Since 1988

HLH
GROUP LIMITED
逢来發集团有限公司
Listed in SGX Mainboard (H27.SI)

MOVING **FURTHER** BEYOND **EXPECTATIONS**

ANNUAL REPORT 2015

CONTENTS

CORPORATE PROFILE

HLH was founded in Singapore since 1988, from a sole proprietorship providing construction services to a regional property developer and producer of raw and processed agricultural products. It has been listed on the mainboard of Singapore Stock Exchange since June 2000

The Group operates two core business segments: Property Development and Agriculture

Since the establishment of the Group's Agriculture Division in Cambodia in 2008, it has become one of the largest privately owned cassava plantations in the Kingdom with land size approximately 11,000 hectares. The Agriculture Division is focused on agricultural investment & development, as well as the cultivation of cassava and sugarcane through collaboration with joint-operation partners.

A new cassava starch production line was recently added, capable of producing up to 120 tons of cassava starch daily. The setting up of the cassava production line is part of the group's overall strategy to extend its agricultural production chain downstream from farming to harvesting to the more value-added produce processing.

The Property Division, which has successfully completed numerous projects in Singapore since 2001, officially started its overseas property division in 2015 with the launch of its residential brand "CAMHOMES" offering high quality and affordable housing to target the growing middle income residents in Cambodia.

ORGANISATION STRUCTURE

HLH GROUP LIMITED
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- HONG LAI HUAT INTERNATIONAL PTE LTD
  - PUBLIC HOUSING DEVELOPMENT (CAMBODIA) LIMITED
  - PH ONE DEVELOPMENT (CAMBODIA) LIMITED
  - PH TWO DEVELOPMENT (CAMBODIA) COMPANY LIMITED
  - NEW BUILDING PRODUCTS (CAMBODIA) LIMITED
- HLH DEVELOPMENT PTE LTD
  - HONG LAI HUAT DEVELOPMENT (CAMBODIA) LTD
  - CASTILIA DEVELOPMENT PTE LTD
- HLH AGRI INTERNATIONAL PTE LTD
  - HLH AGRICULTURE (CAMBODIA) CO., LTD
  - HLHI (CAMBODIA) CO., LTD
  - HLH GLOBAL TRADING PTE LTD
  - HLH AGRI R&D PTE LTD
    - TIELING HLH AGRI PROCESSING CO LTD

MESSAGE TO **SHAREHOLDERS**

DEAR SHAREHOLDERS,

2015 had been an exciting and fruitful year for HLH Group, which saw its net profit increasing nearly six fold from SGD 927,000 in 2014 to SGD 5.3 million in 2015. In 3Q2015, the Group embarked on its first property development project in Cambodia when it launched its D'Seaview project in Sihanoukville. D'Seaview is a Singapore-styled mixed residential and commercial development project on a freehold land of 10,000 square metres. Sihanoukville is one of the most popular beach resorts in the region overlooking the Gulf of Thailand, and is the only deep-water port city in Cambodia. The Group is very encouraged with the outcome from this project, and intends to ride on this success with similar projects in the immediate future.

STRATEGIC DEVELOPMENTS IN THE YEAR

AGRICULTURE DIVISION

The agriculture division registered an increase in net profit in 2015 from SGD 5.3 million to SGD 7.5 million. We have developed a fruitful symbiotic relationship with our joint-operation partners in the cultivation, processing and production of cassava (or maize and sugarcane) in the Group's plantation land in Cambodia, and will continue to strengthen its focus in this area. In addition, the Group will continue discussions with interested parties to source for agriculture land parcels in Cambodia, and to develop and operate on these land parcels through collaboration with joint-operation partners with the aim of eventually transferring the plantation land ownership to the joint-operation partners.

In Q4 of 2015, the Group successfully leased its D'Kranji Farm Resort in Singapore to a company with the expertise in resort and hospitality management to manage the entire farm resort. This arrangement will give the Group a regular income.

Along with the Group's strategy of extending its agricultural production chain downstream from farming and harvesting to the more value-added produce processing, the group purchased a starch processing equipment in 3Q15 for US$2.23 million of equipment with a daily capacity of up to 120 metric tonnes of cassava starch. This production line, which will be in production in 2016, will be another source of revenue for the Group going forward.

MESSAGE TO **SHAREHOLDERS**

PROPERTY DEVELOPMENT DIVISION

On 26 September 2015, the Group launched its official residential branding "CAMHOMES" and unveiled its first freehold mix development property project: D'Seaview. The outcome of this initiative has been encouraging, and the Group will continue to be looking at potential land parcels in Cambodia with the intention to launch more development projects. To this end, the Group has incorporated a subsidiary company in Cambodia to oversee the development of these projects. The D'Seaview project is currently under construction and the sales generated from this project are all recorded in the balance sheet, and will only be recognised as income upon completion of the construction of the project. This is in accordance with the prevailing International Financial Reporting Standards.

GOING FORWARD

The initiatives that the Group undertook in 2015 are bearing positive results. We will continue to focus on strengthening these strategic thrusts in both our agriculture and property development divisions in 2016, to lay the foundation for sustainable growth.

APPRECIATION

On behalf of the Board, we wish to express our sincere appreciation to the Management and staff of HLH Group for their continued dedication and support. We also would like to take the opportunity to thank our valued institutional and individual shareholders, bankers, the government authorities, business associates and all external parties for their confidence and belief in the Group as we move ahead together towards a better 2016.

Dr. Wong 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 viz ComfortDelGro Corporation Ltd, COSCO Corporation (Singapore) Ltd, Ezion Holdings Limited, A-sonic Aerospace Ltd, Matex International Ltd, Emas Offshore Limited, 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
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.

BOARD OF DIRECTORS

PROF. WONG WEN-YOUNG, WINSTON
Vice Chairman/Non-Executive Director

Prof. Wong, who holds a PhD (Physics) and Doctor of Science honoris causa from Imperial College of Science & Technology, University of London, joined the Board on 27 February 2007. Conferred as an Officer of the Most Excellent Order of the British Empire (OBE), Prof. Wong is a well-known Taiwanese entrepreneur and is the Founder and Chief Executive Officer of renowned Taiwanese electronics and plastics conglomerate Grace T.H.W Group. He is also the Founder and Director of Grace Semiconductor Manufacturing Corp, China; and the Founder and Director of Trust-Mart Co., Ltd. Prof. Wong has 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 Pavillon Holdings Ltd (f.n.a. 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, 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 Professor of Quantitative Finance (Practice) at the Singapore Management University and Vice President of The Economic Society of Singapore. He was the Group Managing Director of Auric Pacific Group Limited and Overseas Union Enterprise Limited. He was also the Director for the Sim Kee Boon Institute for Finance Economics.

OPERATIONS **REVIEW**

REVIEW OF INCOME STATEMENTS

REVENUE

The Group's revenue decreased by S$1.08 million from S$6.80 million in FY2014 to S$5.72 million in FY2015, primarily due to a one-off recognition of revenue in FY2014 for the sale of corn stock amounting to approximately S$2.00 million. There is no such recognition of revenue in FY2015. The decrease is partially offset by the increase of co-operation income amounting to approximately S$0.90 million.

GROSS PROFIT/(LOSS)

The Group achieved a gross profit of $4.456 million in 2015 as compared to S$3.648 million in 2014. This was because in 2015, the gross profit comprises recognition of cooperation income of S$4 million pertaining to the joint operations with Zhong Fu and S$0.395 million from D Kranji operation, whereas in 2014, the gross profit from co-operation income from Zhong Fu was S$3.474 million.

OTHER INCOME

The Group's other income for FY2015 increased by S$8.67 million from S$4.13 million in FY2014 to S$12.80 million in FY2015, primarily due to an increase in foreign exchange gain amounting to S$2.14 million and fair value gain in investment property amounting to S$6.66 million.

SELLING & ADMINISTRATIVE EXPENSES

The Group's distribution and selling expenses increased by S$0.62 million from S$18,000 in FY2014 to S$0.64 million in FY2015, primarily due to marketing expenses relating to the launching of the Group's property project in Cambodia.

Administrative expenses of the Group increased by S$0.81 million from S$5.56 million in FY2014 to S$6.38 million in FY2015, primarily due to an increase in payroll related expenses amounting to S$0.64 million and an increase in depreciation expenses amounting to S$0.39 million, and offset by reduction in legal and professional fees of S$0.22 million.

OTHER EXPENSES

The Group's other expenses increased by S$2.23 million from S$0.30 million in FY2014 to S$2.52 million in FY2015, primarily due to the impairment of a quoted security amounting to S$0.19 million, impairment of assets in China and Cambodia amounting to S$1.83 million and obsolete stock write-off in Cambodia amounting to S$0.23 million.

FINANCE COSTS

The Group's finance cost increased by S$0.14 million from S$0.22 million in FY2014 to S$0.36 million in FY2015, primarily due to additional bank loans taken up in FY2015 to finance the Group's property development business and interest on director's loans.

INCOME TAX EXPENSES

Income tax The Group's income tax expenses for FY2014 increased by S$1.31 million from S$0.75 million in FY2014 to S$2.06 million in FY2015, primarily due to provision of deferred income tax in relation to fair value gain in investment property.

As a result of the above, the Group recorded a net profit of S$5.30 million in FY2015 as compared to a profit of S$0.93 million in FY2014.

OPERATIONS REVIEW

REVIEW OF FINANCIAL POSITION

NON-CURRENT ASSETS

The Group's property, plant and equipment (PPE) decreased by $7 million from S$23 million as at 31 December 2014 to S$16 million as at 31 December 2015. This is mainly due to the reclassification of PPE of D'Kranji farm resort from PPE to investment properties in 2015.

The Group's investment properties was S$77.9 million as at 31 December 2014. In 2015, the Group recorded S$5.6 million of translation gain, a fair value gain of S$11.3 million, and re-classification of S$7.6 million of PPE to investment properties These brought the value to S$102 million as at 31 December 2015.

The development property of S$14.4 million is made up of S$2.5 million of land purchased in February 2015 and the balance S$11.9 million of land purchased in August 2015.

WORKING CAPITAL

Trade receivables increased by $1.169 million from $3.595 million as at 31 December 2014 to $4.764 million as at 31 December 2015. This was mainly due to the accrual of cooperation income of S$4.2 million due from Zhong Fu for the current period. At the same time, Zhong Fu had also repaid over S$3.2 million.

Other receivables decreased by S$0.431 million from December 2014 to S$1.126 million in December 2015. This was mainly due to refund of deposit from a third party which the Group placed deposit with in the previous financial year, for purchase of land.

Investment securities reduced from S$426,000 to S$2,000 due to decrease in fair value of the investment securities.

Trade creditors was S$228,000 in 2014 and increased to S$3.46 million in 2015 mainly due to outstanding payment for a plot of land acquired in Sihanoukville Province, Cambodia, for the Group's property development project.

Other payables increased S$2 million to S$3.43 million due mainly to increase in deferred income arising from increase in deposit received from purchase of D Seaview.

LOANS AND CAPITAL

The executive director has extended personal loans to support the Group to purchase the second land parcel located at Sihanouikville.

The Company underwent a share capital restructuring exercise. As a result of this exercise, accumulated losses of S$28.5 million was offset against the issued and paid up share capital of the Company, reducing the Company's share capital by the equivalent amount.

NET ASSETS

The net assets of the Group was S$106 million as at 31 December 2015 and $97.21 million as at 31 December 2014.

REVIEW OF CASH FLOW STATEMENT

Net cash flows used in operating activities were S$10.05 million for FY2015 compared to S$2.67 million in FY2014. This increase was mainly due to higher working capital usage in FY2015 for trade and other receivables and development properties.

OPERATIONS **REVIEW**

Net cash of S$3.45 million was used in investing activities for FY2015 compared to S$3.76 million generated from investing activities in FY2014. The main utilisation in FY2015 was for payment of S$3.30 million for construction of factory and plant in Cambodia, and S$0.11 million for new assets and renovation pursuant to the move to the new office.

The Group has obtained new loan facilities amounting to S$8.60 million from both Singaporean and Cambodian financial institutions for working capital purposes and equipment financing.

In addition, S$0.2 million of cash was used to pay dividends for the Group's subsidiaries.

Overall, cash and cash equivalents of the Group stood at S$3.42 million as at 31 December 2015.

OPERATIONS **REVIEW**

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)
Prof. Wong Wen-Young, Winston
(Non-Executive Director)
Dr. Wong Jr. Winston
(Alternate Director to Dr. Wong Wen-Young, Winston)

SECRETARY
Helen Campos

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D' Kranji Farm Resort #01-05
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BANKERS
United Overseas Bank Limited
Hong Leong Finance Limited
Malayan Banking Berhad
DBS Bank Limited
Asean Finance Corporation Limited
Canadia Bank PLC
Industrial and Commercial Bank of China Ltd
CIMB Bank PLC
Bank of China
Mekong Bank PLC
Phnom Penh Commercial Bank

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 of Directors (the "Board") of HLH Group Limited (the "Company", and together with its subsidiaries, collectively the "Group") believes that good and well-defined corporate governance establishes and improves internal control, risk management and governance in our organisation and focuses on shareholder value and its creation. In a broader aspect, the Code of Corporate Governance 2012 (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 as it serves as a practical guide defining Directors' duties and responsibilities.

Principle 1: The Board's Conduct of Affairs

Currently, 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 ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") (collectively "Board Committees"). Each Board Committee has its own specific Terms of Reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken.

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

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 objectives and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

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

c. review the Management performance; and

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

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

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

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

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

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

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

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

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

The Board 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 ("CEO") on a regular basis on the development and performance of the Company.

The number of Directors' and Board Committees' meetings and the record of attendance of each Director during the financial year ended 31 December 2015 ("FY2015") are 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
Prof. Wong Wen-Young, Winston (or his alternate, Dr. Wong Jr. Winston)	4	–	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	3	4	3	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.

Principle 3: Chairman and Chief Executive Officer

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

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

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

The Chairman is responsible for, among other statutory duties,

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

Principle 4: Board Membership

Principle 5: Board Performance

The 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, Dr. 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 CEO of the Company; members of the various Board committees, for the purpose of proposing such nominations to the Board for its approval;

b. to determine annually the independence of the 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.

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors have allocated sufficient time and resources to the affairs of the Company and are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deemed fits.

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

a. the NC evaluates the balance of skills, knowledge and experience on the Board and, in the light of such evaluation and in consultation with the Management, prepares a description of the 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. the NC conducts formal interview of short listed candidates to assess suitability and to ensure that the candidates are aware of the expectations and the level of commitment required;

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

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

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

Except for Dr. Wang Kai Yuen and Dr. Chen Seow Phun, John, none of the directors have served on the Board for a period exceeding nine years from the date of their appointments. Dr. Wang Kai Yuen and Dr. Chen Seow Phun, John have served as Independent Directors of the Company for more than nine years since their initial appointments on 11 May 2006 and 11 August 2006 respectively. The Board has subjected their independence to rigorous review.

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

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

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

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

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

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

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

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

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 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	–	100
Dato' Dr. Ong Bee Huat, Johnny (Note)	$750,000 to $999,999	48.8	49.9	–	1.3	100
Prof. Wong Wen-Young, Winston	$0 to $249,999	–	–	100	–	100
Dr. Chen Seow Phun, John	$0 to $249,999	–	–	100	–	100
Dr. Lee Kuo Chuen, David	$0 to $249,999	–	–	100	–	100

Given the highly competitive industry conditions, the Company believes that it is not in the best interests of the Company to disclose remuneration of each individual Director and the CEO on a named basis. The Company is instead disclosing the Directors' remuneration in bands of $250,000 and the breakdown (in percentage) of the Directors' remuneration as per the table set out above.

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:
The FY2015 bonus for Dato' Dr. Ong Bee Huat, Johnny, the Deputy Chairman and CEO of the Company included adjustments to prior year's bonus. Also, over and above the salary, bonus and other benefits, he 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 computed based on 5% of the Group's net profit before tax, excluding any extraordinary items and the sum set aside for the Executive profit sharing. Having reviewed and considered the variable components of the CEO, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of the remuneration paid in prior years.

In addition, the CEO owes a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the CEO in the event of such breach of fiduciary duties.

The Company had 5 employees at the executive level for FY2015. 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				
Ms. Gan Wui Koh^	100.0	–	–	100.0
Mr. Tan Kian Kok^^	100.0	–	–	100.0
Mr. Ong Bee Wah**	91.2	–	8.8	100.0
Mr. Ong Jia Ming	83.6	6.4	10.0	100.0
Mr. Loh Beng Kiat*	92.6	–	7.4	100.0

* Mr. Loh Beng Kiat joined the Group on 2 January 2015.
** Mr. Ong Bee Wah joined the Group on 1 November 2015.
^ Ms. Gan Wui Koh left the Group on 31 May 2015
^^ Mr. Tan Kian Kok left the Group on 4 April 2015

For FY2015, the aggregate total remuneration paid to the key Management personnel (who are not Directors or the CEO) amounted to $377,000.

The remuneration of executives who are immediate family members of directors and whose remuneration exceeds $50,000 during the year is shown in the table below:

Key Executive and relationship with Director	Remuneration Bands	Salary	Bonus	Other Benefits	Total
		%	%	%	%
Ong Jia Ming Son of Dato’ Dr. Ong Bee Huat, Johnny	$50,000 to $99,999	83.6	6.4	10.0	100.0
Ong Bee Wah Brother of Dato’ Dr. Ong Bee Huat, Johnny	$50,000 to $99,999	91.2	–	8.8	100.0
Winston Wong Junior Son of Prof. Wong Wen-Young, Winston	$50,000 to $99,999	100.0	–	–	100.0

Principle 10: Accountability

The Management provides the Board with detailed reports on the Group’s financial performance and related matters on a regular basis. Procedures are in place to ensure that financial information relating to the Group’s operations are not false or misleading in order to increase the assurance level of the AC in its review of the quarterly financial information.

Principle 14: Shareholder Rights and Responsibilities

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 the 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 builds up its property and agricultural development businesses in Cambodia.

Principle 11: Risks Management and Internal Controls

Principle 12: Audit Committee

Principle 13: Internal Audit

The 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 the Group and the external auditors' report thereon before their submission to the Board for adoption;

g. monitors the extent of the Group's compliance with the 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 the 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 auditors.

For FY2015, the external auditors' remuneration in respect of audit services provided to the Group amounted to $142,000. There were no non-audit services provided to the Group during the year. 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 AC has reviewed the Company's system of internal controls, including financial, operational, compliance and information technology controls, risk management policies and systems established by the Management 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 has received assurance from the CEO and the CFO that:–

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and

(b) the Group's risk management and internal control systems in place is adequate and effective in addressing the key financial, operational and compliance risks in the Group in its current business environment.

The Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems are adequate in addressing the financial, operational, compliance and information technology risks of the Group, and provide reasonable assurance in safeguarding its assets and shareholders' investments and against any material misstatement or loss as at 31 December 2015.

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 financial year involving the interests of any Directors. The statement did not apply to the scope of the controlling shareholder as the Company does not have any controlling shareholder in the year under review.

Interested Person Transactions

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

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

Name of Interested Person	**Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**		**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)**	
	2015	**2014**	**2015**	**2014**
	S$'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	168	274	–	–
SONG BEE CONSTRUCTION PTE LTD				
Renovation works at D'Kranji Farm Resort	–	43	–	–
Upgrading works at D'Kranji Farm Resort	20	70	–	–
DATO' DR. ONG BEE HUAT, JOHNNY				
Director's Loan Agreement	4,854	–	–	–

DIRECTORS' STATEMENT

The directors are pleased to present their statement 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 2015.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, 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

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

Directors

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

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

In accordance with Article 89 of the Company's Articles of Association, Dato' Dr. Ong Bee Huat and Dr Wang Kai Yuen 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, Chapter 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	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
HLH Group Limited				
Ordinary shares				
Dr. Wang Kai Yuen	4,803,000	4,803,000	–	–
Prof. Wong Wen-Young, Winston	415,255,500	415,255,500	–	–
Dato' Dr. Ong Bee Huat	422,255,500	422,255,500	–	10,000,000

There was no change in any of the abovementioned interests in the Company between the end of the financial year and 21 January 2016.

Except as disclosed in this statement, 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.

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, Chapter 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:

Dato' Dr. Ong Bee Huat
Director

Dr. Wang Kai Yuen
Director

Singapore
28 March 2016

INDEPENDENT
AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015
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 28 to 96 which comprise the balance sheets of the Group and the Company as at 31 December 2015, 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 financial statements 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 financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, 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 subsidiary corporations 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

28 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 $'000	Group 2014 $'000
Revenue	4	**5,724**	6,800
Cost of sales		**(1,268)**	(3,152)
Gross profit		**4,456**	3,648
Other income	5	**12,802**	4,128
Distribution and selling expenses		**(637)**	(18)
Administrative expenses		**(6,375)**	(5,561)
Other expenses	6	**(2,521)**	(296)
Finance costs	7	**(358)**	(223)
Profit before taxation	8	**7,367**	1,678
Income tax expenses	9	**(2,064)**	(751)
Net profit for the year		**5,303**	927
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Revaluation of land and buildings		**907**	39,614
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**3,741**	2,438
Exchange differences on monetary items forming part of net investment in a foreign operation		**–**	1,335
Other comprehensive income for the year, net of tax		**4,648**	43,387
Total comprehensive income for the year		**9,951**	44,314
Net profit attributable to:			
Owners of the Company		**5,489**	890
Non-controlling interests		**(186)**	37
		5,303	927
Total comprehensive income attributable to:			
Owners of the Company		**10,133**	44,274
Non-controlling interests		**(182)**	40
		9,951	44,314
Profit per share (cents)			
Basic	10	**0.139**	0.022
Diluted		**0.139**	0.022

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

BALANCE **SHEETS**

AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015	2014	2015	2014
		$'000	$'000	$'000	$'000
Assets					
Non-current assets					
Property, plant and equipment	11	**15,989**	23,480	**43**	57
Investment properties	12	**102,389**	77,864	**276**	276
Investment in subsidiaries	13	**–**	–	**1,000**	1,000
		118,378	101,344	**1,319**	1,333
Current assets					
Development properties	14	**14,440**	–	**–**	–
Inventories	15	**627**	889	**–**	–
Biological assets	16	**206**	–	**–**	–
Trade receivables	18	**4,764**	3,595	**–**	–
Other receivables, deposits and prepayments	19	**1,126**	1,557	**20**	29
Amounts due from subsidiaries	20			**84,367**	84,915
Advances to noncontrolling shareholders	17	**–**	831	**–**	–
Investment securities	22	**2**	426	**–**	424
Cash and shortterm deposits	23	**3,419**	5,202	**64**	1,125
		24,584	12,500	**84,451**	86,493
Total assets		**142,962**	113,844	**85,770**	87,826

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

BALANCE SHEETS

AS AT 31 DECEMBER 2015

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Equity and liabilities					
Current liabilities					
Trade payables	24	**3,465**	228	**–**	–
Other payables and accruals	26	**3,430**	1,440	**904**	431
Amount due to subsidiaries	20	**–**	–	**9,254**	10,955
Loans from a director	21	**4,737**	–	**–**	–
Provision for taxation		**135**	85	**–**	2
Loans and borrowings	27	**6,757**	2,308	**–**	–
		18,524	4,061	**10,158**	11,388
Net current assets		**6,060**	8,439	**74,293**	75,105
Non-current liabilities					
Deferred tax liabilities	25	**14,090**	11,090	**–**	–
Loans and borrowings	27	**2,772**	162	**–**	–
Other payables and accruals	26	**1,415**	1,324		
		18,277	12,576		
Total liabilities		**36,801**	16,637	**10,158**	11,388
Net assets		**106,161**	97,207	**75,612**	76,438
Equity attributable to owners of the Company					
Share capital	28	**76,897**	105,426	**76,897**	105,426
Reserves	29	**29,188**	(9,474)	**(1,285)**	(28,988)
		106,085	95,952	**75,612**	76,438
Non-controlling interests		**76**	1,255	**–**	–
Total equity		**106,161**	97,207	**75,612**	76,438
Total equity and liabilities		**142,962**	113,844	**85,770**	87,826

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 2015

	Share capital (Note 28) $'000	Accumulated losses (Note 29) $'000	Capital reserve (Note 29) $'000	Asset revaluation reserve (Note 29) $'000	Foreign currency translation reserve (Note 29) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group								
At 1 January 2014	105,426	(52,425)	481	–	(1,804)	51,678	1,415	53,093
Other comprehensive income								
Revaluation of land and buildings	–	–	–	39,614	–	39,614	–	39,614
Net foreign exchange difference arising on consolidation of foreign subsidiaries	–	–	–	–	2,435	2,435	3	2,438
Exchange differences on monetary items forming part of net investment in a foreign operation	–	–	–	–	1,335	1,335	–	1,335
Net profit for the year	–	890	–	–	–	890	37	927
Total comprehensive income for the year	–	890	–	39,614	3,770	44,274	40	44,314
Contributions by and distributions to owners								
Capital returned to a non-controlling shareholder*	–	–	–	–	–	–	(200)	(200)
Total contributions by and distribution to owners	–	–	–	–	–	–	(200)	(200)
Balance at 31 December 2014	105,426	(51,535)	481	39,614	1,966	95,952	1,255	97,207
At 1 January 2015	105,426	(51,535)	481	39,614	1,966	95,952	1,255	97,207
Other comprehensive income								
Revaluation of land and buildings	–	–	–	907	–	907	–	907
Net foreign exchange difference arising on consolidation of foreign subsidiaries	–	–	–	–	3,737	3,737	4	3,741
Net profit for the year	–	5,489	–	–	–	5,489	(186)	5,303
Total comprehensive income for the year	–	5,489	–	907	3,737	10,133	(182)	9,952
Contributions by and distributions to owners								
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(997)	(997)
Total contributions by and distribution to owners							(997)	(997)
Others								
Share capital restructuring#*	(28,529)	28,529	–	–	–	–	–	–
Balance at 31 December 2015	76,897	(17,517)	481	40,521	5,703	106,085	76	106,161

* *During the financial year 2014, one of the Company's subsidiaries, Castilia Development Pte Ltd (which the Group held 80% of its equity) returned a significant portion of its share capital to its shareholders.*

#* *During the year, the Group underwent a share capital restructuring exercise. As a result of this exercise, accumulated losses of $28,529,000 was offset against the issued and paid up share capital of the Company, reducing the Company's share capital by the equivalent amount.*

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 2015

	Share capital (Note 28) $'000	Accumulated losses (Note 29) $'000	Capital reserve (Note 29) $'000	Total equity $'000
Company				
At 1 January 2014	105,426	(28,426)	(459)	76,541
Net loss for the year	–	(103)	–	(103)
Total comprehensive income for the year	–	(103)	–	(103)
At 31 December 2014 and 1 January 2015	105,426	(28,529)	(459)	76,438
Net loss for the year	–	(826)	–	(826)
Total comprehensive income for the year	–	(826)	–	(826)
Share capital restructuring	(28,529)	28,529	–	–
At 31 December 2015	76,897	(826)	(459)	75,612

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 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Profit before tax		**7,367**	1,678
Adjustments for:			
Interest expense	7	**358**	223
Bad debts written off		**–**	18
Depreciation of property, plant and equipment	11(d)	**2,325**	2,185
Gain on change in fair value of investment properties	5	**(10,005)**	(3,382)
Gain on disposal of property, plant and equipment, net	5	**(44)**	(25)
Property, plant and equipment written off		**37**	–
Foreign exchange adjustments		**(2,483)**	(1,115)
Fair value loss on held for trading investment securities	6	**427**	239
Impairment loss on property, plant and equipment	6	**1,825**	–
Impairment loss on inventories	6	**232**	–
Gain on change in fair value of agricultural produce	16	**–**	(241)
Interest income	5	**(18)**	(96)
Operating profit/(loss) before working capital changes		**21**	(516)
Increase in trade and other receivables		**(404)**	(4,121)
Increase in development properties		**(14,440)**	–
(Increase)/decrease in inventories and biological assets		**(115)**	2,335
Increase/(decrease) in trade and other payables		**5,140**	(131)
Cash flows used in operations		**(9,798)**	(2,433)
Interest paid		**(321)**	(223)
Income tax refund/(paid)		**51**	(107)
Interest received		**18**	96
Net cash flows used in operating activities		**(10,050)**	(2,667)
Cash flows from investing activities			
Withdrawal of fixed deposits pledged		**–**	4,100
Purchase of investment properties	12	**–**	(415)
Purchase of property, plant and equipment	11(d)	**(3,657)**	(772)
Proceeds from sale of property, plant and equipment		**210**	842
Net cash (used in)/generated from investing activities		**(3,447)**	3,755

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 2015

	Note	2015 $'000	2014 $'000
Cash flows from financing activities			
Proceeds from loans and borrowings		**8,612**	–
Repayment of loans and borrowings		**(1,625)**	(2,068)
Proceeds from a director's loans		**4,737**	–
(Repayment to)/proceeds from finance leases		**(80)**	119
Payment of dividends to minority shareholders of subsidiaries		**(166)**	–
Net cash flows from/(used in) financing activities		**11,478**	(1,949)
Net decrease in cash and cash equivalents		**(2,019)**	(861)
Effect of exchange rate changes on balances held in foreign currencies		**236**	65
Cash and cash equivalents at beginning of year	23	**5,202**	5,998
Cash and cash equivalents at end of year	23	**3,419**	5,202

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 on 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) except when otherwise 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 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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**
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 16 and FRS 41 *Agriculture – Bearer Plants*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Improvements to FRSs (November 2014)	
Amendments to FRS 111 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendments to FRS 19 *Employee Benefits*	1 January 2016
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Except for FRS 115 and FRS 109, 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. The nature of the impending changes in accounting policy on adoption of the standards is described below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

– 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (continued)

(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.

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's 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.

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.

Changes in the Company's 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 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.

(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.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

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 improvements	–	10 – 30 years
Irrigation systems	–	10 – 20 years
Buildings and structures	–	25 years
Computers	–	5 years
Furniture and fittings and office equipment	–	10 years
Machineries and equipment	–	10 – 20 years
Motor vehicles	–	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 de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2.8 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held 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 an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment properties (continued)

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise.

Investment properties are de-recognised 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.

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 indication exists, or when an annual impairment testing 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 groups 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.

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 profit or loss, unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an entity investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised 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:

(i) 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 de-recognised or impaired, and through the amortisation process.

(ii) 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. Derivatives, including separated embedded derivatives are also classified as held for trading.

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.

De-recognition

A financial asset is de-recognised 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 in other comprehensive income is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (continued)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised 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 plus in the case of financial liabilities not at fair value through profit or loss, 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 de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.12 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets (continued)

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 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.

2.13 Cash and cash equivalents

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

2.14 Development properties

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

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

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

Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 B iological assets

Biological assets relate to immature cassava and sugarcane (2014: corn) crops that have yet to be harvested.

The immature cassava, sugarcane and corn plantation costs consist of field preparation, planting, fertilizing and maintenance and an allocation of other related costs. In general, a cassava plantation, a sugarcane plantation and a corn plantation take about ten months, eighteen months 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. Point-of-sale costs include all costs that would be necessary to sell the assets.

Plantations close to harvest 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. Point-of-sale costs include all costs that would be necessary to sell the assets.

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.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Raw materials: purchase costs on a first-in first-out basis.

– Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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)

2.17 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 discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 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.

2.19 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.

2.20 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (continued)

(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 the reporting period.

2.21 Leases

(a) *As lessee*

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. 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 profit or loss 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 in which the Group does not transfer 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 2.22(e). Contingent rents are recognised as revenue in the period in which they are earned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of crops

Revenue from sale of crops is recognised upon the transfer of significant risk and rewards of ownership of the crops to the customer, usually on delivery of crops.

(b) Resort management

Revenue from resort management 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.

(c) Resort operations

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

(d) Income from co-operation agreement

Income is recognised in accordance with contractual terms, based on the agreement signed with a third party.

(e) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to the lessees are recognised as a reduction of rental income over the lease terms 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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, the 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 tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes (continued)

(b) *Deferred tax (continued)*

The carrying amount of deferred 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 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 in 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 each 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.

(c) *Sales tax*

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

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authorities, 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.

2.24 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.

2.25 Contingencies

A contingent liability is:

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Contingencies (continued)

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.

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. 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 there is no other significant judgement made in applying accounting policies apart from the key estimates disclosed below, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below.

(a) Impairment of property, plant and equipment ("PPE")

The Group assesses whether there are any indicators of impairment for its PPE at each reporting date. PPE are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The carrying amount of PPE tested for impairment as at 31 December 2015 is $12,709,000 (2014: $9,329,000). This consists mainly of land use rights and buildings and structures in People's Republic of China (PRC), and machineries and equipment in Cambodia.

The Group engaged independent valuation experts ("Valuers") to perform valuations on the machineries and equipment in Cambodia. Details of the recoverable amount assessment are disclosed in Note 11(c) to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(b) *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 debtors' ability to repay including the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

(c) *Fair value of investment properties*

The Group carries its investment properties at fair value, with changes in fair values being recognised in profit or loss. The Group engaged independent real estate valuation experts ("Valuers") to assess the fair values as at 31 December 2015 and 2014. The valuation techniques used by the Valuers comprise the direct comparison approach, depreciated replacement cost method and income method. The key assumptions used to determine the fair value of these investment properties and sensitivity analysis are provided in Note 35.

The carrying amounts of the investment properties carried at fair value as at 31 December 2015 is $102,389,000 (2014: $77,864,000).

(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 25.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables and deferred tax liabilities as at 31 December 2015 were $135,000 (2014: $85,000) and $14,090,000 (2014: $11,090,000) respectively. The carrying amount of the Company's tax payable at 31 December 2015 was $ nil (2014: $2,000).

4. REVENUE

	Group	
	2015	2014
	$'000	$'000
Sale of crops	**82**	2,081
Income from co-operation agreement	**4,122**	3,230
Resort operations income	**914**	1,081
Resort management income	**253**	408
Rental income from lease of resort	**353**	–
	5,724	6,800

5. OTHER INCOME

	Group	
	2015	2014
	$'000	$'000
Interest income from bank deposits	**18**	96
Gain on change in fair value of investment properties (Note 12)	**10,005**	3,382
Gain on disposal of property, plant and equipment	**44**	25
Net foreign exchange gain	**2,387**	242
Rental income	**80**	128
Other sundry income	**268**	255
	12,802	4,128

6. OTHER EXPENSES

	Group	
	2015	2014
	$'000	$'000
Property, plant and equipment written off	**37**	–
Bad debts written off	**–**	18
Impairment loss on property, plant and equipment	**1,825**	–
Fair value loss on held for trading investment securities	**427**	239
Impairment loss on inventories	**232**	–
Others	**–**	39
	2,521	296

7. FINANCE COSTS

	Group	
	2015	2014
	$'000	$'000
Interest expense on:		
– finance leases	**9**	9
– director's loans	**117**	–
– bank loans	**232**	214
	358	223

8. PROFIT BEFORE TAXATION

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

	Group	
	2015	**2014**
	$'000	**$'000**
Personnel expenses (Note 30)	**2,380**	1,930
Depreciation of property, plant and equipment (Note 11(d))	**2,325**	2,185
Directors' fees and bonus	**662**	119
Rental of premises and office facilities	**176**	47
Legal and professional fees	**200**	431
Auditors' remuneration		
– auditors of the Company and local subsidiaries	**101**	105
– auditors of the overseas subsidiaries*	**40**	31
Travelling expenses	**86**	60
Inventories recognised as an expense in cost of sales (Note 15)	**232**	1,837

* Refers to member firm of Ernst & Young Global.

9. INCOME TAX EXPENSES

(a) Major components of income tax expenses

The major components of income tax expenses for the years ended 31 December 2015 and 2014 are:

	Group	
	2015	**2014**
	$'000	**$'000**
(i) *Statement of comprehensive income*		
Current income tax		
– Over provision in respect of prior years	**(2)**	(3)
Deferred income tax		
– Origination and reversal of temporary differences	**2,066**	754
Income tax expense recognised in profit or loss	**2,064**	751
(ii) *Other comprehensive income*		
Income tax expense recognised in other comprehensive income (Note 25)	**186**	9,866

9. INCOME TAX EXPENSES (CONTINUED)

(b) The reconciliation between tax expenses and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 are as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Profit before taxation	**7,367**	1,678
Tax at the domestic rates applicable to profit in the countries where the Group operates	**1,403**	449
Income not subject to taxation	**(479)**	(75)
Non-deductible expenses	**457**	245
Utilisation of previously unrecognised tax losses	**(70)**	(170)
Current year losses for which no deferred tax asset was recognised	**781**	305
Effect of partial tax exemption	**(26)**	–
Over provision in respect of prior years	**(2)**	(3)
Income tax expense recognised in profit or loss	**2,064**	751

(c) 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.

In December 2013, HLHA entered into an agreement with a third party for crop cultivation at its Kampong Speu agricultural land in Cambodia. Management considers the revenue generated under the agreement as distribution of profit from the said agreement and subject to tax under the Cambodian tax law. The concept of such an agreement is presently not well recognised in Cambodia and as such, there is no clear tax guidance on such arrangements. Additionally, HLHA has unrecognised carried forward tax loss benefits of $16,898,808 (2014: $18,207,000) that is subject to conditions of utilisation encapsulated in the tax legislation.

9. INCOME TAX EXPENSES (CONTINUED)

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

As the taxation system in Cambodia is relatively new and complex, with frequently changing legislation, it is subject to differing interpretations in each jurisdiction. Taxes are also subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create significant tax risks in Cambodia. Management believes that it has adequately provided for tax liabilities using reasonable estimates based its best judgement and interpretation of the current tax legislation. Differences of interpretation may arise on a wide range of tax issues, including the above, depending on the conditions prevailing in the country.

The other Cambodia companies of the Group are 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. PROFIT PER SHARE (CENTS)

Basic profit per share is calculated by dividing profit 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 profit per share is calculated by dividing profit 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 profit and share data used in the computation of basic and diluted profit per share for the years ended 31 December:

	Group	
	2015	**2014**
	$'000	**$'000**
Net profit attributable to owners of the Company	**5,489**	890
Weighted average number of ordinary shares for basic profit per share computation	**3,957,211,329**	3,957,211,329
Weighted average number of ordinary shares for diluted profit per share computation	**3,957,211,329**	3,957,211,329

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Leasehold land $'000	Land use rights $'000	Leasehold improvements $'000	Building and structure $'000
Cost					
As at 1.1.2014	2,559	5,764	1,193	11,925	12,694
Revaluation[(c)]	2,107	56,160	–	(8,869)	82
Additions	–	–	–	53	21
Transfer to investment properties[(c)]	(4,669)	(60,582)	–	(1,106)	(4,029)
Disposals	–	–	–	–	–
Translation differences	3	6	23	97	18
As at 31.12.2014 and 1.1.2015	–	1,348	1,216	2,100	8,786
Additions	–	–	–	–	–
Revaluation[(b)]	–	1,093	–	–	–
Transfer to investment properties[(b)]	–	(2,441)	–	–	(8,173)
Write-offs	–	–	–	–	–
Disposal	–	–	–	–	–
Translation differences	–	–	29	128	105
As at 31.12.2015	–	–	1,245	2,228	718
Accumulated depreciation and impairment loss					
As at 1.1.2014	–	598	385	331	2,638
Charge for the year[(e)]	–	79	18	92	521
Transfer to investment properties[(b)]	–	(295)	–	(332)	(740)
Disposals	–	–	–	–	–
Translation differences	–	–	8	5	8
As at 31.12.2014 and 1.1.2015	–	382	411	96	2,427
Charge for the year[(d)]	–	73	–	106	356
Transfer to investment properties[(c)]	–	(455)	–	–	(2,414)
Disposals	–	–	–	–	–
Write-offs	–	–	–	–	–
Impairment loss[(d)]	–	–	813	–	342
Translation differences	–	–	21	10	7
As at 31.12.2015	–	–	1,245	212	718
Net book value					
As at 31.12.2015	–	–	–	2,016	–
As at 31.12.2014	–	966	805	2,004	6,359

Construction in progress $'000	Computers $'000	Furniture and fittings $'000	Machineries and equipment $'000	Motor vehicles[a] $'000	Office equipment $'000	Renovation $'000	Total $'000
19	259	420	18,096	1,687	152	87	54,855
–	–	–	–	–	–	–	49,480
417	1	16	59	440	1	–	1,008
(30)	–	–	–	–	–	–	(70,416)
–	(57)	(94)	(426)	(756)	(29)	(17)	(1,379)
18	1	2	798	30	4	3	1,003
424	204	344	18,527	1,401	128	73	34,551
3,311	24	45	3	143	29	102	3,657
	–	–	–	–	–	–	1,093
(928)	(135)	(283)	(567)	–	(32)	(9)	(12,568)
–	(13)	–	–	–	(13)	(64)	(90)
–	–	(1)	(337)	(25)	(1)	–	(364)
98	1	4	1,117	48	6	5	1,541
2,905	81	109	18,743	1,567	117	107	27,820
–	191	336	5,218	446	86	46	10,275
–	17	23	1,386	262	15	8	2,421
–	–	–	–	–	–	–	(1,367)
–	(54)	(94)	(165)	(203)	(29)	(17)	(562)
–	1	1	267	10	2	2	304
–	155	266	6,706	515	74	39	11,071
–	15	28	1,450	275	14	8	2,325
–	(126)	(240)	(376)	–	(27)	(2)	(3,640)
–	–	–	(181)	(17)	–	–	(198)
–	(13)	–	–	–	(7)	(33)	(53)
–	–	–	670	–	–	–	1,825
–	1	2	438	18	3	1	501
–	32	56	8,707	791	57	13	11,831
2,905	49	53	10,036	776	60	94	15,989
424	49	78	11,821	886	54	34	23,480

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Computers $'000	Furniture and fittings $'000	Motor vehicle $'000	Office equipment $'000	Renovation $'000	Total $'000
Cost						
As at 1.1.2014	78	11	151	23	29	292
Disposals	(30)	–	–	–	(17)	(47)
As at 31.12.2014 and 1.1.2015	48	11	151	23	12	245
Additions	2	–	–	2	–	4
As at 31.12.2015	50	11	151	25	12	249
Accumulated depreciation						
As at 1.1.2014	32	7	151	5	21	216
Charge for the year	10	2	–	4	3	19
Disposals	(29)	–	–	(1)	(17)	(47)
As at 31.12.2014 and 1.1.2015	13	9	151	8	7	188
Charge for the year	10	1	–	5	2	18
As at 31.12.2015	23	10	151	13	9	206
Net book value						
As at 31.12.2015	27	1	–	12	3	43
As at 31.12.2014	35	2	–	15	5	57

(a) *Assets held under finance leases*

The Group has motor vehicles under finance leases (Note 33) with net book value of $276,000 (2014: $464,000). The leased assets are pledged as security for the related finance lease liabilities.

(b) *Transfer of land and buildings to investment properties in current year*

In September 2015, the Group leased its D'Kranji Farm Resort in Singapore to a third party, granting the third party the right to manage, operate and collect revenue in relation to the resort. Under the arrangement, the Group receives a fixed monthly fee. The key terms of this arrangement are disclosed in Note 32. With the change of use of the property, the carrying values of these land and buildings, and other furniture and fittings and machineries and equipment which formed an integral part of the property, were reclassified to investment properties.

In accordance with FRS 40 *Investment Property*, the land and buildings, and other furniture and fittings and machineries and equipment of D'Kranji Farm Resort were revalued to their estimated fair values on 1 September 2015 upon reclassification to investment properties. The fair values were determined by an independent valuation performed by ECG Consultancy Pte Ltd. The resultant revaluation gain of $1,093,000 offset by deferred taxes of $186,000, was recognised in other comprehensive income, and included under asset revaluation reserve.

Details of the above property is disclosed in Note 12.

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Transfer of land and buildings to investment properties in prior year

In January 2014, the Group changed its mode of operations for its agriculture land in Cambodia, from directly planting crop to arrangements to co-operate the agriculture land with third parties for the cultivation of crop on the agriculture land. Additionally, its factory and warehouse at Tropaing Chheu Neang Village were leased to other parties. Due to the change of use of the properties, the carrying values of these land and buildings were reclassified to investment properties in the prior year.

In accordance with FRS 40 *Investment Property*, these are revalued to their estimated fair values on 1 January 2014. The fair values were determined by independent valuations performed by Colliers International (Hong Kong) Ltd. The resultant revaluation gain of $49,480,000, offset by deferred taxes of $9,866,000, was recognised in other comprehensive income, and included under asset revaluation reserve.

Details of the above properties are disclosed in Note 12.

(d) Impairment of property, plant and equipment (“PPE”)

During the financial year, the Group carried out a review of the recoverable amount of the following PPE that had indicators of impairment:

Land use rights and buildings and structures
A subsidiary has land use rights over a plot of state-owned land in People’s Republic of China (PRC). During the year, the subsidiary carried out a review of the recoverable amount of these land use rights and also its buildings and structures, as its operations have been inactive since 2009. As a result of the recoverable value calculated by management, these PPE, with a carrying value of $1,155,000 (2014: nil), were fully written down.

Machineries and equipment
A subsidiary within the agricultural segment in Cambodia carried out a review of the recoverable amount of its machineries and equipment with a carrying amount of $11,554,000 as these PPE have been idle, since the change in the Group’s mode of operations in 2014. An impairment loss of $670,000 (2014: $ nil) representing the write-down of these PPE to recoverable amount was recognised in profit or loss for the financial year ended 31 December 2015. The recoverable value was based on valuation performed by an independent valuation expert.

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(e) During the year, depreciation of $ nil (2014: $236,000) 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:

	2015 $'000	2014 $'000
Aggregate additions of property, plant and equipment for the year per Note 11	**3,657**	1,008
Less: Capitalisation of depreciation of machineries used for land clearing	**–**	(236)
Less: Acquisition of motor vehicles under finance lease	**–**	(119)
Purchase of property, plant and equipment per cash flow statement	**3,657**	653

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

	2015 $'000	2014 $'000
Aggregate depreciation of property, plant and equipment per Note 11	**2,325**	2,421
Less: Capitalisation of depreciation on machineries to leasehold improvement	**–**	(236)
Depreciation of property, plant and equipment per consolidated statement of comprehensive income	**2,325**	2,185

12. INVESTMENT PROPERTIES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance sheet:				
At 1 January	**77,864**	276	**276**	276
Transfer from property, plant and equipment	**8,928**	69,049	**–**	–
Additions (subsequent expenditure)	**–**	415	**–**	–
Net gains from fair value adjustments recognised in profit or loss (Note 5)	**10,005**	3,382	**–**	–
Exchange differences	**5,592**	4,742	**–**	–
At 31 December	**102,389**	77,864	**276**	276

12. INVESTMENT PROPERTIES (CONTINUED)

The investment properties held by the Group as at 31 December 2015 are as follows:

	Description and location	Existing use	Tenure	Land area	Carrying value $'000
(a)	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
(b)	Land, factory and warehouse at Tropaing Chheu Neang Village, Peuk Commune, Ang Snoul District, Kandal Province, Cambodia	Industrial land	Freehold	19,620 m^2	3,280
(c)	Land, buildings and infrastructure at Prek Village, Amleang Commune, Thpong District, Kampong Speu Province, Cambodia	Agriculture land	Freehold	450 hectares	4,695
(d)	Land, buildings and infrastructure at Aoral District in Kampong Speu Province, Cambodia	Agriculture land	70 years concession	9,985 hectares	84,430
(e)	Land at Tropiang Cho Commune, Aoral District in Kampong Speu Province, Cambodia	Agriculture land	Freehold	403 hectares	1,708
Transferred from property, plant and equipment during the year					
(f)	Land at 10 Neo Tiew Lane 2, D'Kranji Farm Resort, #01-05, Singapore 718813	Farm resort	Leasehold	50,969 m^2	8,000

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

– A legal mortgage provided to a bank, over the freehold land in (c) above

– A first mortgage provided to a bank over the leasehold property in (f) above

These mortgages are provided in respect of the Group's loans and borrowings. Details of these loans and borrowings are disclosed in Note 27.

12. INVESTMENT PROPERTIES (CONTINUED)

Valuation of investment properties

Investment properties are stated at fair value, which have been determined based on valuations performed as at 31 December 2015 and 31 December 2014 by independent real estate valuation experts with recent experience in the location and category of the properties being valued. Details of the valuation techniques and inputs used are disclosed in Note 35.

13. INVESTMENT IN SUBSIDIARIES

(a) Investment in subsidiaries comprises:

	Company	
	2015	**2014**
	$'000	**$'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 significant investments in subsidiaries.

Name	Principal activities	Country of incorporation and place of business	Percentage of equity held		Cost of investment	
			2015	**2014**	**2015**	**2014**
			%	**%**	**$'000**	**$'000**
Held by the Company						
Hong Lai Huat International Pte Ltd*	Investment holding	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 2015 %	2014 %
(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
Tieling HLH Agri Processing Co. Ltd (China)@	Dormant	China	85	85
HLHI (Cambodia) Company Limited**(i)	Investment holding, property investment	Cambodia	49	49
HLH Agriculture (Cambodia) Co. Ltd**	Agriculture plantation, processing and distribution	Cambodia	100	100
HLHS (Cambodia) Co. Ltd ^@	Dormant	Cambodia	70	70
(B) Held by HLH Development Pte Ltd				
Castilia Development Pte Ltd*	Property development and real estate	Singapore	80	80
Hong Lai Huat Development (Cambodia) Limited (formerly known as D'Lotus Development Limited)** (i)	Property development and real estate	Cambodia	49	49
(C) Held by Hong Lai Huat International Pte Ltd				
Public Housing Development (Cambodia) Limited@(i)	Investment holding, property investment	Cambodia	49%	–
PH One Development (Cambodia) Limited**(i)	Property development and real estate	Cambodia	49%	–
PH Two Development (Cambodia) Company Limited@(i)	Property development and real estate	Cambodia	49%	–
New Building Products (Cambodia) Ltd@(i)	Import/Export of construction materials	Cambodia	49%	–

* 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.

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

(i) A director of the Company holds the remaining 51% interest in these subsidiaries, in trust for the Group, pursuant to deeds of trust agreement between the director and the companies in the Group. Accordingly, 100% interests of these subsidiaries have been consolidated in the Group's financial statements.

14. DEVELOPMENT PROPERTIES

	Group	
	2015	2014
	$'000	$'000
Freehold land	**13,820**	–
Development costs	**620**	–
At 31 December	**14,440**	–

15. INVENTORIES

	Group	
	2015	2014
	$'000	$'000
Balance sheet:		
Raw materials	**45**	71
Consumables	**241**	414
Machineries and spare parts	**341**	404
	627	889
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales (Note 8)	**232**	1,837
Inclusive of the following charge:		
– Inventories written down	**232**	–

16. BIOLOGICAL ASSETS

	Group	
	2015	2014
	$'000	$'000
At 1 January	**–**	83
Additions*	**206**	–
Decreases due to harvest*	**–**	(83)
At 31 December	**206**	–

* These are additions and decreases to cassava and sugar cane (2014: corn) plantations during the year.

The Group cultivates cassava and sugarcane on its agricultural land in Cambodia in 2015. During the prior financial year, the Group cultivated and harvested approximately 748 tonnes of wet corn, which had a fair value less estimated point-of-sale costs of approximately $237,000.

The fair values of cassava and sugarcane have been determined based on the estimate of selling prices less estimated point-of-sale costs. Point-of-sale costs include all costs that would be necessary to sell the assets.

17. ADVANCES TO NON-CONTROLLING SHAREHOLDERS

	Group	
	2015	**2014**
	$'000	**$'000**
Advances to non-controlling shareholders		
– non-trade	**–**	831

Non-trade advances to non-controlling shareholders are unsecured, interest-free, repayable on demand and has been settled in cash during the financial year.

18. TRADE RECEIVABLES

	Group	
	2015	**2014**
	$'000	**$'000**
Trade receivables	**4,764**	3,595

Included in trade receivables is an amount of $4,566,000 (2014: $3,376,000) pertaining to a co-operation agreement entered into by a subsidiary with a third party for cultivation of cassava. In accordance with the agreement, repayment terms are either by way of cash or the equivalent value in crop upon harvest. The amount is non-interest bearing and recognised at its contractual value which represent the fair value on initial recognition.

The remaining 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 value on initial recognition.

The Group has trade receivables amounting to $67,000 (2014: $157,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Less than 30 days	**1**	42
30 days to 60 days	**10**	32
61 days to 90 days	**–**	33
Over 90 days	**56**	50
At 31 December	**67**	157

19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Other receivables	**682**	1,289	**–**	21
Deposits				
(net of allowance for impairment)	**118**	90	**–**	8
Other receivables and deposits	**800**	1,379	**–**	29
Prepayments	**326**	178	**20**	–
	1,126	1,557	**20**	29

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Other receivables	**3**	3	**–**	–
Less: Allowance for impairment				
(Note i)	**(3)**	(3)	**–**	–
	–	–	**–**	–

Note:

(i) Other receivables that are individually determined to be impaired at the end of the reporting period relate to a debtor that has defaulted on payments.

20. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2015	2014
	$'000	$'000
Due from subsidiaries		
– trade	**11,956**	10,366
– non-trade	**75,108**	77,246
	87,064	87,612
Less: Allowance for doubtful debts	**(2,697)**	(2,697)
	84,367	84,915
Due to subsidiaries		
– non-trade	**(9,254)**	(10,955)

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

21. LOANS FROM A DIRECTOR

	Group	
	2015	2014
	$'000	$'000
Loans from a director	**4,737**	–

The loans from a director bear interest based on the floating interest rate on an existing external bank borrowing, and range between 5.78% and 5.86% per annum. The amount is repayable on demand and is to be settled in cash.

22. INVESTMENT SECURITIES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Held for trading investments				
– equity instruments (quoted)	**2**	426	**–**	424

23. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Cash at banks and on hand	**2,910**	2,621	**64**	803
Short-term fixed deposits with financial institutions	**509**	2,581	**–**	322
	3,419	5,202	**64**	1,125

Cash at banks and fixed deposits earn interest at floating rates based on daily deposit rates of 0.50% (2014: 0.25% to 0.50%) per annum. Fixed deposits are held for varying periods of between 1 to 3 months.

24. TRADE PAYABLES

These amounts are non-interest bearing and normally settled on 60-days' terms. Included in trade payables is an amount of $3,321,000 pertaining to outstanding payment for a plot of land acquired in Sihanoukville Province, Cambodia, for the Group's property development project.

25. DEFERRED TAX LIABILITIES

As disclosed in Notes 11(b) and 12, the Group recognised a gain on revaluation of land and buildings and a gain on change in fair value of investment properties during the current and prior financial years. The deferred tax liabilities as at 31 December therefore relate to the following:

	Balance sheet		Other comprehensive income		Income statement	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Group						
Deferred tax liabilities						
Revaluation of land and buildings	**11,275**	10,358	**186**	9,866	**–**	–
Gain on change in fair value of investment properties	**2,815**	732	**–**	–	**2,066**	754
	14,090	11,090	**186**	9,866	**2,066**	754

The Group has tax losses of approximately $33,828,000 (2014: $29,878,000) that are available for offset against future taxable profits of the Group for which deferred tax assets amounting to approximately $6,254,000 (2014: $5,721,000) are not recognised due to uncertainty of the recoverability. The use of these tax losses is subject to the agreement of tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the companies operate.

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Current:				
Other payables	**1,545**	532	**559**	84
Deposits received	**549**	288	**–**	–
Accrued operating expenses	**490**	606	**345**	347
	2,584	1,426	**904**	431
Deferred income	**846**	14	**–**	–
	3,430	1,440	**904**	431
Non-current:				
Deposits received	**1,415**	1,324	**–**	–
Total other payables and accruals	**4,845**	2,764	**904**	431

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

The non-current deposits received relate to deposits placed by a third party relating to a co-operation agreement.

27. LOANS AND BORROWINGS

	Year of maturity	Group 2015 $'000	Group 2014 $'000
Current:			
Bank loans:			
SGD bank loan at base rate – 0.6% p.a.[(a)]	2016	**3,818**	–
USD bank loan 1 at base rate + 1.75% p.a.[(b)]	2016	**1,838**	–
USD bank loan 2 at base rate + 4.25% p.a.[(c)]	2016	**239**	–
USD bank loan 3 at SIBOR + 5.5% p.a.[(d)]	2016	**–**	2,228
Loan from third party[(e)]	2016	**778**	–
Obligations under finance leases (Note 33)[(f)]	2013-2018	**84**	80
		6,757	2,308
Non-current:			
Bank loans:			
USD bank loan 1 at base rate + 1.75% p.a.[(b)]	2017-2020	**1,101**	–
USD bank loan 2 at base rate + 4.25% p.a.[(c)]	2017-2018	**1,592**	–
Obligations under finance leases (Note 33)[(f)]	2013-2018	**79**	162
		2,772	162
Total loans and borrowings		**9,529**	2,470

* Base rate refers to the respective banks' internal cost of funds.

(a) SGD bank loan at base rate – 0.6% p.a.

This loan is secured by a first mortgage over the Group's leasehold land and buildings at 10 Neo Tiew Lane 2 [Note 12(f)] and corporate guarantee by the Company. The loan bears interest at 4.5% per annum. It is repayable in 72 equal instalments and will be fully repaid in September 2021, in accordance with the terms of the loan agreement.

As at 31 December 2015, a covenant of the term loan was breached. The Group's subsidiary exceeded the maximum security ratio allowed under the loan agreement. The lenders are contractually entitled to request for immediate repayment of the entire outstanding loan balance of $3,818,000. Hence, following FRS 1 Presentation of Financial Statements, the entire outstanding loan amount was classified as a current liability.

As at the date when these financial statements were authorised for issue, the bank had not requested for immediate repayment of the outstanding loan amount.

27. LOANS AND BORROWINGS (CONTINUED)

(b) USD bank loan 1 at base rate + 1.75% p.a.

The loan is secured by a legal charge over the Group's freehold land and buildings at Tropaing Chheu Neang Village [Note 12(b)] and corporate guarantee by the Company. The loan bears interest at base rate + 1.75% per annum. It is repayable in 60 equal instalments and will be fully repaid in October 2020.

(c) USD bank loan 2 at base rate + 4.25% p.a.

As at 31 December 2014, the Group had an outstanding balance with the bank of $2.2 million. On 5 October 2015, the Group partially re-financed the outstanding loan as of that date of $1.3 million by way of a new loan facility. In addition, a further amount was $2.5 million was undertaken under this new loan facility. This loan is secured by way of the following:

– charge and assignment over all bank accounts of two subsidiaries;

– assignment of all receivables of two subsidiaries;

– charge over all ordinary shares of a subsidiary;

– legal mortgage over freehold land of a subsidiary at Prek Village, Amleang Commune [Note 12(c)];

– charge over specified lists of vehicles, machineries and equipment of two subsidiaries; and

– assignment of interests in insurance policies of two subsidiaries.

The loan is repayable over a 3-year period and bears interest at the bank's cost of fund + 4.25% per annum. It is expected to be fully repaid by December 2018.

(d) USD bank loan 3 at SIBOR + 5.5% p.a

The loan bore interest at SIBOR + 5.5% per annum and was repayable by December 2015. The Group re-financed the outstanding loan obligations on 5 October 2015 by way of a new loan facility [Note 27(c)].

(e) Loan from third party

The loan was provided by a former director of the Group's subsidiaries, and an insignificant public shareholder of the Group. It bears interest at 5.86% per annum, is repayable on demand and is to be settled in cash. The loan is secured by corporate guarantee by the Company.

(f) Obligations under finance leases

These obligations are secured by a charge over the leased assets [Note 11(a)]. The average discount rate implicit in the leases is 4.63% p.a. (2014: 4.63% p.a.). These obligations are denominated in Singapore dollars.

28. SHARE CAPITAL

	Group and Company			
	2015		2014	
	No. of ordinary shares	$'000	No. of ordinary shares	$'000
Issued and fully paid				
At 1 January and 31 December	**3,957,211,329**	**76,897**	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.

29. RESERVES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Capital reserve (Note (i))	**481**	481	**(459)**	(459)
Asset revaluation reserve (Note (ii))	**40,521**	39,614	**–**	–
Foreign currency translation reserve (Note (iii))	**5,703**	1,966	**–**	–
Accumulated losses	**(17,517)**	(51,535)	**(826)**	(28,529)
	29,188	(9,474)	**(1,285)**	(28,988)

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 asset revaluation reserve represents revaluation of land and buildings, net of deferred tax liabilities, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

Note (iii)

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.

30. PERSONNEL EXPENSES

	Note	Group 2015 $'000	Group 2014 $'000
Salaries and bonuses		**2,194**	1,722
Central Provident Fund contribution		**116**	105
Other short-term benefits		**70**	103
	8	**2,380**	1,930

Key management and directors' remuneration included above is disclosed in Note 31 (c) and (d).

31. 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 2015 $'000	Group 2014 $'000
Management fee income in respect of beer garden and restaurant operations at D'Kranji Farm Resort	(i)	**168**	274
Provision of shuttle bus service at D'Kranji Farm Resort	(ii)	**27**	38
Renovation and upgrading works at D'Kranji Farm Resort	(iii)	**20**	113
Staff costs	(iv)	**237**	266
Loans from a director to a subsidiary	(v)	**4,737**	–
Interest expense for director's loans	(vi)	**117**	–

(i) 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.

(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) 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.

31. RELATED PARTY DISCLOSURES (CONTINUED)

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

(iv) Staff costs of $124,000 (2014: $266,000) were paid to individuals who are close family members of directors. These individuals are occupying managerial positions of the Company and its subsidiaries.

(v) A director of the Group provided personal loans to the Group to support the Group's land acquisition for property development projects in Cambodia (Note 21).

(vi) Interest of $117,000 was paid to a director in relation to the personal loans provided by the director (Note 7).

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

	Company	
	2015	**2014**
	$'000	**$'000**
Management fees from subsidiaries	**1,575**	1,575

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

	Group	
	2015	**2014**
	$'000	**$'000**
Short term employee benefits	**1,490**	1,013
Central Provident Fund contributions	**45**	46
	1,535	1,059
Comprise amounts paid to:		
Director of the Company	**1,275**	543
Other key management personnel	**260**	516
	1,535	1,059

31. RELATED PARTY DISCLOSURES (CONTINUED)

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

	2015			2014		
Company	**Executive directors**	**Non-executive directors**	**Total**	**Executive directors**	**Non-executive directors**	**Total**
$500,000 to $749,999	**1**	**–**	**1**	1	–	1
$250,000 to $499,999	**–**	**–**	**–**	–	–	–
$0 to $249,999	**–**	**4**	**4**	–	4	4
	1	**4**	**5**	1	4	5

32. COMMITMENTS

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

The Group has a commercial property lease for its factory and warehouse at Tropaing Chheu Neang Village, Cambodia [Note 12(b)] with remaining lease term of 7 months(2014: 19 months).

During the year, a subsidiary entered into a management agreement with another party, granting the company the right to manage, operate, and collect revenue in relation to the Group's resort at Kranji. The third party company is owned by a former director of the subsidiary and an insignificant shareholder of the Group. As at 31 December 2015, this non-cancellable lease has remaining lease term of 33 months. Upon the expiry of the lease term and subject to the Group's approval, the lease may be renewed for a further fixed term of 36 months, up to till 2024, with upward revision of the rental charge.

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

	Group	
	2015 $'000	**2014 $'000**
Within one year	**1,156**	121
Later than one year but not later than five years	**1,890**	71
	3,046	192

32. COMMITMENTS (CONTINUED)

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

The Group has various commercial leases in Cambodia for the use of office premise and agricultural operations. These non-cancellable leases have remaining lease terms of 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's 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. 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 2015 amounted to $176,000 (2014: $47,000). Future minimum lease payments payable under non-cancellable operating leases as described above as at 31 December are as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Not later than one year	**149**	88
Later than one year but not later than five years	**209**	222
Later than five years	**805**	780
	1,163	1,090

(c) ***Co-operation agreement***

On 26 December 2013, HLHA entered into an 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 HLHA's 9,985 hectares of farmland plantation (Note 12(d)). The agreement is for a period of 5 years (with an option to renew for a further term of 5 years) and commenced in 2014. Under the agreement, HLHA 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 cultivated on the plantation. In return, Zhong Fu shall pay HLHA US$3 million for the first year, US$3 million for the second year 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 HLHA's option. The amount to be paid by Zhong Fu for the first year was subsequently revised to US$2.55 million in 2014 by way of an addendum to the agreement.

32. COMMITMENTS (CONTINUED)

(c) ***Co-operation agreement (continued)***

Under the agreement, Zhong Fu has the option to purchase the farmland at a price of US$60 million during the 5-year agreement period. This is subject to the approval of the Group's shareholders, and compliance with all applicable laws and regulations of relevant government or regulatory authorities.

On 1 January 2014, HLHA entered into an agreement with an individual third party in respect of the cultivation, processing and production of sugarcane at HLHA's 450 hectares of farmland plantation [Note 12 (c)]. The agreement was subsequently terminated in 2015. The Group continues to classify this plantation as investment property as they are currently in discussions with interested parties to lease out this plantation. The Group is temporarily planting sugarcane and cassava on this plot of land, and recognised biological assets in respect of the crops that had yet to be harvested as at year end (Note 16).

33. FINANCE LEASES

The Group has finance leases for motor vehicles [Note 11(a)]. The leases have remaining term of approximately 2 to 3 years. The lease agreements do not have terms of renewal and purchase options.

The effective interest rates for the finance leases range from 4.35% to 4.92% (2014: 4.35% to 4.92%) per annum.

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

	2015		**2014**	
	Minimum lease payments $'000	**Present value of payments $'000**	**Minimum lease payments $'000**	**Present value of payments $'000**
Group and Company				
Not later than one year	**90**	**84**	90	80
One to five years	**81**	**79**	170	162
Total minimum lease payments	**171**	**163**	260	242
Less: Amounts representing finance charges	**(8)**	**–**	(18)	–
Present value of minimum lease payments	**163**	**163**	242	242

34. CONTINGENT LIABILITIES

Corporate guarantees

The Group has provided corporate guarantees of $14,103,000 (2014: $2,228,000) for subsidiaries' loans and borrowings.

35. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability

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 assets measured at fair value at the 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
Financial assets:				
Held for trading investments (Note 22)	2	–	–	2
Non-financial assets:				
Biological assets (Note 15)	–	206	–	206
Investment properties (Note 12)	–	–	102,389	102,389

Determination of fair values

Held for trading investments (Note 22): Fair values are determined directly by reference to the published market bid price of quoted equity instruments at the end of the reporting period.

Biological assets (Note 15): Fair values are determined based on the actual selling prices in the local market approximating those at year end, less estimated point-of-sale costs.

Investment properties (Note 12): Fair values are determined based on valuations performed by independent real estate valuation experts with recent experience in the location and category of the properties being valued.

35. FAIR VALUE OF ASSETS AND LIABILITIES

(c) *Level 3 fair value measurements*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements*

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description and location	Fair value as at 31 December 2015 ($'000)	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
(a) Land at Kmougne Village, Kmougne Commune, Sean Sock District, Phnom Penh City, Cambodia, Plot no: 1157	276	Direct comparison method	Transacted price of comparable properties (sqm): $495 to $919 (2014: $185 to $484)	The estimated fair value increases with higher comparable price.
(b) Land at Tropaing Chheu Neang Village, Peuk Commune, Ang Snoul District, Kandal Province, Cambodia	3,280	Direct comparison method	Transacted price of comparable properties (sqm): $79 to $177 (2014: $57 to $159)	The estimated fair value increases with higher comparable price.
Factory and warehouse at Tropaing Chheu Neang Village, Peuk Commune, Ang Snoul District, Kandal Province, Cambodia		Depreciated replacement cost method	Market price (sqm): $71 to $170 (2014: $66 to $159)	The estimated fair value increases with higher construction cost.

35. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) *Level 3 fair value measurements (continued)*

	Description and location	Fair value as at 31 December 2015 ($'000)	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
(c)	Land at Prek Village, Amleang Commune, Thpong District in Kampong Speu Province, Cambodia	4,695	Direct comparison method	Transacted price of comparable properties (sqm): $2,828 to $3,818 (2014: $3,310 to $3,972)	The estimated fair value increases with higher comparable price.
	Buildings and infrastructure at Prek Village, Amleang Commune, Thpong District, Kampong Speu Province, Cambodia		Depreciated replacement cost method	Market price (sqm): $40 to $103 (2014: $37 to $97)	The estimated fair value increases with higher construction cost.
(d)	Land at Aoral District in Kampong Speu Province, Cambodia	84,430	Direct comparison method	Transacted price of comparable properties (hectares): $1,838 to $9,898 (2014: $1,456 to $6,620)	The estimated fair value increases with higher comparable price.
	Buildings and infrastructure at Aoral District in Kampong Speu Province, Cambodia		Depreciated replacement cost method	Market price (sqm): $40 to $170 (2014: $37 to $159)	The estimated fair value increases with higher construction cost.

35. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) *Level 3 fair value measurements (continued)*

	Description and location	Fair value as at 31 December 2015 ($'000)	Valuation techniques	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
(e)	Land at Tropiang Cho Commune, Aoral District in Kampong Speu Province, Cambodia	1,708	Direct comparison method	Transacted price of comparable properties (sqm): 0.20 to 0.30	The estimated fair value increases with higher comparable price.
(f)	Land at 10 Neo Tiew Lane 2, D'Kranji Farm Resort, #01-05, Singapore 718813	8,000	Investment method	Capitalisation yield: 4%	The estimated fair value varies inversely against the capitalisation yield.

For all investment properties, a significant increase (decrease) in the significant unobservable inputs would result in a significantly higher (lower) fair value measurement.

(ii) *Movements in Level 3 assets and liabilities measured at fair value*

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs (Level 3):

	Investment properties	
	2015	**2014**
	$'000	**$'000**
Opening balance	**77,864**	276
Total gains or losses for the period		
– Included in profit or loss	**10,005**	3,382
– Included in other comprehensive income	**1,093**	49,480
Purchases	**–**	415
Transfer from property, plant and equipment	**7,835**	19,569
Exchange differences	**5,592**	4,742
Closing balance	**102,389**	77,864

35. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) *Level 3 fair value measurements (continued)*

(iii) Valuation policies and procedures

It is the Group's policy to engage external valuation experts to perform the valuation. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 Fair Value Measurement guidance.

The Group revalues its properties and the valuation techniques used are as follows:

(i) Direct comparison approach that considers the sales of similar properties that have been transacted in the open market with adjustment made for differences in factors that affect value

(ii) Depreciated replacement cost method that is based on estimated gross replacement cost of similar properties, less allowances for physical deterioration, obsolescence and optimisation

(iii) Investment method that takes into account the annual net income of the property which is then capitalized at an appropriate rate of return to arrive at the market value

(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 18), other receivables and deposits (Note 19), cash and short-term deposits (Note 23), trade payables (Note 24), other payables and accruals (Note 26), and amounts due to/from subsidiaries (Note 20) are reasonable approximation of fair values due to their short-term nature.

The carrying amounts of bank loans (Note 27) approximate fair values as these instruments bear interest at variable market rates. The carrying amount of finance lease obligations (Note 33) approximates fair value as they bear market interest rates which are revised at regular intervals and are estimated based on the expected cash flows discounted to present value.

36. FINANCIAL INSTRUMENTS

Classification of financial instruments

	Note	Loans and receivables $'000	Held for trading $'000	Financial liabilities at amortised cost $'000	Total $'000
2015					
Group					
Assets					
Trade receivables	18	**4,764**	**–**	**–**	**4,764**
Other receivables and deposits	19	**800**	**–**	**–**	**800**
Investment securities	22	**–**	**2**	**–**	**2**
Cash and short-term deposits	23	**3,419**	**–**	**–**	**3,419**
Total financial assets		**8,983**	**2**	**–**	**8,985**
Total non-financial assets					**133,977**
Total assets					**142,962**
Liabilities					
Trade payables	24	**–**	**–**	**3,465**	**3,465**
Other payables and accruals	26	**–**	**–**	**3,999**	**3,999**
Loans from a director	21	**–**	**–**	**4,737**	**4,737**
Loans and borrowings	27	**–**	**–**	**9,529**	**9,529**
Total financial liabilities		**–**	**–**	**21,730**	**21,730**
Total non-financial liabilities					**15,071**
Total liabilities					**36,801**

36. 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
2014					
Group					
Assets					
Trade receivables	18	3,595	–	–	3,595
Other receivables and deposits	19	1,379	–	–	1,379
Investment securities	22	–	426	–	426
Cash and short-term deposits	23	5,202	–	–	5,202
Total financial assets		10,176	426	–	10,602
Total non-financial assets					103,242
Total assets					113,844
Liabilities					
Trade payables	24	–	–	228	228
Other payables and accruals	26	–	–	2,750	2,750
Loans and borrowings	27	–	–	2,470	2,470
Total financial liabilities		–	–	5,448	5,448
Total non-financial liabilities					11,189
Total liabilities					16,637

36. FINANCIAL INSTRUMENTS (CONTINUED)

Classification of financial instruments (continued)

	Note	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Total $'000
2015				
Company				
Assets				
Amounts due from subsidiaries	20	**84,367**	**–**	**84,367**
Cash and short-term deposits	23	**64**	**–**	**64**
Total financial assets		**84,431**	**–**	**84,431**
Total non-financial assets				**1,339**
Total assets				**85,770**
Liabilities				
Other payables and accruals	26	**–**	**904**	**904**
Amounts due to subsidiaries	20	**–**	**9,254**	**9,254**
Total liabilities		**–**	**10,159**	**10,158**

36. 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
2014					
Company					
Assets					
Other receivables and deposits	19	29	–	–	29
Amounts due from subsidiaries	20	84,915	–	–	84,915
Investment securities	22	–	424	–	424
Cash and short-term deposits	23	1,125	–	–	1,125
Total financial assets		86,069	424	–	86,493
Total non-financial assets					1,333
Total assets					87,826
Liabilities					
Other payables and accruals	26	–	–	431	431
Amounts due to subsidiaries	20	–	–	10,955	10,955
Total financial liabilities		–	–	11,386	11,386
Total non-financial liabilities					2
Total liabilities					11,388

37. 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 and foreign currency risk. The board of directors review s and agrees policies and procedures for the management of these risks, which are executed by the Finance department. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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 profit before tax would have been approximately $95,000 (2014: $52,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

(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.

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.

*Exp*osure to credit risk

As at the end of the reporting period, the Group's maximum exposure to credit risk is represented by:

– an amount of $4,566,000 (2014: $3,376,000) due from a third party, relating to a co-operation agreement

– a nominal amount of $14,103,000 (2014: $2,228,000) relating to corporate guarantees provided by the Company for subsidiaries' loans and borrowings.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) ***Credit risk (continued)***

Credit risk concentration profile

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

	2015		**2014**	
	$'000	**%**	**$'000**	**%**
Singapore	**164**	**3.5**	158	4.4
Cambodia	**4,600**	**96.5**	3,437	96.6
	4,764	**100.0**	3,595	100.0

At the end of the reporting period, approximately 95.8% (2014: 93.9%) of the Group's trade receivables was due from a third party, pertaining to a co-operation agreement entered into by a subsidiary for cultivation of cassava.

<u>Financial assets that are neither past due or impaired</u>

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.

<u>Financial assets that are either past due or impaired</u>

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

(c) ***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) ***Liquidity risk (continued)***

		2015			2014		
	Note	One year or less $'000	One to five years $'000	Total $'000	One year or less $'000	One to five years $'000	Total $'000
Group							
Financial assets:							
Trade receivables	18	**4,764**	**–**	**4,764**	3,595	–	3,595
Other receivables and deposits	19	**800**	**–**	**800**	1,379	–	1,379
Investment securities	22	**2**	**–**	**2**	426	–	426
Cash and short-term deposits	23	**3,419**	**–**	**3,419**	5,202	–	5,202
Total undiscounted financial assets		**8,985**	**–**	**8,985**	10,602	–	10,602
Financial liabilities:							
Trade payables	24	**3,465**	**–**	**3,465**	228	–	228
Other payables and accruals	26	**2,584**	**1,415**	**3,999**	1,426	1,324	2,750
Loans from a director	21	**4,769**	**–**	**4,769**	–	–	–
Loans and borrowings	27	**7,118**	**2,996**	**10,114**	2,408	162	2,570
Total undiscounted financial liabilities		**17,936**	**4,411**	**22,347**	4,062	1,486	5,548
Total net undiscounted financial assets/ (liabilities)		**(8,951)**	**(4,411)**	**(13,362)**	6,540	(1,486)	5,054

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) ***Liquidity risk (continued)***

		Company	
		One year or less	
	Note	2015 $'000	2014 $'000
Financial assets:			
Other receivables and deposits	19	–	29
Amount due from subsidiaries	20	**84,367**	84,915
Investment securities	22	–	424
Cash and short-term deposits	23	**64**	1,125
Total undiscounted financial assets		**84,431**	86,493
Financial liabilities:			
Other payables and accruals	26	**904**	431
Amount due to subsidiaries	20	**9,254**	10,955
Total undiscounted financial liabilities		**10,158**	11,386
Total net undiscounted financial assets		**74,273**	75,107

(d) ***Foreign currency risk***

The Group's transactional currency exposures mainly arise from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The Group is also exposed to currency translation risk arising from its net investments in foreign operations. 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.

In order to minimise 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.

37. 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 against SGD, with all other variables held constant.

	Group Profit before tax	
	2015	**2014**
	$'000	**$'000**
USD – strengthen 5% (2014: 5%)	**1,772**	1,614
USD – weaken 5% (2014: 5%)	**(1,772)**	(1,614)

38. 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 2015 and 31 December 2014.

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	
	2015	**2014**
	$'000	**$'000**
Loans and borrowings (Note 27)	**9,529**	2,470
Equity attributable to the owners of the Company	**106,085**	95,952
Non-controlling interests	**76**	1,255
Total capital	**106,161**	97,207
Gearing ratio	**9%**	3%

39. 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, and distribution of cassava, and includes the co-operation agreements with third parties to operate the agriculture land, and the agriculture-related resort business.

(ii) *Property Development and Real Estate Division*

The Property Development and Real Estate Division is carrying on the business of investment and prime development of commercial and residential properties. During the year, the Group has acquired several plots of land in Cambodia for property development.

(iii) *Others*

Others segment comprises:

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

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

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

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.

39. SEGMENT INFORMATION (CONTINUED)

	Agriculture division $'000	Property development and real estate division $'000	Others $'000	Adjustments and eliminations $'000	Note	Group $'000
2015						
Revenue						
External sales	5,724	–	–	–		5,724
Inter-segment sales	–	–	1,575	(1,575)	A	–
	5,724	–	1,575	(1,575)		5,724
Results:						
Interest income	4	12	2	–		18
Gain/(loss) on disposal of property, plant and equipment	45	(1)	–	–		44
Gain on change in fair value of investment properties	10,005	–	–	–		10,005
Fair value loss on held for trading investment securities	–	–	(427)	–		(427)
Fair value adjustment to agricultural produce	–	–				
Depreciation	(2,135)	(172)	(19)	–		(2,325)
Impairment loss on property, plant and equipment	(1,825)	–	–	–		(1,825)
Finance costs	(985)	(122)	–	750		(357)
Segment profit/(loss)	7,492	9,423	(828)	(8,720)	A	7,367
Assets:						
Additions to non-current assets	3,397	19	3	–		3,419
Segment assets	125,327	17,230	403	–		142,960
Segment liabilities	(25,695)	(10,122)	(952)	–	B	(36,769)

39. SEGMENT INFORMATION (CONTINUED)

	Agriculture division $'000	Property development and real estate division $'000	Others $'000	Adjustments and eliminations $'000	Note	Group $'000
2014						
Revenue						
External sales	6,800	–	–	–		6,800
Inter-segment sales	–	–	1,575	(1,575)	A	–
	6,800	–	1,575	(1,575)		6,800
Results:						
Interest income	66	24	6	–		96
Gain/(loss) on disposal of property, plant and equipment	25	–	–	–		25
Gain on change in fair value of investment properties	3,382	–	–	–		3,382
Fair value loss on held for trading investment securities	–	(1)	(238)	–		(239)
Fair value adjustment to agricultural produce	241	–	–	–		241
Depreciation	(2,073)	(94)	(18)	–		(2,185)
Finance costs	(219)	(4)	–	–		(223)
Segment profit/(loss)	5,330	(91)	(103)	(3,458)	A	1,678
Assets:						
Additions to non-current assets	782	405	–	–		1,187
Segment assets	108,331	3,602	1,911	–		113,844
Segment liabilities	(2,478)	(83)	(431)	(13,645)	B	(16,637)

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.

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

39. SEGMENT INFORMATION (CONTINUED)

	2015 $'000	2014 $'000
Loans and borrowings	**9,529**	2,470
Provision for taxation	**135**	85
Deferred tax liabilities	**14,090**	11,090
	23,754	13,645

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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Singapore	**1,520**	1,489	**8,502**	8,050
Cambodia	**4,204**	5,311	**109,876**	92,136
Others	**–**	–	**–**	1,158
Total	**5,724**	6,800	**118,378**	101,344

Information about a major customer

Included in revenue is an amount of $4,122,000 (2014: $3,230,000) pertaining to a co-operation agreement entered into by a subsidiary with a third party for cultivation of cassava.

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

40. SUBSEQUENT EVENTS

On 5 February 2016, a fire broke out in the Group's plot of land in Amleang, Cambodia [Note 12 (c)]. The estimated damages to the sugarcane crops that had yet to be harvested is $92,000.

41. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 28 March 2016.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2016

ISSUED AND FULLY PAID-UP CAPITAL	–	S$105,425,589
CLASS OF SHARES	–	ORDINARY SHARES
NUMBER OF SHARES	–	3,957,211,329
VOTING RIGHTS	–	ONE VOTE PER SHARE

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	16	0.22	457	0.00
100 – 1000	251	3.52	210,263	0.01
1001 – 10000	558	7.81	3,548,166	0.09
10,001 – 1,000,000	5,910	82.76	1,148,143,787	29.01
1,000,001 and above	406	5.69	2,805,308,656	70.89
TOTAL	7,141	100.00	3,957,211,329	100.00

TWENTY LARGEST SHAREHOLDERS

TOP TWENTY SHAREHOLDERS AS AT 15 MARCH 2016	NO. OF SHARES	%
ONG BEE HUAT	422,255,500	10.67
WONG WEN-YOUNG	415,255,500	10.50
HSU HUNG-CHUN	120,000,000	3.03
WAN CHUNG CONSTRUCTION (SINGAPORE) PTE LTD	89,400,000	2.26
CITIBANK NOMINEES SINGAPORE PTE LTD	89,314,200	2.26
ONG TECK BENG (WANG DEMING)	85,500,000	2.16
ANG POON BENG	73,625,700	1.86
CIMB SECURITIES (S) PTE LTD	62,791,498	1.59
DBS NOMINEES PTE LTD	51,092,564	1.29
TOH TIAM HOCK	49,950,666	1.26
SOH CHIAP HOI	47,625,800	1.20
PHILLIP SECURITIES PTE LTD	38,393,398	0.97
UNITED OVERSEAS BANK NOMINEES PTE LTD	33,184,629	0.84
GOH BAK HENG	29,000,000	0.73
MAYBANK NOMINEES (S) PTE LTD	24,038,999	0.61
OCBC SECURITIES PRIVATE LTD	22,667,212	0.57
NG CHUEN GUAN	21,425,000	0.54
OCBC NOMINEES SINGAPORE PTE LTD	19,871,334	0.50
KHONG HENG POH	18,000,000	0.46
NG YING TING	17,905,000	0.45
	1,731,297,000	43.75

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2016

(As recorded in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interests	
No.	**Name**	**No. of shares held**	**%**	**No. of shares held**	**%**
1.	DATO' DR. ONG BEE HUAT, JOHNNY	422,255,500	10.67	10,000,000[(1)]	0.25
2.	DR. WONG WEN-YOUNG, WINSTON	415,255,500	10.50	–	–

Note:

(1) Dato' Ong Bee Huat, Johnny is deemed to have an interest in 10,000,000 shares held by his son, Mr Ong Jia Ming.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 16 March 2016, 78.46% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of **HLH GROUP LIMITED** will be held on Monday, 25 April 2016 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 Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2015 together with the Auditors' Report 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) Dato' Dr. Ong Bee Huat **[Resolution 3]**

   [See Explanatory Note (i)]

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$133,000.00 for the financial year ended 31 December 2015 (2014: S$119,000). **[Resolution 5]**

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

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and 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 (ii)]* **[Resolution 6]**

By Order of The Board

HELEN CAMPOS
Company Secretary
Singapore

8 April 2016

Explanatory Notes:–

(i) Dr. Wang Kai Yuen will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, Chairman of the Audit Committee and as a member of the remuneration committee and nominating committee of the Company and he will be considered independent.

Dato' Dr. Ong Bee Huat will, upon re-election as a Director of the Company, remain as an Executive Director, a member of the remuneration committee and nominating committee of the Company and he will be considered non-independent.

(ii) The effect of Resolution 6 under the heading "Special Business" in this Notice of Annual General Meeting is to empower the Directors of the Company, from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the share capital of the Company 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.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purpose**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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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 Seventeenth Annual General Meeting of the Company to be held at D' Kranji Farm Resort, 10 Neo Tiew Lane 2, Singapore 718813 on Monday, 25 April 2016 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 Sixteenth 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 Sixteenth Annual General Meeting.)

No.	Resolutions relating to:	For	Against
1	Adoption of Audited Financial Statements for the financial year ended 31 December 2015 together with the Auditors' Report 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 Dato' Dr. Ong Bee Huat 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$133,000.00 for the financial year ended 31 December 2015.		
6	Authority to Directors to allot and issue new shares.		

Dated this ____________ day of __________________ 2016

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.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2016.

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