SOLUTIONS FOR THE GROWING WORLD

since 1988

ANNUAL REPORT 2013

CORPORATE PROFILE

THE COMPANY

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

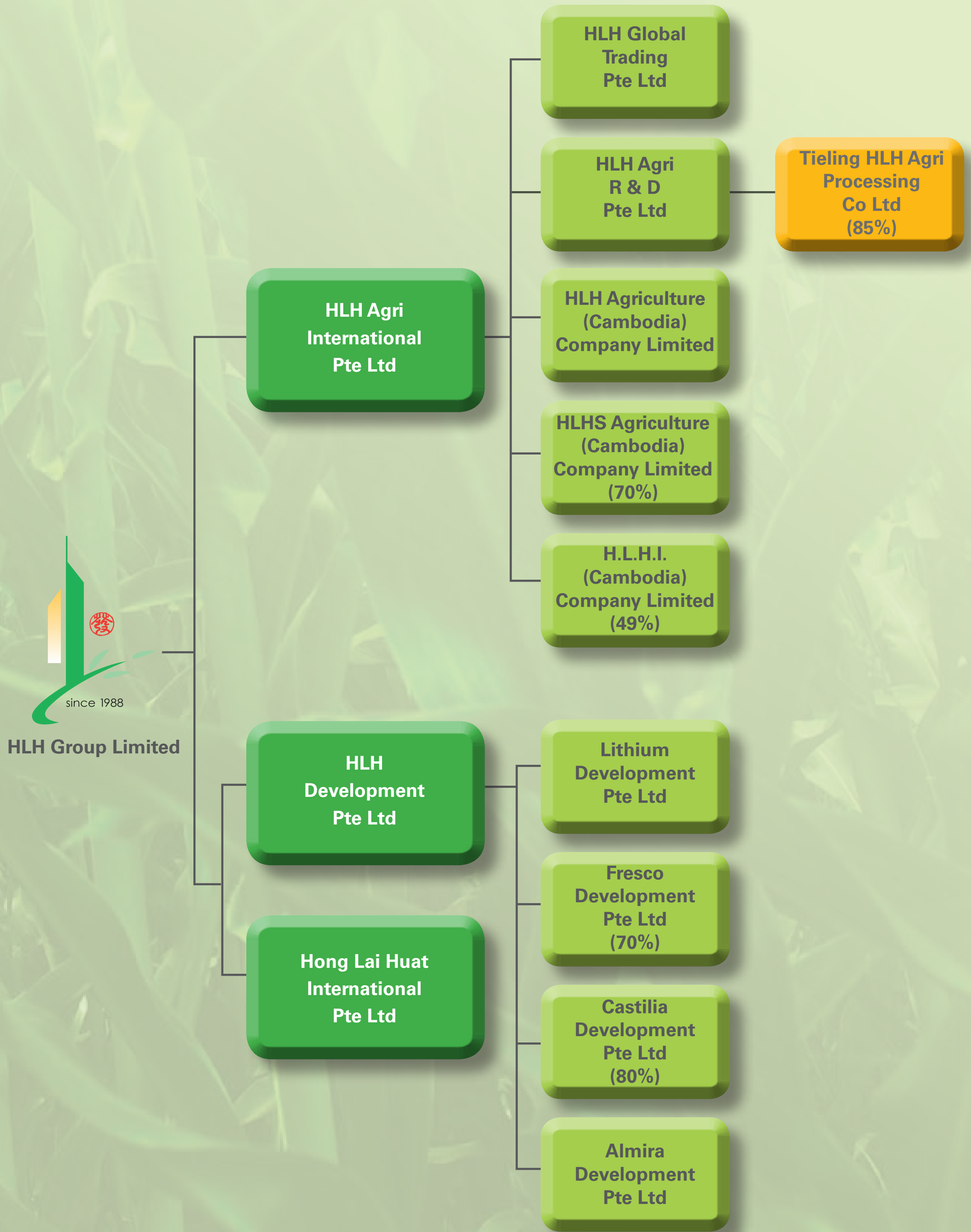
The division is carrying on the business of agricultural development, cultivation, branding and merchandising and distribution of corn for the processing and animal feed milling industries and operates the agriculture-related resort business.

PROPERTY DEVELOPMENT AND REAL ESTATE

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

CONTENTS

ORGANISATION STRUCTURE



MESSAGE TO SHAREHOLDERS

Dear Shareholders,

FY2013 was one of the most challenging and difficult years for the Group's Agriculture Division. As in previous years, our corn plantations in Cambodia continued to face challenges posed by adverse weather conditions in the Indochina region and extreme pest infestation. Thus, these natural calamities significantly negated our relentless efforts to improve production yield.

The wind down in activities from our Property Development and Real Estate Division in FY2012, meant that there was no revenue from this business segment in FY2013. As a result, the Group incurred a net loss of $7.70 million in FY2013. Nevertheless, we remain resilient and are constantly seeking for potential business opportunities in new market segments within our two core business Divisions. We sincerely believe that with strong perseverance and determination, we will ultimately achieve sustainable value and growth for our core businesses.

Strategic Development during the Year

Agriculture Division

Plantation operations (Cambodia)

Having completed clearing 9,600 hectares of land and construction of four farm plantations in Cambodia, the Group expects to clear the remaining approximately 400 hectares before the commencement of the joint operations with business partners with the relevant expertise and technology in FY2014. Under this mode of operation, the cultivation, processing and production of agricultural produce will be undertaken with partners utilising the Group's plantation land.

This new approach was disclosed in our announcement made on 26 December 2013 that the Company's wholly-owned subsidiary, HLH Agriculture (Cambodia) Co., Ltd. ("HLH Cambodia"), had entered into a joint operations agreement with Zhong Fu International Investment (Cambodia) Ltd. (中富国际投资(柬埔寨)有限公司) ("Zhong Fu"). Under this agreement, Zhong Fu will work jointly with HLH Cambodia on the cultivation, processing and production of cassava (or maize and sugarcane) at HLH Cambodia's 9,985 hectares of farmland plantation situated in the Aoral District, Kampong Speu Province, Cambodia. We strongly believe that the collaboration with Zhong Fu will bring to the Group a stable and sustainable flow of revenue and cash flows stream during the duration of the said agreement.

Going forward, the Agriculture Division will adopt similar business model. Henceforth, we will continuously source for potential agriculture land parcels in Cambodia for development and collaboration with joint operation partners.

Agri-tainment Farm (D'Kranji Farm Resort)
Temporary Occupation Licence for the upgrade of the Group's farm resort in D'Kranji has been received and operations in the new premises have commenced. We have now a total of 35 villas of which 14 are new. 5 new villas come with jacuzzi and steam bath. The upgrade also includes additional outlets for food and beverages and new link ways. The Group will put in continuous efforts in its advertising and marketing strategies to attract more holiday-makers and visitors. Though the business environment for the agri-tainment industry has remained challenging, we believe that the new facilities as well as additional farm activities and stimulating new ideas to liven up the farm will attract more holiday-makers and visitors.

Property Development and Real Estate Division
The Group will continue to look for opportunities for property development, especially in Cambodia. We are currently actively looking at potential land parcels within the vicinity of Phnom Penh City for property development in FY2014.

We believe that our venture into Cambodia's property development market coupled with our property and construction experience would provide the Group with steady revenue streams for a brighter future.

Moving Forward
Leveraging on our core Agriculture and Property Development Division, we will remain resilient to face the challenges ahead and lay a solid foundation for sustainable growth.

Appreciation
Since our restructuring, we have certainly come a long way through the support of our business partners and associates, customers, bankers, suppliers, management, staff and Board of directors. We sincerely thank each and every one of you for your contribution and devotion towards a more promising HLH Group. Our grateful appreciation also goes to our shareholders for their faith and steadfast continued support.

Dr. Wang Kai Yuen
Chairman

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

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 Audit Committee and a member of the Nominating Committee and Remuneration Committee. He retired as the Managing Director of Fuji Xerox Singapore Software Centre, Fuji Xerox Asia Pacific in December 2009.

He also holds directorships of other public listed companies including ComfortDelGro Corporation Ltd, COSCO Corporation (Singapore) Ltd, Ezion Holdings Limited, A-sonic Aerospace Ltd, Matex International Ltd, SuperBowl Holdings Ltd, and China Aviation Oil (Singapore) Corporation 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, JOHNNY
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 and is the Founder and Chief Executive Officer of renowned Taiwanese electronics and plastics conglomerate Grace T.H.W Group. He is also the Founder and Director of Grace Semiconductor Manufacturing Corp, China; and the Founder and Director of Trust-Mart Co., Ltd. Dr. Wong has with him a wealth of experience and expertise in petrol-chemical products which adds value to the Group's agri-business expansion plan.

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 Committee and Remuneration Committee. Dr. Chen is the Executive Chairman of Thai Village Holdings Ltd, and the Chairman of SAC Capital Private Limited, Matex International Limited, Fu Yu Corporation Limited, Deputy Chairman of Hanwell Holdings Ltd (formerly known as PSC Corporation Ltd), Tat Seng Packaging Group Ltd, and a director of a number of other public listed companies including OKP Holdings Limited and Hiap Seng Engineering Ltd. Dr. Chen was a Member of Parliament from September 1988 to April 2006 and a Minister of State from March 1997 to November 2001.

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

Dr. Lee was appointed as Director on 30 April 2012. He is currently a Director of Ferrell Asset Management Pte Ltd and a Professor of Quantitative Finance (Practice) at the Singapore Management University. He is also a Council Member of The Economic Society of Singapore, Kwong Wai Shiu Hospital, Yeung Ching Foundation as well as Financial Research Council, The Money Authority of Singapore. Dr. Lee was the Managing Director of two public-listed companies, namely, Auric Pacific Group Limited and Overseas Union Enterprise Limited. He was also the former Chairman of MAP Technology Holdings Limited and a member of the SGX Securities Committee.

OPERATIONS REVIEW

Review of Income Statement

Revenue

The Group's revenue decreased by $9.42 million in FY2013 to $4.60 million as compared to $14.02 million in FY2012 due primarily to a reduction in revenue from the Property Development Division. All properties under development had been completed in 2011/2012. Sales from the Agriculture Division increased by $0.24 million in FY2013 from $4.36 million in FY2012 to $4.60 million in FY2013. Revenue from this division for 4Q2013 decreased by $0.15 million to $1.06 million in 4Q2013 from $1.21 million in 4Q2012 partly contributed by slightly lower corn prices in the current period than previous period.

Gross Profit

The Group's gross loss increased by $0.52 million from $0.36 million in 4Q2012 to $0.88 million in 4Q2013 mainly contributed by an increase in loss on change in fair value of agricultural produce by $0.10 million and slightly lower corn prices in the current period than previous period. The Group's gross profit decreased by $4.37 million from $2.81 million in FY2012 to a gross loss of $1.56 million in FY2013 as there was no contribution from the Property Development Division.

Other Income

The Group's other income of $0.32 million in FY2013 comprised mainly gain on foreign exchange of $0.08 million, interest income of $0.07 million and sundry income of $0.17 million. In FY2012, other income of $1.71 million comprised mainly $1.42 million gain on disposal of property, plant and equipment, interest income of $0.05 million, $0.10 million gain on sales of securities held for trading purpose and sundry income of $0.14 million.

Administrative Expenses

4Q and full year administrative expenses of the Group remained fairly stable at $1.32 million for 4Q2013 as compared to $1.36 million for 4Q2012 and $5.42 million for FY2013 as compared to $5.55 million for FY2012 respectively. Administrative expenses for FY2013 comprised mainly personnel expenses of $1.44 million (FY2012: $1.35million), depreciation expenses of $1.86 million (FY2012: $1.76 million) and upkeep of plant and equipment of $0.99 million (FY2012: $1.07 million).

Other Expenses

The decrease in other expenses for both 4Q2013 and FY2013 was mainly contributed by lower fair value loss on held for trading investment securities of $0.63 million (4Q2012: $1.22 million) and impairment of property, plant and equipment of $nil (4Q2012: $0.21 million) during 4Q2013.

Finance Costs

Finance cost for FY2013 decreased by $0.10 million to $0.32 million as compared to $0.42 million for FY2012. This decrease was mainly due to reduction in outstanding bank loans during the current year.

In summary, the Group incurred net loss of $2.84 million in 4Q2013 as compared to a net loss of $3.31 million in 4Q2012. Similarly, the Group incurred net loss of $7.70 million in FY2013 as compared to a net loss of $3.31 million in FY2012.

Review of Financial Position

Non-current Assets

Property, plant and equipment increased by $5.52 million from $39.06 million as at 31 December 2012 to $44.58 million as at 31 December 2013. The increase was mainly due to upgrading works being carried out at D'Kranji Farm resort, and land improvements and purchase of machineries for the Group's operations in Cambodia.

Working Capital

Inventories decreased by $0.23 million from $3.00 million as at 31 December 2012 to $2.77 million as at 31 December 2013. The decrease was mainly attributed to lower corn costs and slight reduction in corn quantity held as at 31 December 2013.

Trade receivables of $2.03 million as at 31 December 2012 mainly comprised retention monies amounting to $1.85 million from one of the Group's development properties which was completed in 2012. The retention monies were received by the Group in July 2013. The reduction in other receivables by $0.28 million from $1.01 million as at 31 December 2012 to $0.73 million as at 31 December 2013 was mainly due to deposit of $0.25 million paid to contractor in FY2012 for upgrading works to D'Kranji Farm resort completed in August 2013.

Reduction in amounts due from non-controlling shareholders relates to advance made to non-controlling shareholders for project surplus in respect of property development. The reduction was mainly due to dividend distribution to the shareholders of a project development subsidiary of the Group.

Investment securities reduced by $0.59 million from $1.23 million as at 31 December 2012 to $0.64 million as at 31 December 2013 mainly due to the decrease in fair value of the investment securities.

Trade payables reduced by $0.28 million from $0.61 million as at 31 December 2012 to $0.33 million as at 31 December 2013 mainly due to lower purchases made towards end of FY2013 for the Group's operations in Cambodia.

Other payables and accruals increased by $0.53 million from $2.17 million as at 31 December 2012 to $2.70 million as at 31 December 2013 mainly due to deposit of US$1.00 million received in December 2013 from its joint operations partner in Cambodia in accordance with a joint operations agreement offset by a reduction in accruals amounting to $0.60 million for a completed development property. The accruals were paid out and excess reversed during the current year.

Provision for Taxation

Reduction in provision for taxation relates to the payment of income tax by one of the Group's property development subsidiary.

Interest-bearing Loans and Borrowings

Loans and borrowings for the Group decreased by $1.38 million from $5.61 million as at 31 December 2012 to $4.23 million as at 31 December 2013 due to repayment of term loan pertaining to the Group's operations in Cambodia.

Net Assets

The net assets of the Group were $53.09 million as at 31 December 2013 (FY2012: $61.13 million).

Review of Cash Flow Statement

Review of cash flows (used in)/from operating activities

Net cash flows used in operating activities for FY2013 was $2.53 million as compared to $4.61 million generated from operating activities for FY2012. The decrease was mainly due to proceeds from completed development properties of $10.93 million offset by repayment of $3.04 million to a non-controlling shareholder in FY2012.

Review of cash flows used in investing activities

Net cash flow of $6.71 million was used in investing activities for FY2013 as compared to $5.21 million in FY2012. The utilisation in FY2013 was due mainly to the costs incurred in upgrading works at D'Kranji Farm, and land improvements and the purchase of plant and equipment for the Group's operations in Cambodia. In FY2012, land improvements and the purchase of plant and equipment was offset by proceeds from sale a Singapore property.

Review of cash flows (used in)/from financing activities

Net cash flow of $1.58 million was used in financing activities in FY2013 while $7.97 million was generated in FY2012. The decrease in cash flows was mainly due to the net proceeds from issuance of new shares of $13.37 million offset by higher repayment of term loans in FY2012.

Overall, cash and cash equivalents of the Group stood at $10.10 million as at 31 December 2013.

CORPORATE INFORMATION

DIRECTORS
Dato Dr. Ong Bee Huat, Johnny
(Executive Director)
Dr. Wang Kai Yuen
(Independent Director)
Dr. Chen Seow Phun, John
(Independent Director)
Dr Lee Kuo Chuen, David
(Independent Director)
Dr. Wong Wen-Young, Winston
(Non-Executive Director)
Dr. Wong Jr. Winston
(Alternate Director to Dr. Wong Wen-Young, Winston)

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
10 Neo Tiew Lane 2
D' Kranji Farm Resort #01-05
Singapore 718813

BANKERS
United Overseas Bank Limited
The Development Bank of Singapore Ltd
Asean Finance Corporation Limited

AUDITORS
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Engagement partner:
Eleanor Lee
(since financial year ended 31 December 2011)

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 Code of Governance 2012 as it serves as a practical guide defining their duties and responsibilities.

Principle 1: The Board's Conduct of Affairs

Currently, the Board of Directors (the "Board") comprises five Directors – one executive Director, 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 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 would carry out the following activities regularly:–

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

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

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

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

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

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

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

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

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

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

REPORT ON CORPORATE GOVERNANCE

The number of Directors' and other committees' meetings and the record of attendance of each Director during the financial year ended 31 December 2013 were as follows:

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Dr. Wang Kai Yuen	4	4	4	4	1	1	1	1
Dr. Wong Wen-Young, Winston	4	2	NA	NA	NA	NA	NA	NA
Dato' Dr. Ong Bee Huat, Johnny	4	4	NA	NA	1	1	1	1
Dr. Chen Seow Phun, John	4	4	4	4	1	1	1	1
Dr. Lee Kuo Chuen, David	4	4	4	4	1	1	1	1

Principle 2: Board Composition and Guidance

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

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

The Board is of the view that all Independent Non-executive Directors are independent and is grateful for the contribution and independent advice and guidance that they have been giving to the Board for their participation in the Board Committees. None of the Non-executive independent directors have been appointed to the Board of the Company for more than 9 years.

Principle 3: Chairman and Chief Executive Officer

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

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

REPORT ON CORPORATE GOVERNANCE

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

The Chairman is responsible for, among other statutory duties,

a. directing meetings of the Board;

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

c. reviewing all announcements prior its release via SGXNET;

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

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

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

Principle 4: Board Membership

Principle 5: Board Performance

The Nominating Committee ("NC") comprises 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. Lee Kuo Chuen, David and Dato' Dr. Ong Bee Huat, Johnny as members.

The responsibilities of the Nominating Committee are:

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

b. to determine annually the independence of the Directors;

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

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

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

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

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

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

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

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

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

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

   – ability to commit the necessary time to their position;

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

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

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

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

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

Information regarding the Board of Directors can be found on Pg 4 to Pg 5 of the annual report.

Principle 6: Access to Information

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

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

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

Principle 7: Remuneration Matters

Principle 8: Level and mix of remuneration

Principle 9: Disclosure of Remuneration

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

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

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

Table 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	–	–	100.0	–	100.0
Dato' Dr. Ong Bee Huat, Johnny (Note)	$500,000 to $749,999	81.2	6.8	–	12.0	100.0
Dr. Wong Wen-Young, Winston	$0 to $249,999	–	–	100.0	–	100.0
Dr. Chen Seow Phun, John	$0 to $249,999	–	–	100.0	–	100.0
Dr. Lee Kuo Chuen, David	$0 to $249,999			100.0		100.0

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, Johnny, the 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. In addition, the service contract of Dato' Dr. Ong Bee Huat, Johnny also includes a profit sharing element which is related to the performance of the Group.

REPORT ON CORPORATE GOVERNANCE

The Company had 5 employees at the executive level for the financial year ended 31 December 2013. The remuneration of the key executives (who are not Directors) in the bands of S$250,000 are shown in the table below:–

Key Executive	Salary	Bonus	Other Benefits	Total
	%	%	%	%
Below S$250,000				
Gan Wui Koh	82.5	6.9	10.6	100.0
Foo Lee Peng*	92.1	–	7.9	100.0
Tan Kian Kok**	83.3	6.9	9.8	100.0
Kandrathanda Chengappa Subramani***	93.1	–	6.9	100.0
Ong Bee Wah	81.5	–	18.5	100.0

* Ms. Foo Lee Peng resigned from the Company on 17 October 2013.
** Mr. Tan Kian Kok joined the Company on 16 October 2013.
*** Mr. Kandrathanda Chengappa Subramani joined the Company on 1 June 2013.

The remuneration of executives who are immediate family members of directors is shown in the table below:

Key Executive and relationship with director	Remuneration Bands	Salary	Bonus	Other Benefits	Total
		%	%	%	%
Ong Bee Wah Brother of Dato' Dr. Ong Bee Huat, Johnny	$50,000 to $99,999	81.5	–	18.5	100.0
Ong Bee Keng Brother of Dato' Dr. Ong Bee Huat, Johnny	$50,000 to $99,999	81.7	–	18.3	100.0
Winston Wong Junior Son of Dr. Wong Wen-Young, Winston	$50,000 to $99,999	86.2	–	13.8	100.0

Principle 10: Accountability

Principle 14: Shareholder Rights

REPORT ON CORPORATE GOVERNANCE

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder meetings

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

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

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

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

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

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

The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and 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.

The Company has not paid any dividends to shareholders as the Company had been making losses.

REPORT ON CORPORATE GOVERNANCE

Principle 11: Risks Management and Internal Controls

Principle 12: Audit Committee

Principle 13: Internal Audit

The Audit Committee ("AC") comprises three Independent Non-executive Directors of the Company, Dr. Wang Kai Yuen as the Chairman, and Dr. Chen Seow Phun, John and Dr. Lee Kuo Chuen, David 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 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;

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.

For the year ended 31 December 2013, the external auditors' remuneration in respect of audit services provided to the Group amounted to $131,000 and fees for non-audit services amounted to an aggregate amount of approximately $5,000, being the fees for tax advisory services. The AC confirms that it has undertaken a review of all non-audit services provided by external auditors and such services would not, in the AC's opinion, affect the independence of the external auditors. Further the AC confirms that the Company complied with Rules 712 and 715 of the Listing Manual in relation to its appointment of auditors.

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.

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

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.

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

Board has also relied to a certain extent, the review by the external auditors of the effectiveness of the Company's material internal controls that affect accounting functions, to the extent of their scope as laid out in their plan. The auditors' recommendations on material non-compliance and internal accounting control weakness, if any noted during their audit are reported to the AC.

The Board, with the concurrence of the AC, is satisfied that the Group's framework of internal controls is adequate to address the financial, operational and compliance risks of the Group, and provide reasonable assurance in safeguarding its assets and Shareholders' investments and against any material misstatement or loss.

Dealing in Securities

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

Material Contracts

There were no material contracts entered into by the Company or any of its subsidiaries as at the end of the 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.

REPORT ON CORPORATE GOVERNANCE

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 $100,000)	
	2013	**2012**	**2013**	**2012**
	S$'000	**S$'000**	**S$'000**	**S$'000**
DE' BEER GARDEN Management fee income in respect of beer garden and restaurant operations at D'Kranji Farm Resort	385	219	–	–
SONG BEE CONSTRUCTION PTE LTD Renovation works at D'Kranji Farm Resort	63	71	–	–
Upgrading works at D'Kranji Farm Resort	2,355	250	–	–

DIRECTORS' REPORT

The directors are pleased to 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 2013.

Directors

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

Dr. Ong Bee Huat	(Executive director)
Dr. Wang Kai Yuen	(Independent director)
Dr. Wong Wen-Young Winston	(Non-Executive director)
Dr. Chen Seow Phun, John	(Independent director)
Dr. Lee Kuo Chuen David	(Independent director)

In accordance with Article 89 of the Company's Articles of Association, Dr. Wang Kai Yuen and Dr. Wong Wen-Young Winston 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 share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		**Deemed interest**	
	1 January 2013	**31 December 2013**	**1 January 2013**	**31 December 2013**
HLH Group Limited				
Ordinary shares				
Dr. Wang Kai Yuen	4,803,000	4,803,000	–	–
Dr. Wong Wen-Young Winston	415,255,500	415,255,500	–	–
Dato' Dr. Ong Bee Huat	415,255,500	415,255,500	–	–

DIRECTORS' REPORT

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2014.

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

Directors' contractual benefits

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.

Auditor

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

On behalf of the Board of Directors:

Dr. Ong Bee Huat
Director

Dr. Wang Kai Yuen
Director

Singapore
24 March 2014

STATEMENT BY DIRECTORS

We, Dr. Ong Bee Huat and Dr. Wang Kai Yuen, 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 2013 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

Dr. Wang Kai Yuen
Director

Singapore
24 March 2014

INDEPENDENT AUDITORS' REPORT

For the financial year ended 31 December 2013
To the Members of HLH Group Limited

Report on the financial statements

We have audited the accompanying financial statements of HLH Group Limited (the Company) and its subsidiaries (collectively, the Group) set out on pages 29 to 113, which comprise the balance sheets of the Group and the Company as at 31 December 2013, 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 financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 financial statements.

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

Opinion

In our opinion, 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 2013 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
Chartered Accountants

Singapore
24 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Note	2013	2012
		$'000	$'000
Revenue	4	4,603	14,017
Cost of sales		(6,164)	(11,204)
Gross (loss)/profit		(1,561)	2,813
Other income	5	322	1,712
Distribution and selling expenses		(39)	(120)
Administrative expenses		(5,415)	(5,545)
Other expenses	6	(678)	(1,708)
Finance costs	7	(322)	(421)
Loss before taxation	8	(7,693)	(3,269)
Income tax expense	9	(10)	(41)
Net loss for the year		(7,703)	(3,310)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		381	(907)
Exchange differences on monetary items forming part of net investment in a foreign operation		782	(748)
Other comprehensive income for the year, net of tax		1,163	(1,655)
Total comprehensive income for the year		(6,540)	(4,965)
Net loss attributable to:			
Owners of the Company		(7,690)	(3,859)
Non-controlling interests		(13)	549
		(7,703)	(3,310)
Total comprehensive income attributable to:			
Owners of the Company		(6,538)	(5,503)
Non-controlling interests		(2)	538
		(6,540)	(4,965)
Loss per share (cents)			
Basic	10	(0.194)	(0.100)
Diluted		(0.194)	(0.100)

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

BALANCE SHEETS

As at 31 December 2013

	Note	Group		Company	
		2013	2012	2013	2012
		$'000	$'000	$'000	$'000
Assets					
Non-current assets					
Property, plant and equipment	11	44,580	39,056	76	164
Investment property	12	276	276	276	276
Investment in subsidiaries	13	–	–	1,000	1,000
		44,856	39,332	1,352	1,440
Current assets					
Inventories	14	2,766	2,996	–	–
Biological assets	15	83	129	–	–
Trade receivables	17	277	2,027	–	–
Other receivables, deposits and prepayments	18	733	1,013	28	18
Amounts due from subsidiaries	19	–	–	79,671	70,509
Advances to non-controlling shareholders	16	1,100	2,400	–	–
Investment securities	20	635	1,226	633	1,222
Cash and short-term deposits	21	10,098	20,918	6,305	17,172
		15,692	30,709	86,637	88,921
Total assets		60,548	70,041	87,989	90,361

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

BALANCE SHEETS

As at 31 December 2013

	Note	Group		Company	
		2013	2012	2013	2012
		$'000	$'000	$'000	$'000
Equity and liabilities					
Current liabilities					
Trade payables	22	334	612	–	–
Other payables and accruals	24	2,699	2,170	379	405
Amounts due to subsidiaries	19	–	–	11,067	12,962
Provision for taxation		195	513	2	2
Loans and borrowings	25	2,012	5,613	–	4
		5,240	8,908	11,448	13,373
Net current assets		10,452	21,801	75,189	75,548
Non-current liabilities					
Loans and borrowings	25	2,215	–	–	–
		2,215	–	–	–
Total liabilities		7,455	8,908	11,448	13,373
Net assets		53,093	61,133	76,541	76,988
Equity attributable to owners of the Company					
Share capital	26	105,426	105,426	105,426	105,426
Reserves	27	(53,748)	(47,210)	(28,885)	(28,438)
		51,678	58,216	76,541	76,988
Non-controlling interests		1,415	2,917	–	–
Total equity		53,093	61,133	76,541	76,988
Total equity and liabilities		60,548	70,041	87,989	90,361

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 2013

	Share Capital (Note 26) $'000	Accumulated losses (Note 27) $'000	Capital reserve (Note 27) $'000	Currency translation reserve (Note 27) $'000	Total $'000	Non-controlling interests $'000	Equity total $'000
Group							
At 1 January 2012	92,052	(40,876)	481	(1,312)	50,345	2,379	52,724
Other comprehensive income							
Net foreign exchange difference arising on consolidation of foreign subsidiaries	–	–	–	(896)	(896)	(11)	(907)
Exchange differences on monetary items forming part of net investment in a foreign operation	–	–	–	(748)	(748)	–	(748)
Net loss for the year	–	(3,859)	–	–	(3,859)	549	(3,310)
Total comprehensive income for the year	–	(3,859)	–	(1,644)	(5,503)	538	(4,965)
Issuance of ordinary shares pursuant to rights issue	13,555	–	–	–	13,555	–	13,555
Share issue expenses	(181)	–	–	–	(181)	–	(181)
Total contributions by and distribution to owners	13,374	–	–	–	13,374	–	13,374
Balance at 31 December 2012 and 1 January 2013	105,426	(44,735)	481	(2,956)	58,216	2,917	61,133
Other comprehensive income							
Net foreign exchange difference arising on consolidation of foreign subsidiaries	–	–	–	370	370	11	381
Exchange differences on monetary items forming part of net investment in a foreign operation	–	–	–	782	782	–	782
Net loss for the year	–	(7,690)	–	–	(7,690)	(13)	(7,703)
Total comprehensive income for the year	–	(7,690)	–	1,152	(6,538)	(2)	(6,540)
Capital returned to a non-controlling shareholder*	–	–	–	–	–	(300)	(300)
Dividend paid to a non-controlling shareholder*	–	–	–	–	–	(1,200)	(1,200)
Total contributions by and distribution to owners	–	–	–	–	–	(1,500)	(1,500)
Balance at 31 December 2013	105,426	(52,425)	481	(1,804)	51,678	1,415	53,093

* *During the year, one of the Company's subsidiaries, Fresco Development Pte Ltd (which the group held 70% of its equity) declared dividends. On top of that it returned a significant portion of its share capital to its shareholders.*

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 2013

	Share capital (Note 26) $'000	Accumulated losses (Note 27) $'000	Capital reserve (Note 27) $'000	Equity total $'000
Company				
At 1 January 2012	92,052	(26,815)	(459)	64,778
Net loss for the year	–	(1,164)	–	(1,164)
Total comprehensive income for the year	–	(1,164)	–	(1,164)
Issuance of ordinary shares pursuant to rights issue	13,555	–	–	13,555
Share issue expenses	(181)	–	–	(181)
Total contributions by and distribution to owners	13,374	–	–	13,374
At 31 December 2012 and 1 January 2013	105,426	(27,979)	(459)	76,988
Net loss for the year	–	(447)	–	(447)
Total comprehensive income for the year	–	(447)	–	(447)
At 31 December 2013	105,426	(28,426)	(459)	76,541

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 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Loss before tax		(7,693)	(3,269)
Adjustments for:			
Interest expense	7	322	421
Depreciation of property, plant and equipment	11(d)	2,426	2,251
Gain on disposal of plant and equipment, net		(25)	(1,392)
Fixed assets written off		22	–
Foreign exchange adjustments		(53)	(92)
Gain on sale of held for trading investment securities	5	–	(98)
Fair value loss on held for trading investment securities, net		634	1,212
Impairment loss on property, plant and equipment	6 & 11	–	207
Fair value adjustment to agricultural produce		844	212
Interest income		(65)	(49)
Operating loss before working capital changes		(3,588)	(597)
Changes in working capital:			
Decrease in trade and other receivables		2,055	1,065
Decrease in development properties		–	10,930
Increase in inventories and biological assets		(459)	(946)
Increase in amounts due from non-controlling shareholders		(200)	(1,100)
Increase/(decrease) in trade and other payables		225	(522)
Decrease in amount due to a non-controlling shareholder		–	(3,043)
Cash flows (used in)/from operations		(1,967)	5,787
Interest paid		(322)	(450)
Income tax paid		(308)	(772)
Interest received		65	49
Net cash flows (used in)/from operating activities		(2,532)	4,614

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 2013

	Note	2013 $'000	2012 $'000
Cash flows from investing activities			
Placement of fixed deposits pledged		(4,100)	–
Purchase of property, plant and equipment	11(d)	(6,950)	(7,933)
Proceeds from sale of property, plant and equipment		236	2,403
Proceeds from sale of investment securities		–	320
Net cash used in investing activities		(10,814)	(5,210)
Cash flows from financing activities			
Proceeds from term loans		3,757	2,803
Repayment of term loans		(5,459)	(8,184)
Proceeds from/(repayment to) hire purchase creditors		119	(26)
Proceeds from issuance of new shares		–	13,555
Share issue expenses		–	(181)
Net cash flows (used in)/from financing activities		(1,583)	7,967
Net (decrease)/increase in cash and cash equivalents		(10,829)	7,371
Effect of exchange rate changes on balances held in foreign currencies		9	(24)
Cash and cash equivalents at beginning of year	21	20,918	13,571
Cash and cash equivalents at end of year	21	5,998	20,918

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

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 10 Neo Tiew Lane 2 #01-05 D' Kranji Farm Resort Singapore 718813.

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 which are effective for annual financial periods beginning on or after 1 January 2013. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

According to the transition provision of FRS 113 Fair Value Measurement, FRS 113 has been applied prospectively by the Group on 1 January 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Revised FRS 27 Separate Financial Statements	1 January 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
FRS 110 Consolidated Financial Statements	1 January 2014
FRS 111 Joint Arrangements	1 January 2014
FRS 112 Disclosure of Interests in Other Entities	1 January 2014
Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to the transition guidance of FRS 110 Consolidated Financial Statements, FRS 111 Joint Arrangements and FRS 112 Disclosure of Interests in Other Entities	1 January 2014
Amendments to FRS 110, FRS 112 and FRS 27: Investment Entities	1 January 2014
Amendments to FRS 36: Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
Amendments to FRS 39 Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Improvements to FRS (January 2014)	1 July 2014
Amendments to FRS 19 Defined Benefit Plans: Employee Contribution	1 July 2014
Improvements to FRS (February 2014)	1 July 2014

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations

(a) 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 and dividends 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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(a) Basis of consolidation (Continued)

Business combinations from 1 January 2010 (Continued)

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

– Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

– Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(a) Basis of consolidation (Continued)

Basis of consolidation prior to 1 January 2010 (Continued)

– Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

(b) Business combinations

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.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(b) Business combinations (Continued)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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 prior to 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. Any additional acquired share of interest did not affect previously recognised goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(b) Business combinations (Continued)

Business combinations prior to 1 January 2010 (Continued)

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 were recognised as part of 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 Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Functional and foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

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 measured.

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.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Functional and foreign currency (Continued)

(b) Consolidated financial statements (Continued)

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The 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.

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.

Freehold land and buildings are measured at cost less accumulated depreciation on buildings and impairment loss. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (Continued)

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 equipment	–	10 – 20 years
Motor vehicle	–	3 – 10 years
Renovation	–	2 – 10 years

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 profit or loss in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Subsequent to initial recognition, investment properties are measured at cost less any accumulated impairment losses. No depreciation is provided on the freehold land held as investment property.

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 profit or loss 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of disposal 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 of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Biological assets and agricultural produce

The immature corn, cassava and soya bean plantation costs consist of field preparation, planting, fertilizing and maintenance and an allocation of other related cost. In general, a corn plantation, a cassava plantation and a soya bean plantation take about three months, one year and three months respectively to reach maturity from the time the seedlings are planted.

Plantations in initial stages of growth are stated on initial recognition at cost as market-determined prices or values are not available.

Plantations close to harvest and the harvested product of the Group's biological assets, wet corn, cassava root and soya beans are measured at fair value less estimated point-of-sale costs. The fair value was determined based on the actual selling prices in the local market approximating those at year end and less estimated point-of-sale costs.

Gains or losses arising on initial recognition of plantations at fair value less estimated point-of-sale costs and from the change in fair value less estimated point-of-sale costs of plantations at each reporting date are included in the statement of comprehensive income 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, and 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. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Financial assets (Continued)

Subsequent measurement (Continued)

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

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 measured at fair value with changes in fair value recognised in 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.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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.

Regular way purchase or sale of a financial asset

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

For financial assets carried at amortised cost, the Group first assesses 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short term bank deposits.

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 where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss 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 in accordance with the terms of a debt instrument.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of reporting period.

2.23 Taxes

(a) Current income tax

Current income 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, in the countries where the Group operates and generates taxable income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes (Continued)

(a) Current income tax (Continued)

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 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; and

– 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.

Deferred 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes (Continued)

(b) Deferred tax (Continued)

– in respect of deductible temporary differences associated with investments in subsidiaries, deferred 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 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 recovered.

Deferred 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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes (Continued)

(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, even if that right is not explicitly specified in an arrangement.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Leases (Continued)

(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(e). Contingent rents are recognised as revenue in the period in which they are earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 35, 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, regardless of when the payment is made. 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) 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, usually on delivery of goods. 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.

(b) Resort management

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Revenue (Continued)

(c) *Resort operations*

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

(d) *Sale of development property under construction*

Where development property is under construction and agreement has been reached to sell such property when construction is complete, the Directors consider when the contract comprises:

- A contract to construct a property; or
- A contract for the sale of completed property

(a) Where a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses.

(b) Where the contract is judged to be for the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer (i.e. revenue is recognised using the completed contract method).

(i) If, however, the legal terms of the contract are such that the construction represents the continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition is applied and revenue is recognised as work progresses.

(ii) In Singapore context, INT FRS 115 includes an accompanying note on application of INT FRS 115 in Singapore which requires the percentage of completion method of revenue recognition to be applied to sale of private residential properties in Singapore prior to completion of the properties that are regulated under the Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and uses the standard form of sale and purchase agreements (SPAs) prescribed in the Housing Developers Rules. The accompanying note to INT FRS 115 does not address the accounting treatment for other SPAs, including SPAs with a Deferred Payment Scheme feature in the Singapore.

In the above situations (i) and (ii), the percentage of work completed is measured based on the completion rate certified by the quantity surveyor.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Revenue (Continued)

(e) *Rental income*

Rental income arising from operating lease on investment properties is accounted for on a straight-line basis over the lease terms. 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.

(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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Management is of the opinion that the instances of application of judgment are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimates.

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 equipment's useful lives. Management estimates the useful lives of these plant and equipment to be within 2 to 20 years. The carrying amount of the Group's plant and equipment at 31 December 2013 was $14,378,000 (2012: $11,289,000).

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. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(b) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for its property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The carrying amount of the property, plant and equipment tested for impairment as at 31 December 2013 is $8,154,000 (2012: $5,493,000)

The Group engaged an independent valuer ("Valuer") to perform a valuation on the property. The Valuer have valued the property using the replacement cost method and investment method, and each method is being used as a check against the other. The determination of the value of property under the investment method requires the use of estimates such as future cash flows generated from the property and discount rates. These estimates are based on local market conditions existing at the end of the reporting period. The value of property under the replacement cost method is derived by adding the value of the building and other improvements to the land value. The value of building and other improvements are based on the current construction costs less depreciation.

(c) 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 17 and 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(d) Taxes

The Group has exposure to income and other taxes in numerous jurisdictions, including Singapore and Cambodia. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Group establishes tax provisions, based on reasonable estimates, after assessing the potential tax impact in accordance with prevailing tax legislations in the various jurisdictions. This includes those matters in Notes 9 and 23. 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 as at 31 December 2013 were $195,000 (2012: $513,000). The carrying amount of the Company's tax payable at 31 December 2013 was $2,000 (2012: $2,000).

4. REVENUE

Revenue comprises:

	Group	
	2013	**2012**
	$'000	$'000
Revenue from sale of development properties (recognised on percentage of completion basis)	–	9,661
Sale of goods	3,315	3,281
Resort operations income	827	715
Resort management income	461	360
	4,603	14,017

5. OTHER INCOME

	Group	
	2013	**2012**
	$'000	$'000
Interest income from bank deposits	65	49
Fair value gain on held for trading investment securities	–	10
Gain on sale of held for trading investment securities	–	98
Gain on disposal of property, plant and equipment	25	1,419
Net foreign exchange gain	87	–
Other rental income	95	85
Other sundry income	50	51
	322	1,712

6. OTHER EXPENSES

	Group	
	2013	**2012**
	$'000	$'000
Net foreign exchange loss	–	217
Fixed assets written off	22	–
Loss on disposal of plant and equipment	–	27
Impairment loss on property, plant and equipment (Note 11):		
– land use rights	–	2
– building and structure	–	39
– plant and equipment	–	166
Fair value loss on held for trading investment securities	634	1,222
Allowance for impairment of doubtful debts	22	10
Others	–	25
	678	1,708

7. FINANCE COSTS

	Group 2013 $'000	Group 2012 $'000
Interest expense on:		
– hire purchase	2	1
– term loans	320	420
	322	421

8. LOSS BEFORE TAXATION

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

	Group 2013 $'000	Group 2012 $'000
Personnel expenses (Note 28)	2,100	1,782
Depreciation of property, plant and equipment (Note 11(d))	2,426	2,251
Directors' fees	119	119
Rental of premises and office facilities	36	58
Legal and professional fees	21	71
Auditors' remuneration		
– auditors of the Company and local subsidiaries	106	112
– auditors of the overseas subsidiaries*	25	21
– other auditor	1	3
Non-audit fees paid to auditors of the Company	5	5
Travelling expenses	70	101
Inventories recognised as an expense in cost of sales (Note 14)	4,670	3,362

* Refers to member firm of Ernst & Young Global.

9. INCOME TAX EXPENSE

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	Group	
	2013	**2012**
	$'000	$'000
Statement of comprehensive income:		
Current income tax		
– current income taxation	1	493
– under/(over) provision in respect of prior years	9	(32)
	10	461
Deferred income tax		
– origination and reversal of temporary differences	–	(420)
Income tax expenses recognised in statement of comprehensive income	10	41

(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 2013 and 2012 are as follows:

	Group	
	2013	**2012**
	$'000	$'000
Loss before taxation	(7,693)	(3,269)
Tax credit at the domestic rates applicable to losses in the countries where the Group operates	(1,482)	(556)
Income not subject to taxation	(82)	(124)
Non-deductible expenses	627	148
Utilisation of previously unrecognised tax losses	–	(229)
Current year losses for which no deferred tax asset was recognised	963	987
Effect of partial tax exemption	(3)	(25)
Under/(Over) provision in respect of prior years	9	(32)
Others	(22)	(128)
	10	41

9. INCOME TAX EXPENSE (CONTINUED)

(c) 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(b)]. 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.

(d) Since the incorporation of its subsidiaries in Cambodia, the Group had extended financial support through interest-free loans to these subsidiaries to assist these subsidiaries in the acquisition of assets and services. The aggregate loans amounted to $25,198,000 (USD19,594,000) by 2010. Under tax laws in Cambodia, a deemed interest was previously imputed on loans from a non-resident person and resident person which were subjected to 14% and 15% withholding tax respectively. Withholding tax was due if and when the payer remits the payment to the beneficiary.

During the financial year ended 31 December 2010, the Group had progressively converted an aggregate amount of $22,497,000 (USD17,494,000) into share capital of these subsidiaries. The Group had deemed aggregate $25,198,000 of loans as quasi-equity and consequently were not subjected to withholding tax in Cambodia.

Subsequent to 31 December 2010, the Group deemed interest on remaining outstanding loans and subjected the deemed interest to 14% and 15% withholding tax accordingly. During the financial year ended 31 December 2012, the Cambodia tax authorities agreed to the deemed interest rate applied by the Group.

On 2 October 2013, the General Taxation Department of Cambodia, issued Circular No. 1707 to instruct all tax units that for enterprises who recorded loan in the balance sheet but did not record any interest expense, the tax units shall neither create a "deemed interest expense" to impose withholding tax on the enterprises nor a "deemed subsidy" to determine the taxable income of the enterprises for tax on profit purpose. Accordingly, the Group has since 2 October 2013 ceased to subject the deemed interest to withholding tax on the outstanding loans.

9. INCOME TAX EXPENSE (CONTINUED)

(e) The corporate income tax rate applicable to Singapore companies of the Group is 17%.

HLH Agri (Cambodia) Co. Ltd ("HLHA") is a Qualified Investment Project (QIP) registered with the Council for the Development of Cambodia. HLHA is entitled to exemption from the tax on profit imposed under the Law on Taxation covering the tax exemption period of not more than 9 years which comprises 3-year Trigger Period + 3-year + 3-year Priority Period. The validity of this tax incentive is dependent on the HLHA meeting all the terms and conditions set by the Council for the Development of Cambodia.

HLHI (Cambodia) Co Ltd is subject to tax on profit at the rate of 20% of taxable income or minimum tax based on 1% of turnover, whichever is higher.

10. LOSS PER SHARE (CENTS)

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

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	
	2013	**2012**
	$'000	$'000
Net loss attributable to owners of the Company	(7,690)	(3,859)
Weighted average number of ordinary shares for basic loss per share computation	3,957,211,329	3,845,804,302
Weighted average number of ordinary shares for diluted loss per share computation	3,957,211,329	3,845,804,302

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Leasehold land	Land use rights(c)	Leasehold improvement	Building and structure
	$'000	$'000	$'000	$'000	$'000
Cost					
As at 1.1.2012	2,620	5,455	1,176	7,116	10,147
Additions	–	428	–	2,084	168
Reclassification	–	–	–	(603)	–
Disposal	–	–	–	–	(607)
Translation differences	(155)	(269)	(57)	(419)	(257)
As at 31.12.2012 and 1.1.2013	2,465	5,614	1,119	8,178	9,451
Additions	7	–	–	1,983	3,013
Reclassification	–	–	–	1,445	57
Disposal	–	–	–	–	–
Translation differences	87	150	74	319	173
As at 31.12.2013	2,559	5,764	1,193	11,925	12,694
Accumulated depreciation and impairment loss					
As at 1.1.2012	–	340	341	93	1,671
Charge for the year (d)	–	121	17	105	494
Impairment loss (c)	–	–	2	–	39
Disposal	–	–	–	–	(127)
Translation differences	–	(11)	(17)	(8)	(39)
As at 31.12.2012 and 1.1.2013	–	450	343	190	2,038
Charge for the year (d)	–	140	18	133	559
Disposal	–	–	–	–	–
Translation differences	–	8	24	8	41
As at 31.12.2013	–	598	385	331	2,638
Net book value					
As at 31.12.2013	2,559	5,166	808	11,594	10,056
As at 31.12.2012	2,465	5,164	776	7,988	7,413

	Construction-in-progress $'000	Computers $'000	Furniture and fittings $'000	Machineries and equipment $'000	Motor vehicles $'000	Office equipment $'000	Renovation $'000	Total $'000
	86	224	531	13,645	908	131	215	42,254
	3,386	4	10	1,652	476	4	6	8,218
	603	–	–	–	–	–	–	–
	–	(18)	(133)	(363)	(164)	(3)	(132)	(1,420)
	(114)	(1)	(3)	(818)	(45)	(4)	(4)	(2,146)
	3,961	209	405	14,116	1,175	128	85	46,906
	19	63	32	1,156	906	26	–	7,205
	(4,054)	–	–	2,552	–	–	–	–
	–	(15)	(19)	(266)	(425)	(4)	–	(729)
	93	2	2	538	31	2	2	1,473
	19	259	420	18,096	1,687	152	87	54,855
	–	160	286	2,399	304	47	115	5,756
	–	36	70	1,375	288	17	13	2,536
	–	–	1	165	–	–	–	207
	–	(18)	(72)	(48)	(48)	(1)	(92)	(406)
	–	(1)	(1)	(152)	(12)	(1)	(1)	(243)
	–	177	284	3,739	532	62	35	7,850
	–	27	61	1,451	257	25	10	2,681
	–	(14)	(10)	(118)	(352)	(1)	–	(495)
	–	1	1	146	9	–	1	239
	–	191	336	5,218	446	86	46	10,275
	19	68	84	12,878	1,241	66	41	44,580
	3,961	32	121	10,377	643	66	50	39,056

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Computers	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
As at 1.1.2012	30	11	151	3	23	218
Additions	4	–	305	–	6	315
As at 31.12.2012 and 1.1.2013	34	11	456	3	29	533
Additions	44	–	–	20	–	64
Disposal	–	–	(305)	–	–	(305)
As at 31.12.2013	78	11	151	23	29	292
Accumulated depreciation						
As at 1.1.2012	27	5	116	2	11	161
Charge for the year	1	1	200	1	5	208
As at 31.12.2012 and 1.1.2013	28	6	316	3	16	369
Charge for the year	4	1	140	2	5	152
Disposal	–	–	(305)	–	–	(305)
As at 31.12.2013	32	7	151	5	21	216
Net book value						
As at 31.12.2013	46	4	–	18	8	76
As at 31.12.2012	6	5	140	–	13	164

(a) The Group and the Company had a motor vehicle under finance lease (Note 30c) with net book value of $249,000 (2012: $5,000) and $nil (2012: $5,000) respectively. The leased asset is pledged as security for the related financial lease liabilities.

(b) In 2009, a subsidiary entered into an agreement with an individual for a total consideration of $4,907,000 (Note 9c) 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 $4,127,000 (2012: $4,046,000) and is included in the Group's leasehold land.

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) 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 44 years (2012: 45 years).

During the financial year, the subsidiary carried out a review of the recoverable amount of its land use rights as the subsidiary had ceased operations in the prior years. Based on the review, the recoverable amount is more than its carrying value. In the financial year ended 31 December 2012, an impairment loss of $2,000 was recorded to write-down the land use rights to the recoverable amount and the impairment loss was recognised in "Other expenses" (Note 6) in the consolidated statement of comprehensive income.

The recoverable amount was determined based on valuation performed by an independent Chinese valuer, Tieling Xin Da Valuation Co Ltd. The valuer has used sales comparison approach by referencing to recent transactions of similar items, and made appropriate adjustments for differences in use, size, structure, etc.

	Group	
	2013	**2012**
	$'000	$'000
Amount to be amortised:		
– Not later than one year	18	18
– Later than one year but not later than five years	74	68
– Later than five years	715	690
	807	776

(d) During the year, depreciation of $255,000 (2012: $285,000) in respect of machineries used in the initial clearing of agricultural plantation land has been capitalised as part of leasehold improvement.

The cash flow for purchases of property, plant and equipment is as follows:

	2013	**2012**
	$'000	$'000
Aggregate additions of property, plant and equipment for the year per Note 11	7,205	8,218
Less: Capitalisation of depreciation of machineries used for land clearing	(255)	(285)
Purchase of property, plant and equipment per cash flow statement	6,950	7,933

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expense charged to consolidated statement of comprehensive income is as follows:

	2013	2012
	$'000	$'000
Aggregate depreciation of property, plant and equipment per Note 11	2,681	2,536
Less: Capitalisation of depreciation on machineries to leasehold improvement	(255)	(285)
Depreciation of property, plant and equipment per consolidated statement of comprehensive income	2,426	2,251

12. INVESTMENT PROPERTY

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Balance sheet:				
At cost				
At beginning and end of the year	276	276	276	276

The investment property held by the Group as at 31 December 2013 is as follow:

Description and location	Existing use	Tenure	Land Area	Carrying value
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

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

12. INVESTMENT PROPERTY (CONTINUED)

Valuation of investment property

The investment property is stated at cost. The fair value of the investment property has been determined to be $253,000 (2012: $276,000) based on valuations performed by an independent valuer with recent experience in the location and category of the property being valued. Details of valuation techniques and inputs used are disclosed in Note 32. Since the valuation is close to the carrying value, management has assessed that there is no impairment to the investment property's carrying value.

13. INVESTMENT IN SUBSIDIARIES

(a) Investment in subsidiaries comprises:

	Company	
	2013	2012
	$'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 2013:

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held		Cost of investment	
			2013	2012	2013	2012
			%	%	$'000	$'000
Held by the Company						
Hong Lai Huat International 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 (CONTINUED)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held	
			2013	2012
			%	%
(A) Held by HLH Agri International Pte Ltd				
HLH Agri R&D Pte Ltd*	Agricultural research and experimentation including trading	Singapore	100	100
HLH Global Trading Pte Ltd*	Dormant	Singapore	100	100
BH Agriculture Pte. Ltd.@ (i)	Dormant	Singapore	–	100
Tieling HLH Agri Processing Co. Ltd (China)@	Dormant	China	85	85
HLHI (Cambodia) Co. Ltd** (ii)	Investment holding, property investment	Cambodia	49	49
HLH Agri (Cambodia) Co. Ltd**	Agriculture plantation, processing and distribution	Cambodia	100	100
HLHS (Cambodia) Co. Ltd^@	Dormant	Cambodia	70	70

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held 2013 %	2012 %
(B) Held by HLH Development Pte Ltd				
Lithium Development Pte Ltd*	Investment holding, property investment	Singapore	100	100
Fresco Development Pte Ltd*[(iii)]	Property development and real estate	Singapore	70	70
Castilia Development Pte Ltd*	Property development and real estate	Singapore	80	80
Almira Development Pte Ltd*	Property development and real estate	Singapore	100	100

(i) The subsidiary was struck off during the financial year.

(ii) A director of the Company holds 51% interest in HLHI (Cambodia) Co. Ltd, in trust for the Group. HLHI (Cambodia) Co. Ltd is treated as a subsidiary and consolidated at 100%.

(iii) In the process of being struck off.

^ 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 firm of Ernst & Young Global.

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

14. INVENTORIES

	Group 2013 $'000	Group 2012 $'000
Balance sheet:		
Processed corn	1,574	2,102
Raw materials	132	94
Consumables	570	466
Machineries and spare parts	490	334
	2,766	2,996
Comprehensive income statement:		
Inventories recognised as an expense in cost of sales (Note 8)	4,670	3,362

15. BIOLOGICAL ASSETS

	Group 2013 $'000	Group 2012 $'000
At 1 January	129	55
Additions*	4,408	3,681
Loss on changes in fair value less costs to sell	(844)	(212)
Decreases due to harvest*	(3,610)	(3,395)
At 31 December	83	129

* These are additions and decreases to corn, cassava and soya bean plantations during the year.

During the financial year, the Group harvested approximately 11,535 tonnes (2012: 18,227 tonnes) of wet corn, which had a fair value less estimated point-of-sale costs of approximately S$2,904,000 (2012: S$4,660,000).

The fair value of wet corn has been determined based on the estimate of wet corn selling prices less estimated point-of-sale costs.

16. ADVANCES TO NON-CONTROLLING SHAREHOLDERS

	Group	
	2013	**2012**
	$'000	$'000
Advances to non-controlling shareholders		
– non-trade	1,100	2,400

Non-trade advances to non-controlling shareholders are unsecured, interest-free, repayable on demand and are to be settled in cash.

The advances to non-controlling shareholders pertain to advances made to the non-controlling shareholders of Fresco Development Pte Ltd and Castilia Development Pte Ltd.

The amounts were paid out of the development project surplus after the development projects of Fresco Development Pte Ltd and Castilia Development Pte Ltd obtained Temporary Occupation Permit. The amounts were paid out in proportion to the equity interest of the non-controlling interests.

17. TRADE RECEIVABLES

	Group	
	2013	**2012**
	$'000	$'000
Trade receivables		
– Agriculture division	277	130
– Property development and real estate division	–	1,897
	277	2,027

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.

17. TRADE RECEIVABLES (CONTINUED)

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

	Group	
	2013	**2012**
	$'000	$'000
Less than 30 days	27	32
30 days to 60 days	52	17
61 days to 90 days	13	12
Over 90 days	29	26
At end of year	121	87

Trade receivables denominated in foreign currency at the end of the reporting period is as follows:

	Group	
	2013	**2012**
	$'000	$'000
USD	96	27

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Other receivables	427	266	22	13
Deposits (net of allowance for impairment)	212	384	–	–
Other receivables and deposits	639	650	22	13
Prepayments	94	363	6	5
	733	1,013	28	18

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

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

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Other receivables	3	3	–	–
Less: Allowance for impairment (Note i)	(3)	(3)	–	–
	–	–	–	–

Other receivables and deposits denominated in foreign currencies at the end of the reporting period are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
USD	520	282	–	–
RMB	30	–	–	–

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.

19. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2013	2012
	$'000	$'000
Due from subsidiaries		
– trade	8,697	9,486
– non-trade	73,671	63,720
	82,368	73,206
Less: Allowance for doubtful debts	(2,697)	(2,697)
	79,671	70,509
Allowance for doubtful debts during the year is as follows:		
At beginning and end of year	2,697	2,697
Due to subsidiaries		
– non-trade	(11,067)	(12,962)

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

20. INVESTMENT SECURITIES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Held for trading investments				
– equity instruments (quoted)	635	1,226	633	1,222

21. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash at banks and in hand	3,986	5,898	193	2,152
Short-term fixed deposits with financial institutions	6,112	15,020	6,112	15,020
	10,098	20,918	6,305	17,172

21. CASH AND SHORT-TERM DEPOSITS (CONTINUED)

For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2013	**2012**
	$'000	$'000
Cash and bank balances (as above)	10,098	20,918
Less: Fixed deposit pledged	(4,100)	–
Cash and cash equivalents, per consolidated cash flow statement	5,998	20,918

As at 31 December 2013, fixed deposit of $4,100,000 was pledged as security for short term loan facilities denominated in USD. All outstanding short term loan amounts have been fully repaid as of the year end. Accordingly, the pledge on the fixed deposit was released on 5 February 2014.

Cash at banks and fixed deposits earn interest at floating rates based on daily deposit rates ranging from 0.25% to 0.69% (2012: 0.28% to 0.72%) per annum. Fixed deposits are held for varying periods of between 1 to 3 months.

For the financial year ended 31 December 2012, the Group's cash and bank balances included amounts of $2,020,000 held under the Project Account Rules (1997 Ed) and withdrawals from which are restricted to payments for development expenditure incurred on development properties held for sale. In 2013, the amounts were released as the projects were completed.

Cash and deposits denominated in foreign currencies at the end of the reporting period are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
USD	1,416	218	–	–
RMB	6	6	–	–

22. TRADE PAYABLES

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

Trade payables denominated in foreign currency at the end of the reporting period is as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
USD	182	507	–	–

23. DEFERRED TAX

The Group has tax losses of approximately $30,322,000 (2012: $24,808,000) that are available for offset against future taxable profits of the Group for which deferred tax assets amounting to approximately $5,657,000 (2012: $4,552,000) 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.

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Other payables	161	204	26	34
Deposits received	1,554	84	–	–
Accrued operating expenses	973	1,882	353	371
	2,688	2,170	379	405
Deferred income	11	–	–	–
	2,699	2,170	379	405

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

24. OTHER PAYABLES AND ACCRUALS (CONTINUED)

Other payables, deposits received and accrued operating expenses denominated in foreign currencies at the end of the reporting period are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
USD	1,584	163	–	–
RMB	37	36	–	–

25. LOANS AND BORROWINGS

	Year of maturity	Group		Company	
		2013	**2012**	**2013**	**2012**
		$'000	$'000	$'000	$'000
Current:					
Bank term loan A (secured)	2015	1,989	5,609	–	–
Obligations under finance leases (Note 30 (c)	2013-2018	23	4	–	4
		2,012	5,613	–	4
Non-current:					
Bank term loan A (secured)	2015	2,115	–	–	–
Obligations under finance leases (Note 30 (c)	2013-2018	100	–	–	–
		2,215	–	–	–
Total loans and borrowings		4,227	5,613	–	4

25. LOANS AND BORROWINGS (CONTINUED)

Term loan A

Term loan A 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 equipment 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.

As at 31 December 2013, a covenant of the term loan was breached. The Group's subsidiary did not fulfil the required Historic Debt Service Cover Ratio as at the specified Calculation date of 31 December 2013 in accordance with the loan agreement. The lenders are contractually entitled to request for immediate repayment of the entire outstanding loan balance of $4,104,000.

On 31 December 2013, the lenders have formally waived the requirement for compliance with the above covenant with effect from 31 December 2013 until the review of the covenant on 31 December 2014. Hence, following FRS 1 *Presentation of Financial Statement*, the non-current portion of the loan continues to be classified as a non-current liability.

For 31 December 2012, a similar breach occurred. However the formal waiver was obtained on 8 February 2013 from the lenders. Accordingly, following FRS 1 *Presentation of Financial Statement*, the entire outstanding loan amount was classified as current liability.

26. SHARE CAPITAL

	Group and Company			
	2013		2012	
	No. of ordinary shares	$'000	No. of ordinary shares	$'000
Issued and fully paid				
At 1 January and 31 December	3,957,211,329	105,426	3,957,211,329	105,426

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.

27. RESERVES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Capital reserve (Note (i))	481	481	(459)	(459)
Foreign currency translation (Note (ii))	(1,804)	(2,956)	–	–
Accumulated losses	(52,425)	(44,735)	(28,426)	(27,979)
	(53,748)	(47,210)	(28,885)	(28,438)

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.

28. PERSONNEL EXPENSES

	Note	Group 2013 $'000	Group 2012 $'000
Salaries and bonuses		1,842	1,562
Central Provident Fund contribution		118	141
Other short-term benefits		140	79
	8	2,100	1,782

Key management and directors' remuneration included above is disclosed in Note 29 (c) and (d).

29. RELATED PARTY DISCLOSURES

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

(a) Transactions, arrangements and agreements involving directors and other related parties

	Note	Group 2013 $'000	Group 2012 $'000
Payments for construction work for D'Castilia, 45 Joo Chiat Lane	(i)	–	1,888
Management fee income in respect of beer garden and restaurant operations at D'Kranji Farm Resort	(ii)	385	219
Provision of shuttle bus service at D'Kranji Farm Resort	(iii)	47	73
Renovation and upgrading works at D'Kranji Farm Resort	(iv)	2,418	321
Staff costs	(v)	227	210

(i) The payments relate to the certification of progress claims for work done for D'Castilia development project. The non-controlling shareholder is also the main contractor for D'Castilia development project. The main contract was awarded to the non-controlling shareholder on 2 December 2010. The payments were made in accordance with the terms of the awarded contract.

29. RELATED PARTY DISCLOSURES (CONTINUED)

(a) Transactions, arrangements and agreements involving directors and other related parties (Continued)

(ii) The shuttle bus service at D'Kranji Farm Resort was provided by a sole proprietorship owned by a close family member of a key management personnel of the Group. The engagement was awarded based on better monthly charges quoted as compared to quotations obtained from at least two other sources.

(iii) The subsidiary, HLH Agri R & D Pte Ltd has entered into agreements with a partnership owned by close family members of a director of the Group. 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.

(iv) A Company owned by close family member of a director of the Group was engaged to perform renovation and upgrading works at D'Kranji Farm Resort.

(v) Staff costs of $227,000 (2012: $210,000) 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.

(b) Transactions with subsidiaries

	Company	
	2013	**2012**
	$'000	$'000
Management fees from subsidiaries	1,500	1,680

(c) Compensation of key management personnel

	Group	
	2013	**2012**
	$'000	$'000
Short term employee benefits	926	811
Central Provident Fund contributions	34	24
	960	835
Comprise amounts paid to:		
Directors of the Company	581	655
Other key management personnel	379	180
	960	835

29. RELATED PARTY DISCLOSURES (CONTINUED)

(d) *Directors' remuneration*

	2013			2012		
Company	**Executive directors**	**Non-executive directors**	**Total**	**Executive directors**	**Non-executive directors**	**Total**
$500,000 to $749,999	1	–	1	–	–	–
$250,000 to $499,999	–	–	–	1	–	1
$0 to $249,999	–	4	4	1	4	5
	1	4	5	2	4	6

30. COMMITMENTS

(a) *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	
	2013	**2012**
	$'000	$'000
Within one year	116	50
Later than one year but not later than five years	184	–
	300	50

30. COMMITMENTS (CONTINUED)

(b) Operating lease commitments – as lessee

During the previous financial years, the Group had entered into various commercial leases in Cambodia for the use of office premise and staff accommodation. These non-cancellable 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.

During the financial year ended 31 December 2010, a subsidiary entered into a concession agreement with the Royal Government of Cambodia to obtain rights to use a parcel of land with an area of 9,985 hectares for a period of 70 years (Note 11(b)). Under the concession agreement, the subsidiary shall pay USD1 per hectare per annum from year 2014 to year 2078 for environmental protection of the land parcel in accordance with the Law on Environmental Protection Area and National Resource Management.

Minimum lease payments recognised as an expense in the statement of comprehensive income for the financial year ended 31 December 2013 amounted to $36,000 (2012: $47,000).

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

	Group		**Company**	
	2013	**2012**	**2013**	**2012**
	$'000	$'000	$'000	$'000
Not later than one year	38	29	–	–
Later than one year but not later than five years	50	73	–	–
Later than five years	758	744	–	–
	846	846	–	–

30. COMMITMENTS (CONTINUED)

(c) Finance lease commitments

The Group has finance lease for a motor vehicle [Note 11(a)] during the financial year. The lease has remaining term of approximately 5 years. The lease agreement does not have terms of renewal and purchase options. In the financial year ended 31 December 2012, the Group had also finance leased for a motor vehicle.

The effective interest rate for the finance lease is 4.92% (2012: 4.56%) per annum.

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

	2013		**2012**	
	Minimum lease payments	**Present value of payments**	**Minimum lease payments**	**Present value of payments**
	$'000	$'000	$'000	$'000
Group and Company				
Not later than one year	29	23	4	4
One to five years	109	100	–	–
Total minimum lease payments	138	123	4	4
Less: Amounts representing finance charges	(15)	–	–	–
Present value of minimum lease payments	123	123	4	4

30. COMMITMENTS (CONTINUED)

(d) Joint operations agreement

On 26 December 2013, HLH Agri (Cambodia) Co. Ltd ("HLHAC"), had entered into a joint operations agreement with Zhong Fu International Investment (Cambodia) Ltd ("Zhong Fu") in respect of the cultivation, processing and production of cassava (or maize and sugarcane) at HLHAC's 9,985 hectares of farmland plantation ("Plantation") situated in the Aoral District, Kampong Speu Province, Cambodia. The joint operations are for a period of 5 years (with an option to renew for a further term of 5 years) and commences on 1 January 2014. Under the joint operations agreement, HLHAC shall grant Zhong Fu the right to use the Plantation and Zhong Fu shall be solely responsible for all costs relating to, the planting, harvesting, processing, and sale of cassava (or maize and sugarcane) cultivated on the Plantation. In return Zhong Fu shall pay HLHAC US$3 million each year for the first 2 years and subsequently US$4 million each year for the next 3 years, either in cash or crop of the equivalent value based on the market prices, at HLHAC's option.

31. CONTINGENCIES

Contingent liabilities

<u>Corporate guarantees</u>

The Group has provided corporate guarantees of $4,104,000 (2012:$6,638,000) to financial institutions for a subsidiary's bank loan.

<u>Withholding taxes</u>

The Group has certain contingent liabilities relating to withholding tax obligation as disclosed in Note 9 (c).

32. FAIR VALUE OF ASSETS AND LIABILITIES

(a) 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).

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets measured at fair value

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

	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Recurring fair value measurements				
Financial assets:				
Held for trading investments (Note 20)	635	–	–	635

Determination of fair values

Quoted equity instruments (Note 20): Fair values are determined directly by reference to their published market bid price at the end of the reporting period.

32. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) *Assets not carried at fair value but for which fair value is disclosed*

The following table shows an analysis of the asset not measured at fair value at end of the reporting period but for which fair value is disclosed

	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	$'000	$'000	$'000	$'000
Non-recurring fair value measurements				
Non-financial asset:				
Investment property (Note 12)	–	–	253	253

Investment property (Note 12): The valuer has used the market comparable approach in deriving the fair value of the freehold land. The significant unobservable input used in the valuation was the market transacted prices of properties within the vicinity of the freehold land. Adjustments are made to the market transacted prices for any difference in the nature, location or condition of the freehold land.

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

The carrying amounts of trade receivables (Note 17), other receivables and deposits (Note 18), cash and short-term deposits (Note 21), trade payables (Note 22), other payables and accruals (Note 24), loan and borrowings (Note 25) and amounts due to/from subsidiaries (Note 19) 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 at or near the end of the reporting period.

33. FINANCIAL INSTRUMENTS

Classification of financial instruments

	Note	Loans and receivables	Held for trading	Financial liabilities at amortised cost	Total
		$'000	$'000	$'000	$'000
2013					
Group					
Assets					
Trade receivables	17	277	–	–	277
Other receivables and deposits	18	639	–	–	639
Investment securities	20	–	635	–	635
Cash and short-term deposits	21	10,098	–	–	10,098
Total financial assets		11,014	635	–	11,649
Total non-financial assets					48,899
Total assets					60,548
Liabilities					
Trade payables	22	–	–	334	334
Other payables and accruals	24	–	–	2,688	2,688
Loans and borrowings	25	–	–	4,227	4,227
Total financial liabilities		–	–	7,249	7,249
Total non-financial liabilities					206
Total liabilities					7,455

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

33. FINANCIAL INSTRUMENTS (CONTINUED)

Classification of financial instruments (Continued)

	Note	Loans and receivables	Held for trading	Financial liabilities at amortised cost	Total
		$'000	$'000	$'000	$'000
2012					
Group					
Assets					
Trade receivables	17	2,027	–	–	2,027
Other receivables and deposits	18	650	–	–	650
Investment securities	20	–	1,226	–	1,226
Cash and short-term deposits	21	20,918	–	–	20,918
Total financial assets		23,595	1,226	–	24,821
Total non-financial assets					45,220
Total assets					70,041
Liabilities					
Trade payables	22	–	–	612	612
Other payables and accruals	24	–	–	2,170	2,170
Loans and borrowings	25	–	–	5,613	5,613
Total financial liabilities		–	–	8,395	8,395
Total non-financial liabilities					513
Total liabilities					8,908

33. FINANCIAL INSTRUMENTS (CONTINUED)

Classification of financial instruments (Continued)

	Note	Loans and receivables	Held for trading	Financial liabilities at amortised cost	Total
		$'000	$'000	$'000	$'000
2013					
Company					
Assets					
Other receivables and deposits	18	22	–	–	22
Amounts due from subsidiaries	19	79,671	–	–	79,671
Investment securities	20	–	633	–	633
Cash and short-term deposits	21	6,305	–	–	6,305
Total financial assets		85,998	633	–	86,631
Total non-financial assets					1,358
Total assets					87,989
Liabilities					
Other payables and accruals	24	–	–	379	379
Amounts due to subsidiaries	19	–	–	11,067	11,067
Total financial liabilities		–	–	11,446	11,446
Total non-financial liabilities					2
Total liabilities					11,448

33. FINANCIAL INSTRUMENTS (CONTINUED)

Classification of financial instruments (Continued)

	Note	Loans and receivables $'000	Held for trading $'000	Financial liabilities at amortised cost $'000	Total $'000
2012					
Company					
Assets					
Other receivables and deposits	18	13	–	–	13
Amounts due from subsidiaries	19	70,509	–	–	70,509
Investment securities	20	–	1,222	–	1,222
Cash and short-term deposits	21	17,172	–	–	17,172
Total financial assets		87,694	1,222	–	88,916
Total non-financial assets					1,445
Total assets					90,361
Liabilities					
Other payables and accruals	24	–	–	405	405
Amounts due to subsidiaries	19	–	–	12,962	12,962
Loans and borrowings	25	–	–	4	4
Total financial liabilities		–	–	13,371	13,371
Total non-financial liabilities					2
Total liabilities					13,373

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 key financial risks include interest rate risk, credit risk, liquidity risk, foreign currency risk and market price risk. The Group's risk management policy focuses on the foreign 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.

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

(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's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing deposits placed with various financial institutions. The Group's and the Company's policy are to obtain the most favourable interest rates available.

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 loss before tax would have been approximately $59,000 (2012: $93,000) higher/lower, arising mainly as a result of lower/higher interest income on interest bearing deposits.

(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 short-term deposits), the Group and the Company minimise credit risk by dealing with good credit rating counterparties.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (Continued)

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:

– a nominal amount of $4,104,000 (2012: $5,613,000) relating to corporate guarantees provided by the Company for a subsidiary's bank loan.

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:

	2013		2012	
	$'000	%	$'000	%
By industry sectors:				
Property development and real estate	–	–	1,898	93.6
Agriculture	277	100.0	129	6.4
	277	100.0	2,027	100.0
By country:				
Singapore	181	65.3	2,000	98.6
Cambodia	96	34.7	27	1.4
	277	100.0	2,027	100.0

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk (Continued)

Credit risk concentration profile (Continued)

Financial assets that are neither past due or impaired

As at the end of the reporting period, approximately nil% (2012: 94%) of the Group's trade receivables comprises balance proceeds receivable for the sale of a development property which is collectible upon the issuance of the Certificate of Statutory Completion. As at the date of this report, 100% (2012: nil%) of the balance proceeds have been received.

The remaining trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short-term deposits 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 17 (Trade receivables), Note 18 (Other receivables and deposits), and Notes 19 and 16 (Amounts due from/(to) subsidiaries/non-controlling shareholders).

(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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (Continued)

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.

	2013				2012			
	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 (Note 17)	277	–	–	277	2,027	–	–	2,027
Other receivables and deposits (Note 18)	639	–	–	639	650	–	–	650
Investment securities (Note 20)	635	–	–	635	1,226	–	–	1,226
Cash and short-term deposits (Note 21)	10,098	–	–	10,098	20,918	–	–	20,918
Total undiscounted financial assets	11,649	–	–	11,649	24,821	–	–	24,821
Financial liabilities:								
Trade payables (Note 22)	334	–	–	334	612	–	–	612
Other payables and accruals (Note 24)	2,688	–	–	2,688	2,170	–	–	2,170
Loans and borrowings (Note 25)	2,012	2,215	–	4,227	5,613	–	–	5,613
Total undiscounted financial liabilities	5,034	2,215	–	7,249	8,395	–	–	8,395
Total net undiscounted financial assets/(liabilities)	6,615	(2,215)	–	4,400	16,426	–	–	16,426

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (Continued)

	2013				2012			
	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 18)	22	–	–	22	13	–	–	13
Amount due from subsidiaries (Note 19)	79,671	–	–	79,671	70,509	–	–	70,509
Investment securities (Note 20)	633	–	–	633	1,222	–	–	1,222
Cash and short-term deposits (Note 21)	6,305	–	–	6,305	17,172	–	–	17,172
Total undiscounted financial assets	86,631	–	–	86,631	88,916	–	–	88,916
Financial liabilities:								
Other payables and accruals (Note 24)	379	–	–	379	405	–	–	405
Amount due to subsidiaries (Note 19)	11,067	–	–	11,067	12,962	–	–	12,962
Loans and borrowings (Note 25)	–	–	–	–	4	–	–	4
Total undiscounted financial liabilities	11,446	–	–	11,446	13,371	–	–	13,371
Total net undiscounted financial assets/(liabilities)	75,185	–	–	75,185	75,545	–	–	75,545

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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.

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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD exchange rates SGD, with all other variables held constant.

	Group	
	Profit before tax	
	2013	**2012**
	$'000	$'000
USD – strengthen 5% (2012: 5%)	1,473	1,027
USD – weaken 5% (2012: 5%)	(1,473)	(1,027)

(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.

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% (2012: 5%) higher/lower, the Group would have an increase/decrease in the other operating income of approximately $32,000 (2012: $61,000) 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 2013 and 31 December 2012.

The Group monitors capital using a gearing ratio, which is loans and borrowings divided by total capital which include equity attributable to the owners of the Company and non-controlling interests. The Group's policy is to maintain gearing ratio below 60%.

	Group	
	2013	**2012**
	$'000	$'000
Loans and borrowings (Note 25)	4,227	5,613
Equity attributable to the owners of the Company	51,678	58,216
Non-controlling interests	1,415	2,917
Total capital	53,093	61,133
Gearing ratio	8%	9%

36. 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 carries on the business of agricultural development, cultivation, branding and merchandising, distribution of corn for the processing and animal feed milling industries and includes the agriculture-related resort business.

(ii) *Property Development and Real Estate Division*

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

(iii) *Others*

Others segment comprises:

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

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

36. SEGMENT INFORMATION (CONTINUED)

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.

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

	Agriculture Division $'000	Property development and real estate Division $'000	Others $'000	Adjustments and eliminations $'000	Note	Group $'000
2013						
Revenue						
External sales	4,603	–	–	–		4,603
Inter-segment sales	–	–	1,500	(1,500)	A	–
	4,603	–	1,500	(1,500)		4,603
Results:						
Interest income	1	–	64	–		65
Gain on disposal of property, plant and equipment	25	–	–	–		25
Fair value loss on held for trading investment securities	–	(1)	(633)	–		(634)
Fair value adjustment to agricultural produce	(844)	–	–	–		(844)
Depreciation	(2,253)	(21)	(152)	–		(2,426)
Finance costs	(322)	–	–	–		(322)
Segment (loss)/profit	(6,284)	200	(446)	(1,163)	A	(7,693)
Assets:						
Additions to non-current assets	6,886	–	64	–		6,950
Segment assets	53,101	129	7,318	–		60,548
Segment liabilities	(2,246)	(408)	(379)	(4,422)	B	(3,033)

36. SEGMENT INFORMATION (CONTINUED)

	Agriculture Division $'000	Property development and real estate Division $'000	Others $'000	Elimination $'000	Note	Group $'000
2012						
Revenue						
External sales	4,356	9,661	–	–		14,017
Inter-segment sales	–	–	1,991	(1,991)	A	–
	4,356	9,661	1,991	(1,991)		14,017
Results:						
Interest income	2	5	42	–		49
(Loss)/gain on disposal of property, plant and equipment	(27)	1,419	–	–		1,392
Fair value gain/(loss) on held for trading investment securities	–	10	(1,222)	–		(1,212)
Fair value adjustment to agricultural produce	(212)	–	–			(212)
Depreciation	(2,030)	(12)	(209)	–		(2,251)
Impairment loss on property, plant and equipment	(207)	–	–	–		(207)
Finance costs	(411)	(9)	(1)	–		(421)
Segment profit/(loss)	(5,634)	4,498	(3,342)	1,209	A	(3,269)
Assets:						
Additions to non-current assets	7,619	–	314	–		7,933
Segment assets	43,692	7,278	19,071	–		70,041
Segment liabilities	(974)	(1,377)	(431)	(6,126)	B	(8,908)

Note: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A Relates to inter-segment transactions eliminated on consolidation.

36. SEGMENT INFORMATION (CONTINUED)

B The following items are added to segment liabilities to arrive at total liabilities reported:

	2013	2012
	$'000	$'000
Loans and borrowings	4,227	5,613
Provision for taxation	195	513
	4,422	6,126

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	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Singapore	1,288	10,736	8,413	5,802
Cambodia	3,315	3,281	35,267	32,392
Others	–	–	1,176	1,138
Total	4,603	14,017	44,856	39,332

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.

37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 24 March 2014.

ANALYSIS OF SHAREHOLDINGS

As at 12 March 2014

ISSUED AND FULLY PAID UP CAPITAL	:	S$105,425,589
NO. OF SHARES ISSUED	:	3,957,211,329
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	97	1.23	45,886	0.00
1,000 – 10,000	760	9.60	4,006,866	0.10
10,001 – 1,000,000	6,670	84.30	1,294,709,187	32.72
1,000,001 and above	385	4.87	2,658,449,390	67.18
TOTAL	7,912	100.00	3,957,211,329	100.00

TOP TWENTY SHAREHOLDERS AS AT 12 MARCH 2014	NO. OF SHARES	%
ONG BEE HUAT	415,255,500	10.49
WONG WEN-YOUNG	415,255,500	10.49
HSU HUNG-CHUN	120,000,000	3.03
WAN CHUNG CONSTRUCTION (SINGAPORE) PTE LTD	89,400,000	2.26
ONG TECK BENG (WANG DEMING)	85,500,000	2.16
MERRILL LYNCH (SINGAPORE) PTE LTD	71,549,000	1.81
UNITED OVERSEAS BANK NOMINEES PTE LTD	61,610,494	1.56
UOB KAY HIAN PTE LTD	55,882,000	1.41
TOH TIAM HOCK	49,950,666	1.26
DBS NOMINEES PTE LTD	49,647,996	1.25
DBS VICKERS SECURITIES (S) PTE LTD	41,323,000	1.05
PHILLIP SECURITIES PTE LTD	40,325,498	1.02
HENG TECK LENG	31,648,333	0.80
MAYBANK NOMINEES (S) PTE LTD	30,138,999	0.76
CIMB SECURITIES (SINGAPORE) PTE LTD	27,719,998	0.70
OCBC SECURITIES PRIVATE LTD	25,432,212	0.64
NG YING TING	22,405,000	0.57
CITIBANK NOMINEES SINGAPORE PTE LTD	22,402,000	0.57
OCBC NOMINEES SINGAPORE PTE LTD	20,692,667	0.52
MAYBANK KIM ENG SECURITIES PTE LTD	20,065,567	0.51
	1,696,204,430	42.86

ANALYSIS OF SHAREHOLDINGS

As at 12 March 2014

SUBSTANTIAL SHAREHOLDERS	DIRECT INTEREST	DEEMED INTEREST	NO. OF SHARES	%
ONG BEE HUAT	415,255,500	–	415,255,500	10.49
WONG WEN-YOUNG	415,255,500	–	415,255,500	10.49

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

78.89% of the Company's issued shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the SGX Listing Manual.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of **HLH GROUP LIMITED** will be held on Monday, 21 April 2014 at 10.00 a.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 2013 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 Wang Kai Yuen **[Resolution 2]**
   (ii) Dr Wong Wen-Young, Winston **[Resolution 3]**

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

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

AS SPECIAL BUSINESS

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

5. To approve the payment of Directors' Fees of S$119,000 for the financial year ended 31 December 2013 (2012: S$118,840). **[Resolution 5]**

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

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and 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 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; and

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

By Order of The Board

HELEN CAMPOS
Company Secretary
Singapore

3 April 2014

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:–

(i) The effect of 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 50% of the total number of Issued Shares of which the aggregate number of Issued Shares to be allotted and issued other than on a pro rata basis to shareholders shall not exceed 20% of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

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 10 Neo Tiew Lane 2 #01-05 Singapore 718813 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 Fifteenth Annual General Meeting of the Company to be held at D' Kranji Farm Resort, 10 Neo Tiew Lane 2, Singapore 718813 on Monday, 21 April 2014 at 10.00 a.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 Fifteenth 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 Fifteenth Annual General Meeting.)

No.	Resolutions relating to:	For	Against
1	Adoption of Audited Accounts for the financial year ended 31 December 2013 and the Reports of the Directors and Auditors and the Statement by Directors thereon.		
2	Re-election of Dr Wang Kai Yuen retiring pursuant to Article 89 of the Articles of Association of the Company.		
3	Re-election of Dr Wong Wen-Young, Winston retiring pursuant to Article 89 of the Articles of Association of the Company.		
4	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company and authorisation of Directors to fix their remuneration.		
5	Approval of Directors' Fees of S$119,000 for the financial year ended 31 December 2013.		
6	Authority to Directors to allot and issue new shares.		

Dated this ______________ day of ______________ 2014

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
10 Neo Tiew Lane 2
#01-05
Singapore 718813

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 10 Neo Tiew Lane 2 #01-05 Singapore 718813 not less than forty-eight (48) hours before the time fixed for holding the Annual General Meeting.
5. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly 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.

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