 | 259 | 265 | – | – |
| Bank term loan B (secured) | 2010 | 1,800 | 8,800 | – | – |
| Bank term loan C (secured) | 2013 | 315 | – | – | – |
| Bank term loan D (secured) | 2015 | 386 | – | – | – |
| Bank term loan E (secured) | 2011 | 5,335 | – | – | – |
| Bank term loan F (secured) | 2024 | – | 373 | – | – |
| Bill payable | 2011 | 254 | – | – | – |
| Obligations under finance leases (Note 31 (d)) | 2011-2013 | 25 | 52 | 25 | 49 |
| | | 8,374 | 9,490 | 25 | 49 |
| **Non-current:** | | | | | |
| Bank term loan A (secured) | 2018 | 2,146 | 1,812 | – | – |
| Bank term loan C (secured) | 2013 | 5,615 | – | – | – |
| Bank term loan D (secured) | 2015 | 7,035 | – | – | – |
| Bank term loan E (secured) | 2011 | – | 6,000 | – | – |
| Bank term loan F (secured) | 2024 | – | 5,133 | – | – |
| Obligations under finance leases (Note 31 (d)) | 2011-2013 | 31 | 56 | 31 | 56 |
| | | 14,827 | 13,001 | 31 | 56 |
| Total term loans | | 23,201 | 22,491 | 56 | 105 |

**Term loan A**

Term loan A was taken to finance the Group's corporate offices at 82 Playfair Road #11-01, #13-01 and #14-01 that are classified under property, plant and equipment and #12-01 that are classified under investment properties held by the Group as at the end of the previous financial year ended 31 December 2009. During the current year, strata title unit #11-01 was rented out to generate rental income and accordingly was classified as investment properties held by the Group. The term loan was secured by way of a legal mortgage over the properties.

This loan is repayable over a 10-year period and bears interest at 3.5% and 4.125% per annum for the first and second year. Subsequently in the third year, it will bear interest at SIBOR + 0.375% and thereafter at SIBOR + 0.75% until maturity of the loan.

**26. Loans and borrowings (cont'd)**

**Term loan B**

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

The term loan is repayable in a lump sum within two years from the date of first disbursement of the loan or six months after the issuance of the TOP whichever is earlier. During the financial year ended 31 December 2010, the Group has obtained TOP for the development. The remaining loan balance as at 31 December 2010 has been fully repaid at the date of this annual report.

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

**Term loan C**

The term loan is secured by way of a legal mortgage over one of the development properties of the Group and a charge over fixed deposits placed with the banks. The term loan is repayable in a lump sum on 30 September 2013 or 6 months after the issuance of the TOP whichever is earlier.

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

**Term loan D**

Term loan D was taken to finance the Group's plantation operations in Cambodia. The term loan was secured by way of the followings:

- Charge and assignment over all bank accounts of plantation operations;
- Assignment of all receivables of plantation operations;
- Charge over all ordinary shares of a subsidiary;
- Legal mortgage over freehold land of a subsidiary;
- Charge over specified lists of vehicles, machineries and equipments of two subsidiaries; and
- Assignment of interests in insurance policies of two subsidiaries.

This loan is repayable over a 5-year period and bears interest at SIBOR + 5.5% per annum.

**26. Loans and borrowings (cont'd)**

**Term loan E**

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

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

The term loan bears interest at SIBOR + 2.5% for a tenor of 1, 3 or 6 months on a rollover basis.

**Term loan F**

The term loan is secured by way of a legal mortgage over one of the development properties of the Group and a charge over fixed deposits placed with the banks. The term loan is repayable over a 15-year period and bears interest at 2.5% per annum over the Bank's Cost of Funds or over the Bank's SWAP Offer Rate for the first and second year and thereafter at the bank's prime lending rate until maturity of the loan.

During the current financial year, the Group decided to commence the development of the property and agreed with the bank to replace Term Loan F with a revised facility under a revised Letter of Offer – Term Loan C over a 3-year tenor to refinance the property.

**Bill payable**

The bill payable has an average maturity period of 150 days.

**27. Share capital**

| | Group and Company | | | |
|---|---|---|---|---|
| | 2010 | | 2009 | |
| | No. of ordinary shares | $'000 | No. of ordinary shares | $'000 |
| **Issued and fully paid** | | | | |
| At 1 January | 2,827,667,860 | 92,052 | 2,120,750,895 | 85,148 |
| Issued pursuant to rights issue [(1)] | – | – | 706,916,965 | 7,069 |
| Share issue expenses | – | – | – | (165) |
| | 2,827,667,860 | 92,052 | 2,827,667,860 | 92,052 |

## 27. Share capital (cont'd)

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 restrictions. The ordinary shares have no par value.

(1) In the previous year, the Company had undertaken a renounceable non-underwritten rights issue of up to 706,916,965 new ordinary shares in the capital of the Company (The Rights Shares) at an issue price of $0.01 for each Rights Share on the basis of one (1) Rights Share for every three (3) existing ordinary shares. The Rights Shares have been issued on 5 November 2009 and listed for quotation on the Main Board of the SGX-ST on 6 November 2009.

Pursuant to the issuance of the Rights Shares, the enlarged share capital of the Company has increased to 2,827,667,860 shares, representing an increase of 33% over the total number of issued shares of the Company before the Rights Shares issuance.

## 28. Reserves

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Capital reserve (Note (i)) | 481 | 414 | (459) | (459) |
| Foreign currency translation (Note (ii)) | (1,726) | 223 | – | – |
| Accumulated losses | (41,048) | (38,059) | (26,961) | (24,860) |
| | (42,293) | (37,422) | (27,420) | (25,319) |

Note (i)

Capital reserve of the Group and the Company relates to adjustment on share capital issued in relation to the settlement of certain debts of the Group and the Company and net reserve on consolidation taken directly to shareholders' interests in accordance with the Group's accounting policy. The balance is not available for distribution as dividends in any form.

Note (ii)

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency and the translation of monetary items that form part of the Group's net investment in foreign operations.

## 29. Personnel expenses

| | Note | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|---|
| Salaries and bonuses | | 1,995 | 2,430 |
| Central Provident Fund contribution | | 159 | 201 |
| Other short term benefits | | 23 | 8 |
| | 8 | 2,177 | 2,639 |

Directors' remuneration included above is disclosed in Note 30(c).

## 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 are no other significant transactions.

(a) ***Transactions, arrangements and agreements involving directors and others***

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| Provision of shuttle bus service at D'Kranji Farm Resort | 129 | 39 |
| Management fee income in respect of beer garden and restaurant operations at D'Kranji Farm Resort | 103 | 36 |
| Staff costs | 148 | 128 |

A director of the Company was interested throughout the year in respect of an engagement of shuttle bus service provided at D'Kranji Farm Resort by a sole proprietorship owned by a brother of the director. The engagement was awarded based on better monthly charges quoted as compared to quotations obtained from at least two other sources.

A director of the Company was interested throughout the year in management fee income charged based on signed agreements between HLH Agri R & D Pte Ltd and a partnership owned by his close family members, whereby the partnership is the permitted operator of the beer garden and restaurant at D'Kranji Farm Resort and pays management fees based on specified percentage of the sales revenue from these operations.

## 30. Related party disclosures (cont'd)

Staff costs of $148,000 (2009: $128,000) of the Group were paid to individuals who are close family members of directors. These individuals are occupying managerial positions of the Company and HLH Agri (Cambodia) Co. Ltd.

During the financial year, the Group advanced a loan of USD1,274,000 to a director of the Company for the purchase of shares in a subsidiary. The loan is secured against these shares, which are held in trust of the Group by the director for the economic benefit of the Group. Accordingly, this loan advancement has been accounted for as additional capital contribution by the Group in the subsidiary during the financial year.

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

| | Company | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Management fees from subsidiaries | 1,680 | 1,615 |

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

| | Group | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Short term employee benefits | 872 | 806 |
| Central Provident Fund contributions | 41 | 39 |
| | 913 | 845 |
| Comprise amounts paid to: | | |
| Directors of the Company | 641 | 684 |
| Other key management personnel | 272 | 161 |
| | 913 | 845 |

**30. Related party disclosures (cont'd)**

(d) ***Directors' remuneration***

| Company | 2010 Executive directors | 2010 Non-executive directors | 2010 Total | 2009 Executive directors | 2009 Non-executive directors | 2009 Total |
|---|---|---|---|---|---|---|
| $500,000 and above | – | – | – | – | – | – |
| $250,000 to $499,999 | 1 | – | 1 | 1 | – | 1 |
| $0 to $249,999 | 1 | 4 | 5 | 1 | 4 | 5 |
| | 2 | 4 | 6 | 2 | 4 | 6 |

**31. Commitments**

(a) ***Capital commitment***

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statement are as follow:

| | Group 2010 $'000 | Group 2009 $'000 |
|---|---|---|
| In respect of the construction costs for properties at 33, 35 and 37 Sommerville Road | 4,537 | 9,265 |
| In respect of the construction costs for properties at 45 Joo Chiat Lane | 6,650 | – |
| In respect of the construction costs for properties at 54, 54A, 54B, 54C, 56, 56A, 56C and 58 Joo Chiat Lane | – | 5,865 |
| In respect of the acquisition costs of land in Cambodia (i) | – | 3,600 |
| | 11,187 | 18,730 |

(i) During the financial year ended 31 December 2008, the Group had entered into a Sale and Purchase agreement (S&P agreement) to acquire 1,791 hectares of freehold land (Project) located in Amlang Commune, Thprong District, Kampong Speu, Kingdom of Cambodia.

As at 31 December 2009, the Group was able to complete the acquisition of approximately 450 hectares of the freehold land. The S&P agreement to acquire the remaining 1,341 hectares of the freehold land had ceased during the current year through mutual agreement between both the seller and the Group.

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

(b) ***Operating lease commitments – as lessor***

The Group has entered into commercial property leases on its investment property. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Within one year | 78 | 99 | – | – |
| Later than one year but not later than five years | 27 | 32 | – | – |
| | 105 | 131 | – | – |

(c) ***Operating lease commitments – as lessee***

Minimum lease payments recognised as an expense in the statement of comprehensive income for the financial year ended 31 December 2010 amounted to $50,000 (2009: $44,000).

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Not later than one year | 50 | 50 | – | – |
| Later than one year but not later than five years | 105 | 125 | – | – |
| | 155 | 175 | – | – |

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

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

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

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

The Group has finance leases for motor vehicles (Note 11). The leases have remaining term of between 2 to 5 years. The lease agreements do not have terms of renewal and purchase options.

The effective interest rate for the finance leases is 4.90% (2009: 4.44% to 8.93%) 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:

| | **2010** | | **2009** | |
|---|---|---|---|---|
| | **Minimum lease payments** $'000 | **Present value of payments** $'000 | **Minimum lease payments** $'000 | **Present value of payments** $'000 |
| **Group** | | | | |
| Not later than one year | 27 | 25 | 55 | 52 |
| One to five years | 32 | 31 | 59 | 56 |
| Total minimum lease payments | 59 | 56 | 114 | 108 |
| Less: Amounts representing finance charges | (3) | – | (6) | – |
| Present value of minimum lease payment | 56 | 56 | 108 | 108 |
| **Company** | | | | |
| Not later than one year | 27 | 25 | 53 | 49 |
| One to five years | 32 | 31 | 58 | 56 |
| Total minimum lease payments | 59 | 56 | 111 | 105 |
| Less: Amounts representing finance charges | (3) | – | (6) | – |
| Present value of minimum lease payment | 56 | 56 | 105 | 105 |

## 32. Contingencies

***Contingent liabilities***

Corporate guarantees

The Group has provided corporate guarantees of $40,980,000 (2009: $32,372,000) to financial institutions for maximum amounts of credit and trade facilities granted to subsidiaries.

Withholding taxes

On 22 January 2009, a subsidiary entered into an agreement with an individual for the assignment of a preliminary lease over a parcel of land from the Royal Government of Cambodia for a total consideration of $4,907,000 [Note 11(e)]. Under current tax laws in Cambodia, service agreements entered into with individuals are subject to 15% withholding tax. The Group deemed an assignment of lease would, as a matter of the tax law in Cambodia, be characterised as an acquisition of intangible asset and as such not subject to withholding tax.

## 33. Fair value of financial instruments

### A. Fair value of financial instruments that are carried at fair value

All financial instruments carried at fair value by the Group and the Company is carried at "quoted prices in active markets for identical instruments" (Level 1) fair value hierarchy.

| | Group | | Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial assets:** | | | | |
| Held for trading investments (Note 21) | | | | |
| - Equity instruments (quoted) | 2,814 | 3,239 | 2,572 | 2,808 |

## 33. Fair value of financial instruments (cont'd)

### A. Fair value of financial instruments that are carried at fair value (cont'd)

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

– Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

– Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and

– Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Determination of fair values

Quoted equity instruments (Note 21): Fair values is determined directly by reference to their published market bid price at the end of the reporting period.

### B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of financial assets and liabilities except for quoted equity instruments (Note 21) are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

## 34. Financial risk management objectives and policies

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

The following sections provide details regarding the Group's and Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

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

(a) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group and the Company's exposure to interest rate risk arise primarily from their loans and borrowings and interest bearing deposits placed with various financial institutions. The Group and the Company's policy are to obtain the most favourable interest rates available.

*Sensitivity analysis for interest rate risk*

At the end of the reporting period, if SGD interest rates had been 100 basis points lower / higher with all other variables held constant, the Group's profit net of tax would have been approximately $226,000 (2009: $224,000) higher / lower, arising mainly as a result of higher / lower interest expense on floating rate loans and borrowings taken to the statement of comprehensive income.

(b) ***Credit risk***

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

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

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

*Exposure to credit risk*

As at end of the reporting period, 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; and

(ii) a nominal amount of $40,980,000 (2009: $32,372,000) relating to corporate guarantees provided by the Company for bank facilities, open letter of credit and performance guarantees granted to subsidiary companies of the Group, of which, approximately $31,390,000 (2009: $26,782,000) has been utilised as at the end of the reporting period.

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

### (b) *Credit risk (cont'd)*

*Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the industry and country sector profile of the Group's trade receivables as at the end of the reporting period is as follows:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | $'000 | % | $'000 | % |
| **By industry sectors:** | | | | |
| Property development and real estate | 4,174 | 83.4 | 1,025 | 65.0 |
| Agriculture | 833 | 16.6 | 552 | 35.0 |
| | 5,007 | 100.0 | 1,577 | 100.0 |
| **By country:** | | | | |
| Singapore | 4,283 | 85.5 | 1,158 | 73.4 |
| Taiwan | 469 | 9.4 | 414 | 26.3 |
| Cambodia | 254 | 5.1 | 1 | 0.1 |
| Others | 1 | – | 4 | 0.2 |
| | 5,007 | 100.0 | 1,577 | 100.0 |

Financial assets that are neither past due or impaired

As at the end of the reporting period, approximately 83% (2009: 65%) of the Group's trade receivables comprised of balance proceeds receivable for the sale of a development property which are collectible upon the issuance of the Certificate of Statutory Completion. As at the date of this report, 8% of the balance proceeds have been received.

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 (Trade receivables), Note 19 (Other receivables and deposits), and Notes 17 and 20 (Amounts due from / (to) subsidiaries / non-controlling shareholders).

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

### (c) *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. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

| | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | One year or less $'000 | One to five years $'000 | More than five years $'000 | Total $'000 | One year or less $'000 | One to five years $'000 | More than five years $'000 | Total $'000 |
| **Group** | | | | | | | | |
| **Financial assets:** | | | | | | | | |
| Trade receivables | 5,007 | – | – | 5,007 | 1,577 | – | – | 1,577 |
| Other receivables and deposits (Note 19) | 712 | – | – | 712 | 1,346 | – | – | 1,346 |
| Amounts due from non-controlling shareholders | 535 | – | – | 535 | 4 | – | – | 4 |
| Investments securities | 2,814 | – | – | 2,814 | 3,239 | – | – | 3,239 |
| Cash and short-term deposits | 22,465 | – | – | 22,465 | 19,364 | 430 | – | 19,794 |
| Total undiscounted financial assets | 31,533 | – | – | 31,533 | 25,530 | 430 | – | 25,960 |
| **Financial liabilities:** | | | | | | | | |
| Trade payables | 1,103 | – | – | 1,103 | 697 | – | – | 697 |
| Other payables and accruals (Note 25) | 3,569 | – | – | 3,569 | 3,715 | – | – | 3,715 |
| Amount due to a non-controlling shareholder | 1,320 | – | – | 1,320 | 860 | – | – | 860 |
| Loans and borrowings | 8,493 | 13,559 | 1,678 | 23,730 | 9,577 | 9,666 | 4,311 | 23,554 |
| Total undiscounted financial liabilities | 14,485 | 13,559 | 1,678 | 29,722 | 14,849 | 9,666 | 4,311 | 28,826 |
| Total net undiscounted financial assets / (liabilities) | 17,048 | (13,559) | (1,678) | 1,811 | 10,681 | (9,236) | (4,311) | (2,866) |

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

### (c) *Liquidity risk (cont'd)*

| | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | **One year or less** | **One to five years** | **More than five years** | **Total** | **One year or less** | **One to five years** | **More than five years** | **Total** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Company** | | | | | | | | |
| **Financial assets:** | | | | | | | | |
| Other receivables and deposits (Note 19) | 1 | – | – | 1 | 353 | – | – | 353 |
| Amount due from subsidiaries | 61,208 | – | – | 61,208 | 55,509 | – | – | 55,509 |
| Investment securities | 2,572 | – | – | 2,572 | 2,808 | – | – | 2,808 |
| Cash and deposits | 1,386 | – | – | 1,386 | 7,432 | – | – | 7,432 |
| Total undiscounted financial assets | 65,167 | – | – | 65,167 | 66,102 | – | – | 66,102 |
| **Financial liabilities:** | | | | | | | | |
| Other payables and accruals (Note 25) | 502 | – | – | 502 | 448 | – | – | 448 |
| Amount due to subsidiaries | 1,349 | – | – | 1,349 | – | – | – | – |
| Loans and borrowings | 26 | 33 | – | 59 | 53 | 59 | – | 112 |
| Total undiscounted financial liabilities | 1,877 | 33 | – | 1,910 | 501 | 59 | – | 560 |
| Total net undiscounted financial assets / (liabilities) | 63,290 | (33) | – | 63,257 | 65,601 | (59) | – | 65,542 |

### (d) *Foreign currency risk*

The Group's transactional currency exposures mainly comes from its involvement in the merchandising of agriculture products and currency translation risk arising from its net investments in foreign operations and the foreign currencies of the countries in which the Group operates. The foreign currency risk is largely attached to the exposure of its net financial assets denominated in USD.

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

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

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

As the operating activities of the Group are expected to increase subsequently, the Group foresees that the foreign exchange risk may become significant. In order to minimise the foreign exchange risk, the Group has implemented policies and guidelines to facilitate the management of the foreign exchange risk. Whenever practicable, the Group will endeavour to match the currency of sales and purchases to minimise the net exposure and also to minimise excess foreign currency held by utilising bank facilities to bridge the short-term foreign currency needs due to the short-term gap between receivables and payables. The choice of invoicing currency will be made such that the Group's total currency exposure is minimised. The Group may use other common market instruments for hedging, such as forward exchange contracts, currency options contracts and money market where practicable, subject to the management's approval.

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

*Sensitivity analysis for foreign currency risk*

The following table demonstrates the sensitivity to a 5% change in the USD and RMB exchange rates against SGD with all other variables remain constant.

| | **Group Profit after tax** | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| USD (strengthen 5%) | 141 | 274 |
| USD (weaken 5%) | (141) | (274) |
| RMB (strengthen 5%) | (2) | 2 |
| RMB (weaken 5%) | 2 | (2) |

(e) ***Market price risk***

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

The Group has minimal exposure to equity price risk arising from its investment in quoted equity instruments. The Group's policy is to minimise the equity price risk by restricting the Group's speculative investment portfolio.

The Group's exposure to the commodity price risks is minimal as most of the transactions were back-to-back trades that were linked to the international commodities / futures prices.

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

### (e) *Market price risk (cont'd)*

*Sensitivity analysis for market price risk*

The sensitivity analysis for the market price risk of its investment in quoted equity instruments is co-related to the movements of the relevant Trading Index of the securities exchange. At the end of the reporting period, if the Index had been 5% (2009: 5%) higher / lower, the Group would have an increase / decrease in the other operating income of approximately $141,000 (2009: $162,000) including foreign exchange.

## 35. Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is loans and borrowings divided by total capital which include equity attributable to the owners of the parent and non-controlling interests. The Group targets to keep the gearing ratio within 50% and 60%.

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

| | **Group** | |
|---|---|---|
| | **2010** | **2009** |
| | $'000 | $'000 |
| Loans and borrowings (Note 26) | 23,201 | 22,491 |
| Equity attributable to the owners of the parent | 49,759 | 54,630 |
| Non-controlling interests | 1,690 | 877 |
| Total capital | 51,449 | 55,507 |
| **Gearing ratio** | 45% | 41% |

# Notes to the Financial Statements
31 December 2010

## 36. Financial instruments

***Classification of financial instruments***

| | Note | Loans and receivables | Held for trading | Financial liabilities at amortised cost | Total |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| **2010** | | | | | |
| **Group** | | | | | |
| **Assets** | | | | | |
| Trade receivables | | 5,007 | – | – | 5,007 |
| Other receivables and deposits | 19 | 712 | – | – | 712 |
| Amounts due from non-controlling shareholders | | 535 | – | – | 535 |
| Investment securities | | – | 2,814 | – | 2,814 |
| Cash and deposits | | 22,465 | – | – | 22,465 |
| Total financial assets | | 28,719 | 2,814 | – | 31,533 |
| Total non-financial assets | | | | | 49,778 |
| Total assets | | | | | 81,311 |
| **Liabilities** | | | | | |
| Trade payables | | – | – | 1,103 | 1,103 |
| Other payables and accruals | 25 | – | – | 3,569 | 3,569 |
| Amount due to a non-controlling shareholder | | – | – | 1,320 | 1,320 |
| Loans and borrowings | | – | – | 23,201 | 23,201 |
| Total financial liabilities | | – | – | 29,193 | 29,193 |
| Total non-financial liabilities | | | | | 669 |
| Total liabilities | | | | | 29,862 |

## 36. Financial instruments (cont'd)

***Classification of financial instruments (cont'd)***

| | Note | Loans and receivables $'000 | Held for trading $'000 | Financial liabilities at amortised cost $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2009** | | | | | |
| **Group** | | | | | |
| **Assets** | | | | | |
| Trade receivables | | 1,577 | – | – | 1,577 |
| Other receivables and deposits | 19 | 1,346 | – | – | 1,346 |
| Amount due from a non-controlling shareholder | | 4 | – | – | 4 |
| Investment securities | | – | 3,239 | – | 3,239 |
| Cash and short-term deposits | | 19,794 | – | – | 19,794 |
| Total financial assets | | 22,721 | 3,239 | – | 25,960 |
| Total non-financial assets | | | | | 57,523 |
| Total assets | | | | | 83,483 |
| **Liabilities** | | | | | |
| Trade payables | | – | – | 697 | 697 |
| Other payables and accruals | 25 | – | – | 3,715 | 3,715 |
| Amount due to a non-controlling shareholder | | – | – | 860 | 860 |
| Loans and borrowings | | – | – | 22,491 | 22,491 |
| Total financial liabilities | | – | – | 27,763 | 27,763 |
| Total non-financial liabilities | | | | | 213 |
| Total liabilities | | | | | 27,976 |

## 36. Financial instruments (cont'd)

***Classification of financial instruments (cont'd)***

| | Note | Loans and receivables<br>$'000 | Held for trading<br>$'000 | Financial liabilities at amortised cost<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|
| **2010** | | | | | |
| **Company** | | | | | |
| **Assets** | | | | | |
| Other receivables and deposits | 19 | 1 | – | – | 1 |
| Amounts due from subsidiaries | | 61,208 | – | – | 61,208 |
| Investment securities | | – | 2,572 | – | 2,572 |
| Cash and short-term deposits | | 1,386 | – | – | 1,386 |
| Total financial assets | | 62,595 | 2,572 | – | 65,167 |
| Total non-financial assets | | | | | 1,374 |
| Total assets | | | | | 66,541 |
| **Liabilities** | | | | | |
| Other payables and accruals | 25 | – | – | 502 | 502 |
| Amounts due to subsidiaries | | – | – | 1,349 | 1,349 |
| Loans and borrowings | | – | – | 56 | 56 |
| Total financial liabilities | | – | – | 1,907 | 1,907 |
| Total non-financial liabilities | | | | | 2 |
| Total liabilities | | | | | 1,909 |

## 36. Financial instruments (cont'd)

***Classification of financial instruments (cont'd)***

| | Note | Loans and receivables $'000 | Held for trading $'000 | Financial liabilities at amortised cost $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2009** | | | | | |
| **Company** | | | | | |
| **Assets** | | | | | |
| Other receivables and deposits | 19 | 353 | – | – | 353 |
| Amounts due from subsidiaries | | 55,509 | – | – | 55,509 |
| Investment securities | | – | 2,808 | – | 2,808 |
| Cash and short-term deposits | | 7,432 | – | – | 7,432 |
| Total financial assets | | 63,294 | 2,808 | – | 66,102 |
| Total non-financial assets | | | | | 1,204 |
| Total assets | | | | | 67,306 |
| **Liabilities** | | | | | |
| Other payables and accruals | 25 | – | – | 448 | 448 |
| Loans and borrowings | | – | – | 105 | 105 |
| Total financial liabilities | | – | – | 553 | 553 |
| Total non-financial liabilities | | | | | 20 |
| Total liabilities | | | | | 573 |

## 37. Segment information

***Reporting format***

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

(i) *Agriculture Division*

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

(ii) *Property Development and Real Estate Division*

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

(iii) *Others*

The Others segment comprises:

(a) the Company who is engaged in the business of investment holding generating income from management services provided to related companies and dividend; and

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

**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.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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

| | Agriculture Division $'000 | Property development and real estate Division $'000 | Others $'000 | Elimination $'000 | Note | Group $'000 |
|---|---|---|---|---|---|---|
| **2010** | | | | | | |
| **Revenue** | | | | | | |
| External sales | 12,725 | 28,774 | – | – | | 41,499 |
| Inter-segment sales | – | – | 1,680 | (1,680) | A | – |
| | 12,725 | 28,774 | 1,680 | (1,680) | | 41,499 |
| **Results:** | | | | | | |
| Interest income | 4 | 1 | 2 | – | | 7 |
| Fair value gain on held for trading investment securities | – | 175 | – | – | | 175 |
| Inventories written down | (8) | – | – | – | | (8) |
| Depreciation | (1,263) | (223) | (107) | – | | (1,593) |
| Impairment loss on land use rights | (202) | – | – | – | | (202) |
| Finance costs | (3) | (284) | (3) | – | | (290) |
| Segment profit / (loss) | (5,251) | 2,876 | (2,101) | 2,815 | A | (1,661) |
| **Assets:** | | | | | | |
| Additions to non-current assets | 8,078 | – | – | – | | 8,078 |
| Segment assets | 42,569 | 34,408 | 4,334 | – | | 81,311 |
| **Segment liabilities** | (1,994) | (3,502) | (504) | – | B | (6,000) |

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

| | Agriculture Division $'000 | Property development and real estate Division $'000 | Others $'000 | Elimination $'000 | Note | Group $'000 |
|---|---|---|---|---|---|---|
| **2009** | | | | | | |
| **Revenue** | | | | | | |
| External sales | 13,918 | 13,341 | – | – | | 27,259 |
| Inter-segment sales | 340 | 138 | 1,615 | (2,093) | A | – |
| | 14,258 | 13,479 | 1,615 | (2,093) | | 27,259 |
| **Results:** | | | | | | |
| Interest income | 53 | 2 | 17 | (18) | A | 54 |
| Gain on sale of investment properties | – | 41 | – | – | | 41 |
| Fair value gain on held for trading investment securities | – | 113 | 306 | – | | 419 |
| Inventories written down | (240) | – | – | – | | (240) |
| Depreciation | (1,197) | (223) | (148) | – | | (1,568) |
| Finance costs | (18) | (268) | (8) | 17 | A | (277) |
| Segment profit / (loss) | (4,586) | 134 | 250 | (649) | A | (4,851) |
| **Assets:** | | | | | | |
| Additions to non-current assets | 12,467 | 3 | 333 | – | | 12,803 |
| Segment assets | 33,257 | 39,429 | 10,797 | – | | 83,483 |
| **Segment liabilities** | (2,437) | (2,387) | (448) | – | B | (5,272) |

Note: A Relates to inter-segment transactions eliminated on consolidation.

B Segment liabilities do not include provision for taxation, deferred taxation and interest-bearing liabilities.

## 37. Segment information (cont'd)

***Geographical information***

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

| | Revenues | | Non-current assets | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | $'000 | $'000 | $'000 | $'000 |
| Singapore | 29,482 | 14,270 | 8,721 | 9,209 |
| Taiwan | 4,785 | 10,228 | – | – |
| Vietnam | 2,902 | – | – | – |
| Indonesia | 2,576 | – | – | – |
| Cambodia | 1,154 | 309 | 21,311 | 16,218 |
| Malaysia | 570 | 1,435 | – | – |
| Others | 30 | 1,017 | 1,595 | 1,970 |
| Total | 41,499 | 27,259 | 31,627 | 27,397 |

Information about a major customer

The Group is not significantly reliant on revenue derived from any major customer or group of customers under common control during the year.

## 38. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 18 March 2011.

# Analysis of Shareholdings

**as at 14 March 2011**

| | | |
|---|---|---|
| Issued and fully paid up capital | : | S$92,051,726.11 |
| No. of shares issued | : | 2,827,667,860 |
| Class of shares | : | Ordinary shares |
| Voting rights | : | 1 vote per share |

| Size of shareholdings | No. of shareholders | % | No. of shares | % |
|---|---|---|---|---|
| 1 - 999 | 49 | 0.65 | 21,537 | 0.00 |
| 1,000 - 10,000 | 820 | 10.85 | 4,333,038 | 0.16 |
| 10,001 - 1,000,000 | 6,414 | 84.86 | 1,011,568,329 | 35.77 |
| 1,000,001 and above | 275 | 3.64 | 1,811,744,956 | 64.07 |
| TOTAL | 7,558 | 100.00 | 2,827,667,860 | 100.00 |

| Top twenty shareholders as at 14 March 2011 | No. of shares | % |
|---|---|---|
| Ong Bee Huat | 265,255,500 | 9.38 |
| Wong Wen-Young | 133,333,000 | 4.72 |
| Hsu Hung-Chun | 120,000,000 | 4.24 |
| Goh Bak Heng | 86,201,333 | 3.05 |
| DBS Vickers Securities Private Ltd | 62,288,166 | 2.20 |
| Wang Chung Construction (Singapore) Pte Ltd | 59,600,000 | 2.11 |
| Kim Eng Securities Pte Ltd | 52,486,997 | 1.86 |
| United Overseas Bank Nominees Pte Ltd | 42,181,660 | 1.49 |
| Hong Leong Finance Nominees Pte Ltd | 40,900,000 | 1.45 |
| Toh Tiam Hock | 39,966,666 | 1.41 |
| DBS Nominees Pte Ltd | 37,447,329 | 1.32 |
| Citibank Consumer Nominees Pte Ltd | 32,938,336 | 1.16 |
| Merrill Lynch (Singapore) Pte Ltd | 29,215,666 | 1.03 |
| Philip Securities Pte Ltd | 26,892,331 | 0.95 |
| OCBC Securities Private Ltd | 22,814,999 | 0.81 |
| OCBC Nominees Singapore Pte Ltd | 22,695,666 | 0.80 |
| Mayban Nominees (S) Pte Ltd | 21,567,999 | 0.76 |
| Ng Ming Jie | 18,720,000 | 0.66 |
| Khong Heng Poh | 18,000,000 | 0.64 |
| CIMB Securities (Singapore) Pte Ltd | 17,015,666 | 0.60 |
| | 1,149,521,314 | 40.64 |

| Substantial Shareholder | Direct Interest | Deemed Interest | No. of shares | % |
|---|---|---|---|---|
| Ong Bee Huat | 265,255,500 | - | 265,255,500 | 9.38 |

**PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS**

84.35% of the Company's issued shars are held in the hands of the public. Acccordingly, the Company has complied with Rule 723 of the SGX Listing Manual.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Twelfth Annual General Meeting of **HLH GROUP LIMITED** will be held on Friday, 29 April 2011 at 2.30 p.m. at D' Kranji Farm Resort, 10 Neo Tiew Lane 2, Singapore 718813 to transact the following business:-

**AS ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Accounts for the financial year ended 31 December 2010 and the Reports of the Directors and Auditors and the Statement by Directors thereon. **[Resolution 1]**

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

   (i) Dr. John Chen Seow Phun **[Resolution 2]**
   (ii) Dato Dr. Ong Bee Huat **[Resolution 3]**

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

3. To re-elect the following Director retiring pursuant to Article 88 of the Company's Articles of Association:

   Mr. Yeo Guat Kwang **[Resolution 4]**

   Mr. Yeo Guat Kwang will, upon re-election as a Director of the Company remain as a member of the Audit Committee, Nominating Committee and Remuneration Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading limited ("SGX-ST")

4. To re-appoint Messrs Ernst & Young LLP 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$106,000 for the financial year ended 31 December 2010 (2009: S$120,000). **[Resolution 6]**

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

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

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued shares excluding treasury shares, as calculated in accordance with sub-paragraph (ii) below ("**Issued Shares**"), provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed 20% of the total number of Issued Shares;

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under this Resolution, the percentage of Issued Shares shall be based on the total number of issued shares excluding treasury shares at the time this Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and (c) any subsequent bonus issue, consolidation or subdivision of shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company;

(iv) the fifty per cent (50%) limit in sub-paragraph (i) above may be increased to one hundred per cent (100%) for the Company to undertake renounceable pro rata rights issues; and

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

[See Explanatory Note (i)] **[Resolution 7]**

# Notice of Annual General Meeting

8. To consider and, if thought fit, pass the following resolution as an ordinary resolution, with or without modification:

"That subject to and pursuant to the share issue mandate in resolution [6] above being obtained, authority be and is hereby given to the Directors to issue new shares other than on a pro-rata basis to shareholders of the Company at an issue price per new share which shall be determined by the Directors in their absolute discretion provided that such price shall not represent more than a 20% discount for new shares to the weighted average price per share determined in accordance with the requirements of the SGX-ST".

[See Explanatory Note (ii)] **[Resolution 8]**

**By Order of The Board**

**HELEN CAMPOS**
Company Secretary

Singapore
11 April 2011

**Explanatory Notes:-**

(i) The effect of the Resolution 7 under the heading "Special Business" in this Notice of Annual General Meeting is to empower the Directors of the Company, from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the share capital of the Company and to make or grant convertible securities, and to issue shares in pursuance of such convertible securities, without seeking any further approval from shareholders in general meeting. The number of new shares which the Directors may allot and issue under this Resolution shall not exceed fifty per cent (50%) of the total number of Issued Shares of which the aggregate number of Issued Shares to be allotted and issued other than on a pro rata basis to shareholders shall not exceed twenty per cent (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.

(ii) Contingent on the passing of Ordinary Resolution 8 above, the Ordinary Resolution proposed under item 7 above, if passed, will authorise the Directors, from time to time, to issue new shares (other than on a pro-rata basis to shareholders of the Company) at an issue price of up to twenty per cent (20%) discount to the weighted average price per share determined in accordance with the requirements of the SGX-ST.

**Notes:**

1. A member of the Company entitled to attend and vote at the Annual General Meeting (the "Meeting") of the Company is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings (express as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. If the appointer is a corporation, the instrument appointing the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 82 Playfair Road, #13-01 D' Lithium, Singapore 368001 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

**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 Twelfth Annual General Meeting of the Company to be held at D' Kranji Farm Resort, 10 Neo Tiew Lane 2, Singapore 718813 on Friday, 29 April 2011 at 2.30p.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 Twelfth 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 Twelfth Annual General Meeting.)

| No. | Resolutions relating to: | For | Against |
|---|---|---|---|
| 1 | Adoption of Audited Accounts for the financial year ended 31 December 2010 and the Reports of the Directors and Auditors and the Statement by Directors thereon. | | |
| 2 | Re-election of Dr. John Chen Seow Phun retiring pursuant to Article 89 of the Articles of Association of the Company. | | |
| 3. | Re-election of Dato Dr. Ong Bee Huat retiring pursuant to Article 89 of the Articles of Association of the Company. | | |
| 4. | Re-election of Mr. Yeo Guat Kwang retiring pursuant to Article 88 of the Articles of Association of the Company. | | |
| 5. | Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company and authorisation of Directors to fix their remuneration. | | |
| 6. | Approval of Directors' Fees of S$106,000 for the financial year ended 31 December 2010. | | |
| 7. | Authority to Directors to allot and issue new shares. | | |
| 8. | Authority to increase discount limit for placement exercise | | |

Dated this ____________ day of ________________ 2011

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

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

* Delete accordingly

FOLD HERE FOR SEALING

PLEASE
AFFIX 26
CENTS
POSTAGE
STAMP HERE

The Company Secretary
HLH Group Limited
82 Playfair Road, #13-01
D' Lithium, Singapore 368001

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 82 Playfair Road, #13-01 D' Lithium, Singapore 368001 not less than forty-eight (48) hours before the time fixed for holding the Annual General Meeting.

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

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

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

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

NPE PRINT COMMUNICATIONS PTE LTD

since 1988

**HLH Group Limited**
Company Reg No. 199905292D

82 Playfair Road #13-01 D’ Lithium Singapore 368001
Tel: (65) 6289 8286 Fax: (65) 6289 8166 Website: http://www.hlh.com.sg