



YEO HIAP SENG LIMITED



Healthier Lifestyle Through Better Choices

ANNUAL REPORT 2019



TABLE OF CONTENTS

Chairman’s Statement	02
Financial Highlights	06
Corporate Information	07
Profile of the Board of Directors	08
Corporate Governance Report	13
Sustainability Report	40
Financial Statements	71
Statistics of Shareholdings	169
Notice of Annual General Meeting	171
Supplemental Information on Director Seeking Re-election	178
Supplemental Information on New Directors	181
Proxy Form	





CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I am honoured and humbled to serve Yeo Hiap Seng Limited ("YHS" or the "Group") as Chairman of the Board. 2020 marks the 120th anniversary of Yeo's, a household name with a rich history in bringing happiness to consumers with our quality and innovative food and beverages of authentic Southeast Asian taste. I look forward to working with the team as we start a new chapter of Yeo's journey together, building on our strengths and competences to innovate, delight and exceed the expectations of our customers.

On behalf of the Board of Directors, I would like to thank Mr Koh Boon Hwee, who has served the Group as Chairman since April 2010, and Mr Melvin Teo as Group Chief Executive Officer ("Group CEO") since 2015. I would also like to welcome Mr Samuel Koh as our new Group CEO. Samuel brings with him extensive executive experience in the food and beverage industry with well-established consumer brands across multiple geographies and he will help bring YHS to a new growth phase with his business acumen and expertise.

On behalf of the Board of Directors, I am pleased to present the annual report for the financial year ended 31 December 2019.

FINANCIAL OVERVIEW

The Group's revenue increased 5% to \$364.3 million, driven by stronger sales in Singapore, Cambodia, Europe and China. In our two main markets of Malaysia and Singapore, we maintained our Asian Drinks market leadership positions amid intensifying competition, with volume shares of 28% and 32% respectively based on Nielsen data.

In Malaysia and Singapore, we have continued to develop and launch healthier beverages and food to cater to the growing demand for healthy living and to support the lower sugar consumption initiatives advocated by the governments. On 1 July 2019, Malaysia effected an excise tax on beverages containing five grams or more of sugar per 100 millilitres. We have reformulated our products in Malaysia swiftly to achieve the lower sugar level while maintaining the good taste profile. In Singapore, the Ministry of Health also announced plans to promote lower sugar consumption. As more than

80 per cent of Yeo's beverage sales in Singapore are from healthier choice products, we will continue to work closely with the regulators to ensure that we comply with the new regulations and guidelines. In Cambodia, we recorded a strong growth of 37% in sales as we worked closely with distribution partners to drive product visibility and availability in the market. In China, we refreshed our packaging and ran interactive QR code promotions to increase engagement with our consumers and to drive sales. 2019 net profit grew 47% on prior year to \$17.7 million.

The Group's balance sheet remained healthy with cash and cash equivalents of \$295.8 million and no borrowings as at 31 December 2019. The Group is well placed to seize growth opportunities via strategic collaborations or acquisitions. We are continually prospecting and evaluating and I am delighted to share that in 2019, we have concluded new collaborations with well-established brands to leverage our production and distribution capabilities and to complement our offerings to our customers. In early 2019, we commenced bottling of Kickapoo brand carbonated drinks and American brand mixers for distribution in five markets including Malaysia, Singapore, Cambodia, Vietnam and Indonesia. We have also started distributing Dutch Lady products in Singapore since third quarter of 2019. We have teamed up with Oatly from Sweden, one of the world's leading plant-based milk companies, to supply their oat milk products out of Singapore for their regional needs from fourth quarter of 2020 onwards.

BUSINESS STRATEGY EXECUTION

In 2019, the Board and the management team continued to execute our multi-year strategic plan with thematic focus on targeted product categories – Asian Drinks, Soy, Ready-to-drink ("RTD") Tea, Carbonated Drinks and Food – as well as on the Cambodia market as a whole. In line with these growth themes, we have

- launched new offerings across all the targeted product categories to broaden our product range and set pace for growth;
- curated product offerings with nutritional benefits scheduled for launch in the upcoming months to continually delight consumers with healthy beverages that are also delicious;



CHAIRMAN'S STATEMENT

- extended our food offerings by introducing canned Cuttlefish in Soya, Cuttlefish in Curry, Hot & Spicy Sardines and Black Bean Fish as well as various new flavours for Cintan Noodles;
- evolved our brand defining and building activities with focused consumer studies and Yeosome Campaign – which served to connect to the younger consumer groups while we revitalise our brand with our loyal customers; and
- deepened our distribution footprint and reach into provinces in Cambodia through stronger collaboration with our distributors and wholesalers.

Putting all the initiatives together, we will build a sustainable business that will continue to innovate and meet the needs of evolving consumer tastes and healthier consumption demand.

BRANDING

We thank our loyal consumers in Singapore and Malaysia for their steadfast support in making Yeo's Asian Drinks the "Number One Asian Drink" as measured by Nielsen for five and seven years running respectively.

In Singapore, we launched the Yeosome Campaign across multiple media platforms as part of our ongoing brand revitalization efforts and to maintain brand saliency, especially amongst the millennials. During the month-long National Day celebrations in August 2019, which was also celebrated as Singapore Bicentennial to mark the 200th anniversary of Sir Stamford Raffles' arrival in Singapore, we invested in an outdoor media blitz to associate the joy of celebrating our nation's birthday with the feeling of being awesome and hence "Yeosome". The Yeosome Campaign brought back fond memories for many Singaporeans who have grown up consuming Yeo's products. In September 2019, we extended the Yeosome Campaign to Makan Match, where we encouraged the public to choose Yeo's as their go-to drink during meal times and engaged consumers to share their pairing of Yeo's drinks with local dishes on Facebook and Instagram over a period of six weeks. The Makan Match reminded our consumers of how Yeo's drinks complemented the local food fare and the sharing on social media also encouraged consumers to try different Yeo's drinks and local dishes pairing based on what has been shared.

In Malaysia, we collaborated with the Ministry of Tourism and Culture to sponsor the Night at the Museum Program, reaching out to over 3,200 students in 37 locations across the country. Through this program, we collaborated with Jabatan Muzium Negara (or Department of Museums Malaysia) to jointly conduct educational talks on sustainability and healthy living targeted at teenage students. The Night at the Museum Program received wide media coverage across major broadcast, online and print media which boosted our brand exposure and stature. In November 2019, we unveiled a new Yeo's Soy Bean Milk campaign – "Boost for your Moments" – to increase brand relevance amongst the younger consumers and to expand consumption occasions. As part of the campaign, we released a series of anime-styled videos featuring a huggable mascot of Yeo's Soy Bean Milk which has been well received.

CHAMPIONING WELLNESS AND HEALTHIER CONSUMPTION

In 2019, we continued to launch new products that promote healthy living and consumption. In line with our strategy to strengthen and restage our RTD Tea portfolio, we launched a premium range of RTD Tea in various flavours such as Chrysanthemum Pu'er Tea, Lychee Pu'er Tea, Red Date Black Tea, Osmanthus Green Tea, Elderberry Black Tea and Rose Black Tea. These freshly brewed premium teas of botanical ingredients are low in calories with zero or very little added sugar. Soy is a good source of plant protein and is a popular alternative for people who are lactose-intolerant. To enable our consumers to enjoy the benefits of our soy drinks – made from whole non-GMO Canadian beans – and to experience different flavours, we expanded our soy range to include bandung and matcha flavours. For consumers who enjoy carbonated drinks, especially in hot summers, we launched the Juscool Sparkling Juice Drinks range a few years ago, which contains real fruit juice at lower sugar levels and endorsed with the Healthier Choice Symbol in Singapore. We continuously refresh the range and in 2019, we launched new flavours to include Citrus Blue and Blood Orange which are infused with real citrus and blood orange juices respectively. Last but not least, we introduced H-TWO-O Unleashed, which comes in a fresh new pomegranate flavour with the same functional benefits of hydration and electrolytes replacement as other offerings in our H-TWO-O range.



CHAIRMAN'S STATEMENT

In Malaysia, there is also an increased focus on health. The government implemented an excise tax on ready-to-drink ("RTD") drinks containing five or more grams of sugar per 100 millilitres. It also continued to raise public awareness and education about obesity and encourage healthy living amongst Malaysians. In full support of this initiative, we have reformulated our Malaysian products while maintaining the product quality and taste. It is our belief that we can help to make the consumers' journey towards healthier living sustainable and enjoyable by offering delicious and lower-sugar beverages.

PURSUING SUSTAINABLE GROWTH

Sustainability is at the heart of Yeo's. We believe that in order to pursue sustainable business growth and success, we need to take into consideration and balance the interests of our stakeholders.

Consumers are increasingly conscious about health and food safety. In addition to innovating with tasty and healthy offerings, we have zero tolerance regarding food safety issues. We are vigilant across our supply chain and quality assurance functions in order to provide consumers the peace of mind when purchasing and consuming Yeo's products.

Safety concerns are also extended to our employees. We continue to accord the utmost priority to the safety of our workforce and this commitment has been recognised by various national agencies. In Malaysia, we have been awarded the highest implementation level of "Excellent" for the Systematic Occupational Health Enhancement Level Programme ("SOHELP") by the Department of Occupational Safety and Health. In Singapore, we continue to maintain our bizSAFE level 3 certification as recognised by the Ministry of Manpower, which acknowledges our excellence in workplace safety. Our people are important assets and we continuously strengthen our human resource policies as we strive to become an employer of choice. In 2019, we are honoured to be awarded with "The Singapore HR Awards 2019", "HR Excellence Award" and "Top 100 Asia's Best Employer Brands", which recognise our efforts on human resources.

We need to continuously enhance our operational efficiencies and improve our capabilities. In 2019, we made improvements in salesforce management and

revenue growth management practices to improve our commercial capabilities. In our supply chain, we also have separate work streams to improve our manufacturing processes. These initiatives will build business capabilities and keep us lean and agile. While we are conscious of our spending, we are mindful that we need to continue to invest in our plant and facilities to build business resilience and to cater to the long-term growth plans for our business.

The Board oversees the strategic direction of sustainability for the Group and ensures that we continue to embed sustainable practices in our plans and operations. Our sustainability targets and results for 2019 are covered in the Sustainability Report included in this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

We are a committed corporate citizen, and we seek to support the community through donations, sponsorships and volunteering. In 2019, our people have been involved in community engagement projects, including OCBC Cycle which champions the use of bicycles as a green mode of travel; and charity runs such as Stepping Out for Stroke and Santa Run which help to raise funds for stroke prevention programmes and fulfil the wishes of children with critical illnesses respectively.

Yeo's also continued to support the Community Chest in their events by donating to the Getai-Xinyao Charity Concert which commemorated and reflected on Singapore's journey over the years and showcased the power of community spirit and giving. We also launched the Spirit of Giving campaign to involve our loyal customers in good causes. Under the campaign, Yeo's pledged 50 cents for every \$5 worth of any Yeo's beverage bought at NTUC FairPrice supermarkets and Cheers outlets. The campaign was very successful and raised a total of \$100,000 within three weeks. These proceeds will be distributed to three of the social service agencies supported by Community Chest, which are AWWA Ltd, AMKFSC Community Services and Montfort Care. Over the past few years, Yeo's has been contributing to the Community Chest with cash donations totalling over \$500,000, supporting about 80 affiliated social service agencies. Yeo's employees have also been participating in various community service projects, clocking over 1,800 volunteer hours.



CHAIRMAN'S STATEMENT

In Malaysia, 2019 marks Yeo's eleventh year of sponsorship for the 30-Hour Famine Camp organised by World Vision which aims to create awareness on global hunger and poverty through experiential activity. Over the past 11 years, YHS have sponsored more than 1.3 million packets of 250ml Yeo's Soya Bean Milk drinks to help the hunger fighters in 17 camps stay nourished and all the funds raised from these events have gone towards supporting holistic and transformational programmes to improve the well-being of children, families and communities in need in various countries.

In the early months of 2020, many countries were affected by the novel coronavirus. This had put medical professionals under intense work pressure to provide care for patients while having to maintain their own mental fortitude and good health. In early February 2020, to show our appreciation and support to these medical professionals in the frontline, Yeo's donated over 12,000 bottles of Yeo's Chrysanthemum Tea and Longan Red Date Tea to Tan Tock Seng Hospital, National Centre for Infectious Diseases, Singapore General Hospital, Changi General Hospital and Sengkang General Hospital in Singapore. In Malaysia, we also delivered over 2,000 units of Yeo's food and beverage to Sungai Buloh Hospital in Selangor to extend our appreciation to the medical team.

We aim to continue to make meaningful contributions to the society and make positive impact in 2020.

CORPORATE GOVERNANCE

On the corporate governance front, I am pleased to share that we have moved up nine spots and was ranked 55th (previously ranked 64th) in the 2019 Singapore Governance & Transparency Index ("SGTI"). The SGTI – a collaboration between CPA Australia, NUS Business School's Centre for Governance, Institutions and Organisations and Singapore Institute of Directors – is the leading index for assessing corporate governance practices of Singapore-listed companies.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Group, I extend a warm welcome to Dr. Lim Su Lin, Mr. Sitoh Yih Pin and Ms. Goi Lang Ling Lauren to the YHS Board as Independent & Non-executive Directors. They bring a wealth of industry experience and knowledge, and will add diversity and depth to the YHS Board. I am also grateful to our directors who retired from

the YHS Board during this financial year for their many years of dedication and counsel to the Group: Mr. Koh Boon Hwee, Dr. Tan Chin Nam, Dato' N. Sadasivan a/l N.N. Pillay, Mr. Fong Chun Man Kenneth and Mr. Melvin Teo Tzai Win.

I would like to express my appreciation to all YHS management and employees for their continued hard work throughout 2019. I would also like to thank all our customers, suppliers, business associates and shareholders for their unwavering support. Lastly, I would like to extend my gratitude to my fellow Board members for their wise counsel and contributions.

In 2020, as we celebrate Yeo's 120th brand anniversary, I look forward to your support and dedication as we take Yeo's on a new chapter of our journey to gear up for the opportunities ahead.

DARYL NG WIN KONG

Chairman

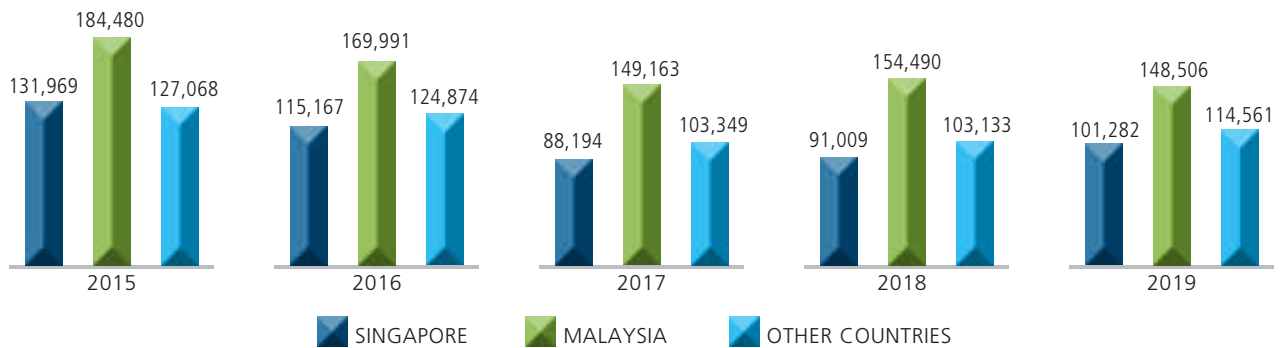


FINANCIAL HIGHLIGHTS

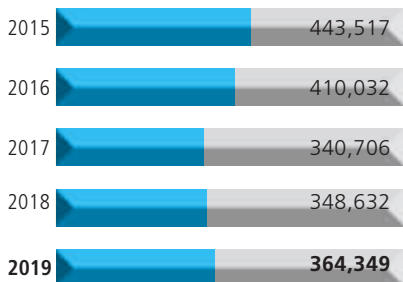
FIVE-YEARS STATISTICAL RECORD OF THE GROUP

Unit: S\$'000	2015	2016	2017	2018	2019
TURNOVER BY GEOGRAPHICAL SEGMENTS:					
Singapore	131,969	115,167	88,194	91,009	101,282
Malaysia	184,480	169,991	149,163	154,490	148,506
Other countries	127,068	124,874	103,349	103,133	114,561
TOTAL GROUP TURNOVER	443,517	410,032	340,706	348,632	364,349
Pre-tax profit	44,009	35,575	147,376	13,421	24,097
Net tangible assets	598,244	679,318	632,150	633,132	610,451

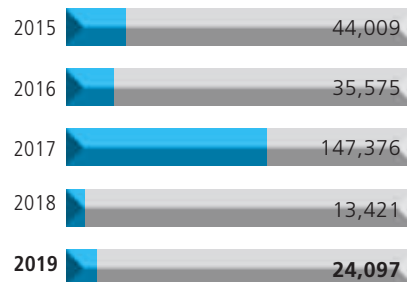
TURNOVER BY GEOGRAPHICAL SEGMENTS



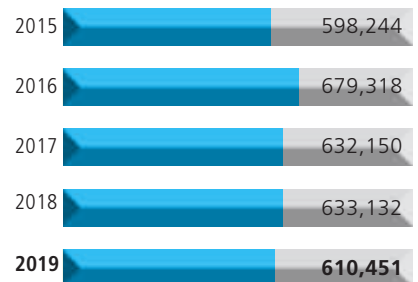
GROUP TURNOVER



PRE-TAX PROFIT



NET TANGIBLE ASSETS





CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Ng Win Kong Daryl
Chairman
Non-independent & Non-executive Director

Mr. S. Chandra Das
Deputy Chairman & Lead Independent Director
Independent & Non-executive Director

Mr. Chin Yoke Choong
Independent & Non-executive Director

Dato' Mohamed Nizam bin Abdul Razak
Independent & Non-executive Director

Ms. Luo Dan
Independent & Non-executive Director

Dr. Lim Su Lin
Independent & Non-executive Director

Mr. Sitoh Yih Pin
Independent & Non-executive Director

Ms. Goi Lang Ling, Laureen
Independent & Non-executive Director

COMPANY SECRETARY

Mr. Winston Paul Wong Chi Huang

AUDIT & RISK COMMITTEE

Mr. Chin Yoke Choong
Chairman

Mr. S. Chandra Das
Member

Dato' Mohamed Nizam bin Abdul Razak
Member

Mr. Sitoh Yih Pin
Member

NOMINATING COMMITTEE

Mr. S. Chandra Das
Chairman

Dato' Mohamed Nizam bin Abdul Razak
Member

Dr. Lim Su Lin
Member

REMUNERATION COMMITTEE

Mr. Sitoh Yih Pin
Chairman

Mr. S. Chandra Das
Member

Ms. Luo Dan
Member

Ms. Goi Lang Ling, Laureen
Member

REGISTERED OFFICE

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Singapore 758057

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SHARE REGISTRAR

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Singapore 048544

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FAX : (65) 6593 4847

INDEPENDENT AUDITORS

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

Partner-in-charge:
Ms. Yeo Lik Khim
Year Appointed: 2019



PROFILE OF THE BOARD OF DIRECTORS

MR. NG WIN KONG DARYL | 41

Chairman
Non-independent &
Non-executive Director

- Member of Board of Directors

Mr. Ng Win Kong Daryl was appointed as a Non-independent, Non-executive Director on YHS Board on 13 June 2018. He was last re-elected as a Director of the Company on 26 April 2019. On 1 January 2020, he was appointed as Chairman of YHS Board.

Mr. Ng is the son of Mr. Robert Ng Chee Siong and nephew of Mr. Philip Ng Chee Tat, beneficiaries of the Estate of the late Mr. Ng Teng Fong, a substantial shareholder of the Company.

Mr. Ng is an Executive Director of Sino Land Company Limited (“Sino Land”), a company listed on The Stock Exchange of Hong Kong Limited since April 2005 and Deputy Chairman since November 2017. He holds a Bachelor of Arts Degree in Economics, a Master Degree of Science in Real Estate Development from Columbia University in New York, an Honorary Doctor of Humane Letters degree from Savannah College of Art and Design and an Honorary University Fellowship from The Open University of Hong Kong.

Mr. Ng first joined Sino Land as Executive (Development) in 2003. He is a director of a number of subsidiaries and associated companies of Sino Land, and an Executive Director and Deputy Chairman of Tsim Sha Tsui Properties Limited and Sino Hotels (Holdings) Limited. He is also a Non-Executive Director of The Bank of East Asia, Limited which is listed on The Stock Exchange of Hong Kong Limited. He is a member of the Global Leadership Council of Columbia University in the City of New York, a member of the 10th Sichuan Committee of the Chinese People’s Political Consultative Conference (“CPPCC”), a member of the 12th and 13th Beijing Municipal Committee of the CPPCC, a member of the 10th and 11th Committees of the All-China Youth Federation and the Deputy Chairman of the Chongqing Youth Federation. He is the Vice Chairman of Hong Kong United Youth Association, a Council Member of the Hong Kong Committee for UNICEF, a Council Member of The Hong Kong Management Association and a Council Member of Hong Kong Chronicles Institute Limited.

Mr. Ng’s major public service appointments include being a co-opted member of the Community Care Fund Task Force of Commission on Poverty of the Government of Hong Kong Special Administrative Region (“HKSAR”), a member of the Estate Agents Authority of HKSAR, a member of the Council of the University of Hong Kong, a member of the Court of the Hong Kong University of Science and Technology, a member of NUS Medicine International Council at the Yong Loo Lin School of Medicine of National University of Singapore, a member of International Advisory Council of Singapore Management University, a member of the Board of M Plus Museum Limited, a Board Member of National Heritage Board, Singapore and a member of Hong Kong Trade Development Council Mainland Business Advisory Committee. He is a Director of The Real Estate Developers Association of Hong Kong and a Director of The Community Chest of Hong Kong.



PROFILE OF THE BOARD OF DIRECTORS

MR. S. CHANDRA DAS | 80

Deputy Chairman & Lead
Independent Director
Independent &
Non-executive Director

- Member of Board of Directors
- Chairman of Nominating Committee
- Member of Audit & Risk Committee
- Member of Remuneration Committee

Mr. S. Chandra Das was appointed an Independent Director on YHS Board on 1 September 2002 and subsequently, from 1 November 2005, he was appointed as Lead Independent Director. He was re-appointed as a Director of the Company on 27 April 2018. On 1 October 2019, Mr. Das was appointed as Chairman of the Remuneration Committee. He relinquished this position on 31 December 2019 but remained as a member of the Remuneration Committee.

Mr. Das does not have any relationship (including familial) with fellow board members, the Company and/or its substantial shareholders or any of its principal subsidiaries.

Mr. Das has over 40 years of experience primarily in companies involved in the trading and manufacturing industries. Mr. Das served as the Singapore Trade Representative to the USSR from 1970 to 1971, Chairman of the Trade Development Board from 1983 to 1986, Chairman of NTUC Fairprice Co-operative Ltd from 1993 to 2005, Director of Sincere Watch Limited from 2010 to 2012, Director of CapitaMall Trust Management Ltd from 2002 to 2012, Chairman & Director of Nera Telecommunications Ltd from 1988 to 2013, Director of Yeo Hiap Seng (Malaysia) Berhad from 2004 to 2013, Director of Ascott Residence Trust Management Limited from 2006 to 2015, Director of Super Group Ltd from 2011 to 2017, Chairman of Travelex Holdings (S) Pte Ltd from 2017 to 2019 and Director of Ascendas-Singbridge Pte Ltd from 2015 to 2019.

Currently, Mr. Das is the Chairman of TalkMed Group Ltd, a public company listed on the Singapore Stock Exchange. He is also the Managing Director of NUR Investment & Trading Pte Ltd, Chairman of Goodhope Asia Holdings Ltd, Chairman of Gashubunited Holding Private Limited, Chairman of Hope Medical Services Group, Singapore's Non-Resident High Commissioner to Sri Lanka and Pro-Chancellor of Nanyang Technological University.

He served as a Member of Parliament in Singapore from 1980 to 1996.

Mr. Das received his Bachelor of Arts degree (with honours) from the University of Singapore in 1965.

Mr. Das has been conferred numerous awards, such as the President's Medal by the Singapore Australian Business Council in 2000, the Distinguished Service (Star) Award by National Trades Union Congress in 2005, and the Public Service Star in 2014.

MR. CHIN YOKE CHOONG | 68

Independent &
Non-executive Director

- Member of Board of Directors
- Chairman of Audit & Risk Committee

Mr. Chin Yoke Choong was appointed an Independent, Non-executive Director on YHS Board on 15 May 2006 and was last re-elected on 26 April 2019. On 16 May 2019, he relinquished his position as a member of the Nominating Committee.

Mr. Chin does not have any relationship (including familial) with fellow board members, the Company and/or its substantial shareholders or any of its principal subsidiaries.

Mr. Chin is the Chairman of Housing and Development Board and NTUC Fairprice Co-operative Ltd. He serves as a board member of AV Jennings Limited and Ho Bee Land Limited. Mr. Chin is also the Deputy Chairman of NTUC Enterprise Co-operative Limited and Chairman of Frasers Commercial Asset Management Ltd. He also serves as a board member of Temasek Holdings (Private) Ltd and Singapore Labour Foundation. Mr. Chin served as a Director of Sembcorp Industries Ltd from 1 December 2008 to 19 April 2017, Director of Singapore Telecommunications Limited from 1 May 2012 to 23 July 2019 and a member of the Council of Presidential Advisers from 2 January 2010 to 1 January 2020.

Mr. Chin holds a Bachelor of Accountancy from the University of Singapore and is an associate member of The Institute of Chartered Accountants in England and Wales.



PROFILE OF THE BOARD OF DIRECTORS

DATO' MOHAMED NIZAM BIN ABDUL RAZAK | 61

Independent &
Non-executive Director

- Member of Board of Directors
- Member of Audit & Risk Committee
- Member of Nominating Committee

Dato' Mohamed Nizam bin Abdul Razak is a Malaysian and he was appointed as a Non-executive Director on YHS Board at its Fifty-seventh Annual General Meeting held on 24 April 2013. He was last re-elected on 27 April 2018. On 16 May 2019, Dato' Nizam was appointed as a member of the Nominating Committee.

Dato' Nizam does not have any relationship (including familial) with fellow board members, the Company and/or its substantial shareholders or any of its principal subsidiaries.

Dato' Nizam was attached to Bumiputra Merchant Bankers Berhad from 1981 to 1984 and to PB Securities Sdn Bhd from 1984 to 1998. He was independent and non-executive director of Yeo Hiap Seng (Malaysia) Berhad since 2002 until its privatisation on 11 January 2013. Dato' Nizam presently sits on the board of Mamee-Double Decker (M) Sdn Bhd. He also serves on the board of several private limited companies engaged in a wide range of activities and is actively involved in several charitable foundations such as Noah Foundation, National Children Welfare Foundation, Yayasan Rahah, Yayasan Wah Seong and Yayasan Cemerlang. In March 2012, he was appointed Pro-Chancellor of Universiti Tun Abdul Razak and in July 2013, he was appointed Chancellor of Unitar International University. In November 2017, Dato' Nizam was appointed Chairman of University Tun Abdul Razak Sdn Bhd.

Dato' Nizam graduated with a Bachelor of Arts (Oxon) degree in Politics, Philosophy and Economics from the Oxford University, United Kingdom.

MS. LUO DAN | 51

Independent &
Non-executive Director

- Member of Board of Directors
- Member of Remuneration Committee

Ms. Luo Dan has served as an Independent, Non-executive Director on YHS Board since 1 January 2017. She was last re-elected as a Director of the Company on 26 April 2017.

Ms. Luo does not have any relationship (including familial) with fellow board members, the Company and/or its substantial shareholders or any of its principal subsidiaries.

Ms. Luo Dan currently acts as an independent consultant mostly for fast moving consumer goods companies. She was formerly the Managing Director of Lego Singapore, a subsidiary of The Lego Group. Prior to that, she has spent more than a decade with the Heinz Group of companies and has extensive experience in commercial operations and financial analysis in the fast moving consumer goods industry.

Ms. Luo Dan obtained a Bachelor of Computer Science, Software from Wuhan University in 1989 and an MBA from IMD, Switzerland in 1999.



PROFILE OF THE BOARD OF DIRECTORS

DR. LIM SU LIN | 50

Independent &
Non-executive Director

- Member of Board of Directors
- Member of Nominating Committee

Dr. Lim Su Lin was appointed as an Independent, Non-executive Director on YHS Board on 1 May 2019. On 16 May 2019, Dr. Lim was appointed as a member of the Nominating Committee.

She does not have any relationship (including familial) with fellow board members, the Company and/or its substantial shareholders or any of its principal subsidiaries.

Dr. Lim has been making her impact in the field of dietetics both within a top academic university hospital as Chief Dietitian for the last 21 years, and internationally.

Over the past years, Dr. Lim has collaborated with partners within her hospital as well as external agencies to realise her vision of improving malnutrition for at-risk patients through her research. She has systematically developed and validated a novel nutrition screening tool called the "3-Minute Nutrition Screening" and a nutrition intervention tool called the "Expedited 10g Protein Counter" – which were both published in international peer-reviewed journals. These tools were subsequently successfully implemented in various public hospitals and several nursing homes. The 3-Minute test enables nurses to systematically screen hospitalised patients on admission in a simple, quick, reliable and cost-effective way, leading to timely interventions and improved outcomes for patients.

Dr. Lim spearheaded a novel project funded by the Healthcare Quality Improvement Fund for dietitians to follow up with malnourished patients after they are discharged from the hospital through home visits and tele-consultations. The results for the randomised-controlled trial showed significant improvement in the nutritional status and quality of life of these patients, with mortality rate halved in the intervention group compared to the control group. She has also been awarded national research grants to evaluate the use of mobile technology to address the challenges of overweight, obesity, fatty liver disease and diabetes. Harnessing technology to encourage lifestyle and behavioural changes, Dr. Lim is continually championing a healthier population.

Dr. Lim has been active in initiating, driving and implementing quality improvement initiatives to improve clinical and workflow processes. She has won several awards for her quality improvement work both at the hospital and national level. In 2014, Dr. Lim became the first in the world to publish a paper on a quality improvement initiative on nutrition screening in the Joint Commission Journal on Quality and Patient Safety.

Dr. Lim has been conferred many awards for her significant contributions in research and quality improvement, including the following:

- QUT Outstanding Alumni – Special Excellence Award 2016
- NUHS-Mochtar Riady Pinnacle Excellence Award in 2015
- Singapore Allied Health Award for best oral presentation at the Singapore Health and Biomedical Congress, 4-time winner from 2009 to 2013
- Numerous Outstanding Awards for impactful quality improvement initiatives
- NUHS Model Allied Health Professional Award (for Research) in 2011
- National Healthcare Quality Improvement Commendation Award in 2011
- Singapore Public Service Excellence – Best Ideator Gold Award in 2011
- Singapore National Day Efficiency Medal in 2007

In 2014, Dr. Lim also successfully completed her doctorate at the Queensland University of Technology, and was awarded the Outstanding Doctoral Thesis Award.



PROFILE OF THE BOARD OF DIRECTORS

MR. SITOH YIH PIN | 56

Independent & Non-executive Director

- Member of Board of Directors
- Chairman of Remuneration Committee
- Member of Audit & Risk Committee

Mr. Sitoh Yih Pin has been appointed as an Independent, Non-executive Director on the YHS Board and a member of the Audit & Risk Committee on 1 October 2019. On 8 November 2019, Mr. Sitoh was appointed as a member of the Remuneration Committee. He assumed the Chairmanship of the Remuneration Committee on 1 January 2020.

Mr. Sitoh does not have any relationship (including familial) with fellow board members, the Company and/or its substantial shareholders or any of its principal subsidiaries.

Mr. Sitoh is a Chartered Accountant. He is the Member of Parliament for Potong Pasir constituency. He is also presently the Non-executive Chairman and Independent Director of ISEC Healthcare Ltd. and an Independent Director of TalkMed Group Limited.

Mr. Sitoh was formerly a director of Lian Beng Group Ltd, Allied Technologies Limited and United Food Holdings Limited in the last 5 years.

Mr. Sitoh holds a Bachelor of Accountancy (Honours) degree from the National University of Singapore and is a Fellow member of both the Institute of Singapore Chartered Accountants and Chartered Accountants Australia and New Zealand.

Mr Sitoh's other principal commitments are as follows:

Directorships in Companies within his own accounting practice

- Nexia TS Pte Ltd
- TSA Capital Pte Ltd
- TSA Recruitment Consultants Pte Ltd
- NTS Asia Advisory Pte Ltd
- Nexia China Pte Ltd
- Nexia TS Public Accounting Corporation
- Nexia TS Risk Advisory Pte Ltd
- Nexia TS Tax Services Pte Ltd
- Nexia TS Technology Pte Ltd
- Nexia TS Advisory Pte Ltd
- NTS Asia Advisory Sdn Bhd
- NTS Myanmar Company Limited

Other directorships and appointments

- Potong Pasir Grassroots Organisations – Advisor
- PAP Community Foundation – Director
- Jalan Besar Town Council – Vice Chairman
- Central Community Development Council – Council Member
- People's Action Party – Member of Central Executive Committee
- China Taiping Insurance (Singapore) Pte. Ltd. – Director
- Government Parliamentary Committee for Ministry of Transport – Chairman
- Government Parliamentary Committee for Ministries of Law & Home Affairs – Member

MS. GOI LANG LING LAUREEN | 49

Independent & Non-executive Director

- Member of Board of Directors
- Member of Remuneration Committee

Ms. Goi Lang Ling Laureen has been appointed as an Independent, Non-executive Director on the YHS Board and a member of the Remuneration Committee on 1 October 2019.

She does not have any relationship (including familial) with fellow board members, the Company and/or its substantial shareholders or any of its principal subsidiaries.

She is currently the General Manager of Tee Yih Jia Food Manufacturing Pte Ltd.

Ms. Goi holds a Master in Business and Technology from the University of New South Wales, Australia.

CORPORATE GOVERNANCE REPORT

Yeo Hiap Seng Limited (“**YHS**” or the “**Company**”) is committed to upholding a high standard of corporate governance to promote corporate transparency and enhance long-term shareholder value.

The Board of Directors (“**Board**”) and the management team of the Company (“**Management**”) believe that good corporate governance and best practices in business are essential to the sustainability of the Company and its success over the long-term.

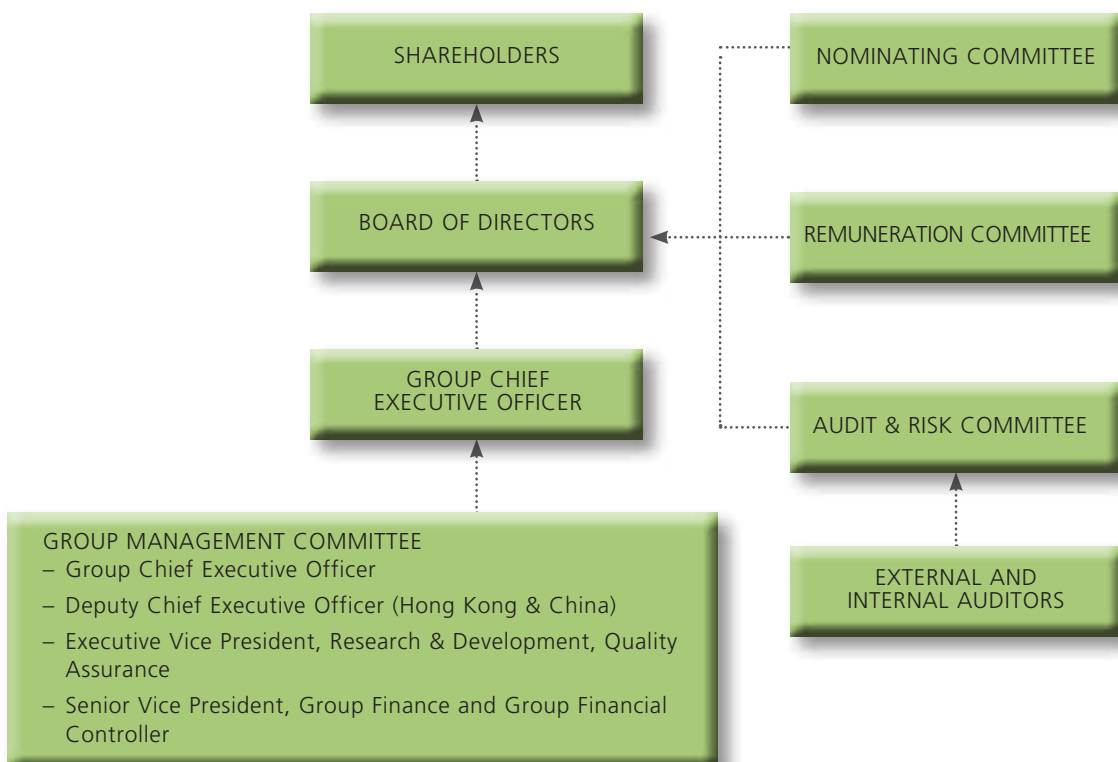
The Board and its committees have established policies and regulations on good governance, and such committees are guided by their respective terms of references (“**Terms of Reference**”).

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE 2018

This corporate governance report (“**Report**”) describes the corporate governance practices and activities for the Company and its subsidiaries (the “**Group**”) for the financial year ended 31 December 2019 with specific references to the principles of the Code of Corporate Governance 2018 (the “**2018 Code**”) and any deviation from any provisions of the 2018 Code is explained in this Report. The Board believes that the Group has complied with the principles under the 2018 Code and substantially all the provisions as set out thereunder, save for the following exceptions, deviation from which are explained in this Report:

- (a) Provision 2.4 – the disclosure of the Company’s board diversity policy and progress made towards implementing such policy, including objectives;
- (b) Provision 11.4 – the provision in the Company’s Constitution for absentia voting at general meetings of shareholders;
- (c) Provision 11.5 – the publication of the Company’s minutes of general meetings of shareholders on its corporate website; and
- (d) Provision 11.6 – the provision of a corporate dividend policy.

CORPORATE GOVERNANCE FRAMEWORK





CORPORATE GOVERNANCE REPORT

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1 The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Primary functions of the Board

The Board oversees the effectiveness of Management as well as the corporate governance of the Company with the objective of maximising long-term shareholder value, protecting the Company's assets and sustaining its businesses and performance.

The Board subscribes to the principles of having good Board practices and members of integrity. Board members appointed have extensive corporate experience and good track record in the public and/or private sectors.

Apart from its statutory duties, the principal roles of the Board include:

- i. providing entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
- ii. monitoring and approving the Group's broad policies, operational initiatives, annual budget, major investment and funding decisions;
- iii. ensuring the adequacy and effectiveness of internal controls (including financial, operational and compliance) and establish and maintain a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and Group performance;
- iv. approving the appointment of the Chief Executive Officer ("CEO") and Directors, and overseeing the succession planning process;
- v. approving the remuneration for each Director, the CEO and key management personnel;
- vi. reviewing Management performance, setting values and standards, including business ethics and ensuring that obligations to shareholders and other stakeholders are understood and met;
- vii. assuming responsibility for corporate governance and instill an ethical culture and ensure that Group's values, standards, policies and practices are consistent with its culture; and
- viii. assuming responsibility for the Group's sustainability direction.



CORPORATE GOVERNANCE REPORT

Directors' discharge of duties and responsibilities

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

Delegation by the Board

The Board is accountable to shareholders while Management is accountable to the Board for its performance. To facilitate effective management, the Board has delegated certain functions which are carried out directly or through committees comprising Board members and senior management staff as well as by delegation of authority to senior management staff in the various companies of the Group.

The Board is supported by its Board committees, namely the Audit & Risk Committee ("**ARC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"). The composition of these Board committees is structured to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and foster active participation and contribution. Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances between the different Board committees. The Board acknowledges that while these various Board committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters still lies with the Board.

Each Board committee is guided by its own specific written Terms of Reference setting out the scope of its duties and responsibilities, procedures governing the manner in which it is to operate and how decisions are to be taken. These Terms of Reference are approved by the Board and reviewed periodically to ensure their continued relevance.

The Group CEO is assisted by the Group Management Committee ("**GMC**") comprising key management personnel to manage the Company's business and operations group wide. The GMC is constituted by a mix of group functional heads and heads of major operating units. This matrix governance ensures that major operational and business decisions are taken with the benefit of collective wisdom and experience. The remuneration of the key management personnel in the GMC is approved by the RC and the Board.

Meetings of the Board and Board committees and general meetings of shareholders, meetings attendance record and processes

The schedule of meetings of the Board, Board committees and the Annual General Meeting ("**AGM**") for the next calendar year is planned in advance. The Board meets at least four (4) times a year at regular intervals. Telephonic and video conferencing at Board meetings are allowed under the Constitution of the Company ("**Constitution**"). *Ad hoc* meetings of the Board and Board committees may be convened, if warranted by circumstances. The Board and Board committees may also make decisions by way of circulating resolutions in lieu of a meeting.



CORPORATE GOVERNANCE REPORT

The attendance record of the Directors at meetings of the Board, the ARC, the NC, the RC and the AGM during the financial year is as follows:

	Board	ARC	NC	RC	AGM
Executive Director					
Melvin Teo Tzai Win ¹	4/4	–	–	–	1/1
Non-Executive Directors					
Koh Boon Hwee ²	4/4	–	–	–	1/1
Ng Win Kong Daryl ³	3/4	–	–	–	1/1
S. Chandra Das ⁴	4/4	4/4	2/2	2/2	1/1
Chin Yoke Choong ⁵	4/4	4/4	1/1	–	1/1
Sitoh Yih Pin ⁶	1/1	1/1	–	–	–
Dato' Mohamed Nizam bin Abdul Razak ⁷	4/4	4/4	1/1	–	1/1
Luo Dan	4/4	–	–	2/2	1/1
Lim Su Lin ⁸	2/2	–	1/1	–	–
Goi Lang Ling Laureen ⁹	1/1	–	–	1/1	–
Tan Chin Nam ¹⁰	3/3	–	1/1	1/1	1/1
Dato' N. Sadasivan ¹¹	3/3	3/3	–	–	1/1
Fong Chun Man Kenneth ¹²	4/4	–	–	–	1/1

Annotations:

- 1 Retired as Executive Director on 31 December 2019 but remained as Group CEO
- 2 Retired as Chairman of the Board and Non-independent and Non-executive Director on 31 December 2019
- 3 Appointed as Chairman of the Board on 1 January 2020
- 4 Appointed as Chairman of the RC on 1 October 2019 but relinquished the chairmanship on 31 December 2019 while remaining a member of RC
- 5 Relinquished position as NC member on 16 May 2019
- 6 Appointed as Independent and Non-executive Director and ARC member on 1 October 2019. Appointed as RC member on 8 November 2019, and subsequently as RC Chairman from 1 January 2020
- 7 Appointed as NC member on 16 May 2019
- 8 Appointed as Independent and Non-executive Director on 1 May 2019 and appointed as NC member on 16 May 2019
- 9 Appointed as Independent and Non-executive Director and RC member on 1 October 2019
- 10 Relinquished position as NC member on 16 May 2019 and retired as Independent and Non-executive Director and Chairman of RC on 30 September 2019
- 11 Retired as Independent and Non-executive Director and member of ARC on 30 September 2019
- 12 Retired as Non-independent and Non-executive Director on 31 December 2019

Internal guidelines on matters requiring Board approval

The Company has in place a “**Group Approving Authority**” policy setting out the matters reserved for the Board’s decision and the delegated authority to various levels of Management. Such policy has been communicated to Management and published in the Company’s intranet.

Matters requiring Board approval include budgeted capital expenditure with gross value exceeding S\$20 million, transactions in the ordinary course of business with gross value exceeding S\$5 million and for finance related charges and assets write-off or other transactions not in the ordinary course of business, with gross value exceeding S\$1 million. Other matters, which are specifically referred to the Board for approval, are those involving bank borrowings, provision of corporate guarantees or securities, equity or contractual joint ventures with initial investment value exceeding S\$2 million and diversification into new businesses.



CORPORATE GOVERNANCE REPORT

Board induction, orientation and training

Newly appointed Directors are briefed on the Group's businesses and governance practices by the Group CEO and senior management. The orientation program also includes a familiarisation tour of selected premises or factories within the Group. The program allows new Directors to get acquainted with senior management, thereby facilitating Board interaction and independent access to Management. Where necessary, the Company will provide training for first-time Directors in areas such as accounting, legal and industry-specific knowledge and first time Directors are required to attend training and courses organized by the Singapore Institute of Directors at the Company's expense. Directors are routinely updated on developments and changes in the operating environment, including revisions to accounting standards, and laws and regulations affecting the Group. At the request of Directors, the Company will fund Directors' participation at industry conferences, seminars or training programs in connection with their duties as Directors of the Company. The Company Secretary will bring to the Directors' attention, information on seminars that may be of relevance to them. News updates, bulletins, circulars and other releases issued by, in particular, the Singapore Exchange Securities Trading Ltd ("**SGX-ST**") and the Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board by the Company Secretary.

Formal letter to Director upon appointment

A formal letter of appointment is provided to a new Director upon his or her appointment, setting out the duties and obligations associated with their directorship.

During the financial year under review, Dr. Lim Su Lin on 1 May 2019, and Mr. Sitoh Yih Pin and Ms. Goi Lang Ling Lauren on 1 October 2019, respectively, were appointed as Independent and Non-executive Directors of the Company.

Board's access to complete, adequate and timely information

Board members are provided with management information including country performance, budgets, business plans, forecasts, funding position, capital expenditure, and manpower statistics of the Group prior to each Board meeting to enable them to keep abreast of the Group's performance, financial position and prospects. Any material variance between budgets, projections and actual results are disclosed and explained. All relevant information on material events and transactions are circulated to Directors as and when they arise.

Provision of information to the Board

Board papers and related materials are disseminated to the Board before the scheduled Board or Board committee meeting via electronic means where the Directors will download the files onto their electronic devices, thereby removing the need to print hard copies for deliberation at meetings. With this process, the Company steers itself towards sustaining a green and environmentally-friendly work culture.

Appointment and removal of Company Secretary

The appointment and removal of the Company Secretary is a Board reserved matter under the Constitution.

During the financial year under review, Ms. Dawn Tay resigned as General Counsel & Company Secretary on 21 June 2019 and Mr. Winston Paul Wong Chi Huang was appointed in her stead on even date.

Company Secretary

Board members have separate and independent access to the Company's senior management and the Company Secretary, and *vice versa*. Such access comes in the form of electronic mail, telephone and face-to-face meetings. The Company Secretary attends all meetings of the Board and Board committees and assists the Chairman to ensure that Board procedures are followed and that there is good information flow within the Board and the Board committees and between Management and non-executive Directors. Where queries made by the Directors are channeled through the Company Secretary, the Company Secretary ensures that such queries are answered promptly by Management.

Board's access to independent professional advice

Directors, individually or as a group, in furtherance of their duties and after consultation with the Chairman of the Board, are authorised to seek independent professional advice at the Company's expense.



CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

Principle 2 The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Board independence and number of independent Directors on the Board

As at 31 December 2019, the Board comprised eleven (11) members of whom seven (7) were independent and four (4) were non-independent. Except for the Group CEO, all the other Directors were non-executive Directors.

At the end of 31 December 2019, Mr. Koh Boon Hwee retired as Chairman of the Board and Non-independent and Non-executive Director and Mr. Fong Chun Man Kenneth retired as Non-independent and Non-executive Director. Mr. Melvin Teo also retired as Executive Director at the end of 31 December 2019 but remained in his role as Group CEO. Consequent to these changes, with effect from 1 January 2020, the size of the Board is reduced from eleven (11) to eight (8) members of whom seven (7) are independent and one (1) is non-independent. All Directors are non-executive Directors. On 1 January 2020, Mr. Ng Win Kong Daryl, a Non-independent and Non-executive Director, was appointed as Chairman of the Board.

The NC reviews the independence of the Directors annually and is satisfied that the Company has complied with the 2018 Code which provides that independent directors make up a majority of the Board where the Chairman is not independent.

A description of the background of each Director is provided in the “**Profile of the Board of Directors**” section of the Annual Report.

Independence of Directors

Annually, the independent Directors submit declarations on their independence to the NC for assessment. The NC, in its deliberation of the independence of a Director, took into consideration the relevant provisions of the SGX-ST Listing Manual (“**Listing Manual**”), the 2018 Code and where relevant, the recommendations set out in the Practice Guidance accompanying the 2018 Code (“**Practice Guidance**”).

The NC takes into account the existence of relationships or circumstances, including those identified by the Listing Manual, the 2018 Code and the Practice Guidance, that are relevant in its determination as to whether a Director is independent. Such relationships or circumstances include (i) the employment of a Director by the Company or any of its related corporations during the financial year in question or in any of the previous three (3) financial years; (ii) a Director being on the Board for an aggregate period of more than nine (9) years; (iii) a Director providing to or receiving from the Company or any of its subsidiaries significant payments or material services during the financial year in question or the previous financial year, other than compensation for board service; and (iv) a Director being related to any organisation to which the Company or any of its subsidiaries, or from which the Company or any of its subsidiaries received, significant payments or material services during the financial year in question or the previous financial year.

For the financial year under review, the NC, having reviewed the independence of the relevant Directors, is satisfied that there are no relationships or circumstances which are likely to affect the following independent Directors’ objective and independent judgement:

- i. Dato’ Mohamed Nizam bin Abdul Razak;
- ii. Ms. Luo Dan;
- iii. Dr. Lim Su Lin;
- iv. Mr. Sitoh Yih Pin; and
- v. Ms. Goi Lang Ling Lauren.

Accordingly, the Board has, upon the NC’s recommendation, affirmed that the abovenamed Directors, each of whom has served less than nine (9) years as an independent Director since their date of appointment to the Board, remains independent as contemplated by the Listing Manual and 2018 Code.



CORPORATE GOVERNANCE REPORT

Independence of Directors who have served on the Board beyond nine years

The following Directors have each served as an independent Director for more than nine (9) years from the date of their first appointment to the Board:

- i. Mr. S. Chandra Das; and
- ii. Mr. Chin Yoke Choong.

The Board is of the view that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. The NC and Board, having rigorously reviewed whether (i) there are relationships or circumstances which are likely to affect, or could appear to affect the judgement and the independence of the above Directors, and (ii) have noted the above Directors' active participation in debating, questioning and evaluating proposals by Management and/or actions to be taken. Accordingly, the Board has determined that Mr. Das and Mr. Chin are independent as they have continued to demonstrate independence in character and judgement in the discharge of their responsibilities as Directors and there are no relationships or circumstances which affect or are likely to affect their judgement and ability to discharge their responsibilities as independent Directors.

Size, composition, gender diversity and competencies of the Board and Board committees

The size and composition of the Board and Board committees and the skills and core competencies of its members are reviewed annually by the NC, which seeks to ensure that the size and composition of the Board is conducive for effective discussion and decision making, and that the Board has an appropriate number of independent Directors.

Taking into account the size and geographical spread of the Group's businesses, the Board considers the current Board size as appropriate for meaningful individual participation by Directors with diverse professional perspectives, so as to facilitate efficient and effective decision making with a strong independent element.

The current Board comprises members who as a group provide core competencies necessary to meet the Group's needs. These competencies include accounting and finance, banking, business acumen, industry knowledge and management experience.

Annually, the NC reviews the diversity of skills, qualities and experiences that the Board requires to function competently and efficiently, based on an established competency matrix of the Board and the curriculum vitae submitted by the individual Directors. As each Director brings valuable insights from various professional fields that are vital to the strategic interests of the Company, the Board considers that the Directors possess the necessary competencies to provide Management with diverse and objective perspectives on issues so as to lead and govern the Company efficaciously.

Provision 2.4 of the 2018 Code provides that an issuer should disclose its board diversity policy and progress made towards implementing such policy, including objectives. The Board believes in diversity and values the benefits diversity can bring to the Board in its deliberations and the Board's effectiveness. In addition to diversity in age, experience, background and skillsets of its members, the Board recognises that gender is an important aspect of diversity. Although an explicit policy on Board diversity has not been formalised, in practice the Board observes and applies the key tenets of diversity to ensure that the Board will have an appropriate level of diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company. In this regard, the Board, supported by the NC, has included female candidates in its search pool for new appointments. In line with this, the following female Directors have been appointed to the Board as well as to Board committees, (i) Ms. Luo Dan has served as a Board member since 1 January 2017 and has been a member of the RC since 27 April 2017, (ii) Dr. Lim Su Lin was appointed as a Board member on 1 May 2019 and as a member of the NC on 16 May 2019 and (iii) Ms. Goi Lang Ling Laureen was appointed as a Board member and as a member of the RC on 1 October 2019. These female Directors represented more than one-quarter of the Board as at 31 December 2019, and more than one-third of the Board as at 1 January 2020, respectively.

The incumbent Board currently comprises five (5) male Directors and three (3) female Directors.



CORPORATE GOVERNANCE REPORT

Role of non-executive Directors

The non-executive Directors (including independent Directors) engaged with Management in the annual budget planning process. They also constructively challenged Management and helped to develop proposals on strategy. On a quarterly basis, the non-executive Directors reviewed the performance of Management in meeting agreed goals and objectives and monitored the reporting of performance against budget, peer performance and a balanced scorecard comprising key financial and non-financial performance indicators.

Meeting of Directors without executive Director, Chairman and Management

The Board sets aside time to meet without the presence of the executive Director and Management especially where the circumstances warrant such meetings. The Board is of the view that it is not necessary to pre-arrange formal sessions of such meetings.

The lead independent Director also proposes and leads meetings of the independent Directors without the presence of the Chairman and non-independent Directors, as required. The lead independent Director will provide feedback to the Chairman after the conclusion of such meetings.

Chairman and Chief Executive Officer

Principle 3 There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Separation of the role of Chairman and Chief Executive Officer

The offices of Chairman of the Board and CEO are held by separate individuals to maintain effective oversight and accountability at Board and Management levels. As Chairman of the Board, Mr. Koh Boon Hwee bears responsibility for the workings of the Board. Mr. Melvin Teo Tzai Win, as Group CEO, bears responsibility for the overall running of the Group's businesses. This division of responsibilities between the Chairman and the Group CEO is set out in writing in the Board's Terms of Reference.

There is no familial relationship between the Chairman, Mr. Koh Boon Hwee and the Group CEO, Mr. Melvin Teo.

As at 1 January 2020, Mr. Koh Boon Hwee has retired from the Board and Mr. Ng Win Kong Daryl has assumed the chairmanship of the Board. Mr. Samuel Koh Chee Boon has been appointed as Group CEO (Designate) on 14 January 2020 until 13 March 2020 where he will succeed Mr. Melvin Teo as Group CEO.

Roles and responsibilities of Chairman

The Chairman leads the Board to ensure its effectiveness on all aspects of its role. He ensures that the members of the Board receive accurate, clear and timely information, facilitates the contribution of non-executive Directors, encourages constructive relations between executive, non-executive Directors and Management, ensures effective communication with shareholders and promotes a high standard of corporate governance. The Chairman, in consultation with Management and the Company Secretary, sets the agenda for Board meetings and ensures that Board members are provided with adequate and timely information. As a general rule, Board papers are sent to Directors at least one (1) week in advance in order for Directors to be adequately prepared for the respective meetings. Key management personnel who have prepared the papers, or who can provide additional insights into the matters to be discussed are invited to present the papers during the Board meetings.

At AGMs and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management.

The Board is of the view that the Company has an effective group of independent non-executive Directors to provide balance within the workings of the Board and oversight for minority shareholders' interests.



CORPORATE GOVERNANCE REPORT

Lead independent Director

Taking cognisance that the Chairman of the Board is not an independent Director, the Board has appointed Mr. S. Chandra Das as lead independent Director on 1 November 2005 to serve as a sounding board for the Chairman of the Board and also act as an intermediary between the non-executive Directors and the Chairman.

Shareholders with concerns may contact the lead independent Director, Mr. Das, directly, when contact through the normal channels via the Chairman or other management personnel has failed to provide satisfactory resolution, or when such contact is inappropriate.

Board Membership

Principle 4 The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

NC composition and role

The NC currently comprises three (3) Directors, namely, Mr. S. Chandra Das (Chairman of NC and lead independent Director), Dato' Mohamed Nizam bin Abdul Razak and Dr. Lim Su Lin. All three (3) members are independent Directors. During the financial year under review, Mr. Chin Yoke Choong and Dr. Tan Chin Nam, both of whom were independent and non-executive Directors, stepped down as members of the NC.

The NC is guided by its written Terms of Reference which specifically sets out its authority and responsibilities. The principal roles of the NC are to review and make recommendations to the Board on relevant matters relating to:

- i. Board succession plans for Directors including the Chairman and CEO;
- ii. development of a process and objective criteria for evaluating the performance of the Board and Board committees and the contribution of each Director;
- iii. the determination of the independence of Directors at least annually, and as and when circumstances require;
- iv. training and professional development programmes for the Board and its Directors, including ensuring that new Directors are aware of their duties and obligations; and
- v. nominations of candidates for the appointment or re-appointment of members of the Board of Directors and the members of the various Board committees.

During the financial year under review, the NC held one (1) scheduled and one (1) non-scheduled meeting.

Progressive renewal of the Board

Periodic reviews of the Board composition, including the selection of candidates for new appointments to the Board, are made by the NC in consultation with the Chairman as part of the Board's renewal process. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including gender. The selection of candidates is evaluated taking into account various factors including the current and mid-term needs and objectives of the Group, as well as the relevant expertise of the candidates and their potential contributions. Candidates may be put forward or sought through contacts and recommendations. In enhancing the Board's competency, three (3) new independent non-executive Directors joined the Board during the financial year under review.

At each AGM, one third of the Directors, including the Group CEO if he/she also serves on the Board (or, if their number is not a multiple of three, the number nearest to but not less than one-third), shall retire from office by rotation in accordance with the Constitution, and may stand for re-election. Directors appointed by the Board during the financial year, without shareholders' approval at the AGM, shall only hold office until the next AGM, and thereafter be eligible for re-election at the AGM. They are not counted in the number of Directors to retire by rotation at the AGM. The NC considers the present provisions adequate and does not recommend any change.

The NC takes into consideration for the re-nomination of Directors for the ensuing term of office factors such as attendance, preparedness, participation and candour at meetings of the Board and Board committees. All Directors are required to submit themselves for re-nomination at regular intervals and at least once every three (3) years.



CORPORATE GOVERNANCE REPORT

NC to determine Directors' independence

The NC deliberates annually, and as and when circumstances requires, to determine the independence of a Director bearing in mind the provisions as set out in the 2018 Code as well as all other relevant circumstances. No member of the NC participated in the deliberation process in respect of his own status as an independent Director.

Directors' time commitments

The responsibilities of the NC also include assessing annually whether Directors who hold multiple directorships adequately carry out their duties as Directors of the Company. The NC's assessments are based on Directors' declarations made annually and from time to time.

The Board considers an assessment of the individual Director's contribution at meetings to be more effective than prescribing a numerical limit on the number of listed company board seats which a Director may hold. In this respect, the Board has accordingly not set a maximum number of other company directorships which a Director may concurrently hold, taking into consideration that multiple representations can benefit the Group as these Directors bring to the Board greater depth and diversity of experience, knowledge and perspectives.

For the financial year under review, the NC is satisfied that all Directors on the Board have extensive management, financial, accounting, banking, investment and commercial backgrounds, who are capable of acting responsibly and are able to properly serve on the Board and any of the Board committees to which such Directors are appointed despite competing commitments and demands on their time.

The listed company directorships and principal commitments of each Director is provided in the "**Profile of the Board of Directors**" section of the Annual Report.

Appointment of alternate Director

No appointment of alternate Director was made in the financial year under review.

Process for the selection, appointment and re-appointment of Directors

The NC is responsible for screening, identifying and selecting candidates for appointment as new Directors after having regard to the composition and progressive renewal of the Board and how the prospective Director will fit in the overall competency matrix of the Board.

When a need for a new Director arises either to replace a retiring Director or to enhance the Board's competency, the NC, in consultation with the Board, shall evaluate and determine the selection criteria so as to identify candidates with the appropriate experience and expertise for the appointment as a new Director. The selection criteria include attributes such as integrity, diversity of competencies, industry knowledge and financial literacy. The NC seeks potential candidates widely and beyond Directors'/Management's recommendations and is empowered to engage external parties, such as professional search firms, to undertake research on or assessment of candidates as it deems necessary.

The NC then meets with the shortlisted candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for approval and appointment as a new Director.

Three (3) new Directors, Dr. Lim Su Lin, Mr. Sitoh Yih Pin and Ms. Goi Lang Ling Laureen, were appointed during the financial year as Independent and Non-executive Directors.



CORPORATE GOVERNANCE REPORT

Key information on Directors

A description of the background of each Director is provided in the “**Profile of the Board of Directors**” section of the Annual Report.

Other than the Group CEO, Mr. Teo, none of the Directors holding office at the end of the financial year under review held shares in the Company and/or subsidiaries of the Company. Mr. Teo’s shareholdings in the Company are set out in the Directors’ Statement (accompanying the audited financial statements) in this Annual Report.

The name of the Director who is seeking re-election at the forthcoming AGM in April 2020 are provided in the Notice of AGM in this Annual Report. Pursuant to the requirements of the Listing Manual, additional information required under Appendix 7.4.1 of the Listing Manual for the Director seeking re-election at the forthcoming AGM are provided in the “**Profile of the Board of Directors**” and “**Supplemental Information on Director Seeking Re-election**” sections of the Annual Report.

Board Performance

Principle 5 The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Board evaluation process

The NC evaluates the Board and its Board committees as a whole bearing in mind that each member of the Board contributes in various ways to the success of the Company and Board and Board committee decisions are made collectively.

To evaluate the performance of the Board as a whole and its ability to discharge its responsibilities in providing stewardship, corporate governance and oversight of Management’s performance, the NC has put in place a formal Board evaluation process for this purpose.

To facilitate the evaluation process, Directors are requested to complete evaluation questionnaires annually to assess the effectiveness of the Board and its Board committees. To ensure confidentiality, the evaluation questionnaires completed by the Directors are submitted to the Company Secretary for collation and the consolidated responses are presented to the NC for review. The results of the performance evaluation are then presented first to the Chairman and then to the Board for consideration. The Board will then act on the results where appropriate.

Following the evaluation for the financial year under review, the Board is of the view that the Board and its committees operate effectively and each Director has contributed to the overall effectiveness of the Board in meeting performance objectives.

Board evaluation criteria

To assess the Board’s and Board committee’s performance, the NC has established a set of objective assessment criteria such as the size of the Board, the degree of independence of the Board, information flow from Management, and adequacy of the Board and committees’ meetings held to enable proper consideration of issues. This set of assessment criteria is the same as that used during the financial year ended 31 December 2018.

Annually, members of the Board are required to assess the Board by completing a Board Evaluation Questionnaire comprising the following objective performance criteria as recommended by the NC and approved by the Board:

- (a) Board Composition;
- (b) Board Information;
- (c) Board Process; and
- (d) Board Accountability.

The above performance criteria will be reviewed by the NC and the Board from time to time, where appropriate. The Board is of the opinion that a criterion such as share price performance is not appropriate for assessment of non- executive Directors’ and the Board’s performance as a whole.



CORPORATE GOVERNANCE REPORT

Evaluation of individual Directors

Although the Directors are not evaluated individually on an annual basis, factors such as Directors' contribution, participation in discussions and commitment of their time to their role have been considered by the NC during the Board renewal process.

Other factors taken into consideration by the NC, when determining whether or not to recommend an existing Director for re-appointment, include the value of contribution to the development of strategy, availability at Board meetings (as well as informal contribution via electronic mail and telephone), degree of preparedness, industry and business knowledge and experience each director possesses which are crucial to the Group's business.

For the financial year under review, the Board is of the view that the members of the Board have performed efficiently and effectively for the Board to function collectively as a whole.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6 The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

RC composition and role

The RC currently comprises four (4) independent non-executive Directors, namely, Mr. Sitoh Yih Pin (RC Chairman effective 1 January 2020), Mr. S. Chandra Das, Ms. Luo Dan and Ms. Goi Lang Ling Laureen. During the financial year under review, Dr. Tan Chin Nam, who was also an independent and non-executive Director, stepped down from his position as RC Chairman.

The members of the RC are experienced and knowledgeable in the field of executive compensation having managed large organisations. In addition, they have access to the Company's Human Resource personnel should they have any queries on human resource matters.

The RC is guided by its written Terms of Reference which specifically sets out its authority and responsibilities. The principal roles of the RC are:

- i. reviewing and approving the structure and framework of the compensation policies of the Group so as to align compensation with shareholders' interests;
- ii. reviewing and recommending to the Board, the fees of the non-executive Directors;
- iii. reviewing and making recommendations to the Board on executive Directors and the Group CEO's remuneration packages; and
- iv. recommending the quantum of performance bonus pool and share-based incentives for the Group CEO and key employees.

During the financial year under review, the RC held two (2) scheduled meetings.



CORPORATE GOVERNANCE REPORT

Remuneration framework

The RC is responsible for ensuring that a formal and transparent procedure is in place for developing policy on executive remuneration and for determining the remuneration packages of individual directors and key management personnel. It reviews the remuneration packages with the aim of building capable and committed management teams through competitive compensation and focused management and progression policies.

The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each Director. The determination of the remuneration of the Directors is a matter for the Board as a whole. Directors do not participate in decision making in determining their own remuneration. Directors' fees are subject to shareholders' approval at the AGM.

No member of the RC is involved in deliberating in respect of any remuneration, compensation or any form of benefits to be granted to him.

RC's access to external expert advice on remuneration matters

If the RC requires external professional advice on remuneration matters, such professionals will be engaged at the Company's expense. For the financial year under review, the Company did not engage any remuneration consultant with regard to the remuneration of Directors but had reviewed independent remuneration reports prepared by external parties for decision-making relating to remuneration matters.

Service contracts

The RC reviews the Company's obligations arising in the event of termination of the executive Director's and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Level and Mix of Remuneration

Principle 7 The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Remuneration of executive Director and key management personnel

The Company adopts a remuneration policy for staff that is primarily performance based. Remuneration comprises a fixed and a variable component. The fixed component consists of a base salary, fixed allowance and an annual wage supplement. The variable component is in the form of a variable bonus that is linked to the Company's and the individual's performance. The remuneration policy also takes into account the need to attract, retain and motivate key management personnel to successfully manage the Company for the long-term and for Directors to provide good stewardship of the Company.

The Company has in place the following incentive schemes for the financial year under review:

- i. a short-term performance bonus plan based on a balanced scorecard comprising financial and non-financial key performance indicators ("KPI") that has been approved by the RC and the Board at the beginning of the year; and
- ii. a long-term share-based incentive plan (the YHS Share Incentive Plan) which was approved and adopted by members of the Company at the Extraordinary General Meeting held on 26 April 2010. This plan provides an opportunity for employees of the Group who have contributed to the growth and performance of the Group and who satisfy the eligibility criteria as set out under the rules of the plan to participate in the equity of the Company, thereby aligning the interests of Group employees with that of shareholders. The RC is the committee responsible for the administration of this plan. Detailed information on the YHS Share Incentive Plan can be found in the Directors' Statement in the Annual Report.



CORPORATE GOVERNANCE REPORT

The Board only had one executive Director during the financial year under review, namely the Group CEO. He does not receive Director's fees. When reviewing the remuneration package of the executive Director, the Company makes a comparative study of the remuneration packages of chief executive officers in comparable industries and takes into account the performance of the Company and that of the Group CEO. The remuneration package of the Group CEO is made up of fixed and variable components. The fixed remuneration comprises annual basic salary, fixed allowances and annual wage supplement. The variable component is subject to individual performance and the achievement of the Company's business goals, and is subject to the discretion of the Board.

The employment contract for the Group CEO does not have fixed-term tenure and does not contain onerous removal clauses.

Mr. Melvin Teo retired as Executive Director on 31 December 2019 but remained in his role as Group CEO until 13 March 2020. To ensure an orderly leadership transition, Mr. Melvin Teo will be appointed as Advisor to the Group from 14 March 2020 to 13 July 2020.

Remuneration of non-executive Directors

Non-executive Directors have no service contracts with the Company and their terms are specified in the Constitution. Non-executive Directors are paid a basic fee, an additional fee for serving on any of the committees and an attendance fee for participation in meetings of the Board and any of the committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent, responsibilities of non-executive Directors, and the need to be competitive in order to attract, motivate and retain these Directors are taken into account.

The Chairman and members of the ARC receive higher additional fees to take into account the nature of their responsibilities. The aggregate fees of the non-executive Directors are subject to the approval of the shareholders at the AGM.

Director fees and additional fees for serving on Board committees and attendance fees are paid to non-executive Directors in accordance with the following framework:

Fee Structure	Financial Year 2019 S\$
Chairman (Flat Fee)	350,000
Deputy Chairman & Lead Independent Director ¹	120,000
Non-executive Directors – Basic Fee	55,000
Audit & Risk Committee – Chairman	40,000
Audit & Risk Committee – Member	20,000
Other Committee – Chairman	20,000
Other Committee – Member	12,000
Attendance Fee for meetings in Singapore ²	1,000
Attendance Fee for meetings outside of Singapore ²	2,000

Annotations:

- 1 Inclusive of S\$60,000 payable for appointment as Chairman of YHS (Singapore) Pte Ltd, the Company's wholly-owned subsidiary.
- 2 Attendance fees are payable on a per day basis, regardless of the number of meetings held on the same day.

Contractual provisions to reclaim incentive components of remuneration

The Company does not use contractual provisions to allow itself to reclaim incentive components of remuneration from its executive Director and key management personnel in exceptional circumstances of misstatements of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself of remedies in the event of any breach of fiduciary duties as the executive Director owes a fiduciary duty to the Company.



CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 8 The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Remuneration report

The Company does not include an annual remuneration report in this Report as the matters required to be disclosed therein have been disclosed in this Report, the Directors' Statement and the Notes to the Financial Statements.

The Board responds to queries from shareholders at AGMs on matters pertaining to remuneration policies and Directors' remuneration. Accordingly, it is the opinion of the Board that there is no necessity for such policies to be approved by shareholders.

Remuneration of individual Directors

Non-executive Directors' fees as shown in the table below are on a paid basis, and relate to services rendered in respect of the previous financial year ended 31 December 2018.

Non-executive Directors	Directors' Fees S\$
Koh Boon Hwee	350,000
S. Chandra Das ¹	233,000
Chin Yoke Choong	112,000
Dato' Mohamed Nizam bin Abdul Razak	80,000
Dato' N. Sadasivan a/l N.N. Pillay	78,000
Tan Chin Nam	92,000
Luo Dan	73,000
Fong Chun Man Kenneth	60,000
Ng Win Kong Daryl ²	33,438

Annotations:

- 1 Inclusive of S\$60,000 for appointment as Chairman of YHS (Singapore) Pte Ltd, the Company's wholly-owned subsidiary.
- 2 Pro-rated in accordance with Mr. Ng's term in office from his date of appointment of 13 June 2018 to 31 December 2018. Mr. Ng has waived his right to receive any Director's fees due to him effective from the date of his appointment and for subsequent financial years while holding office as a Director of the Company.



CORPORATE GOVERNANCE REPORT

Non-executive Directors' fees as shown in the table below relate to services rendered in respect of the financial year ended 31 December 2019 ("FY2019"). Payment of the Directors' fees for FY2019 is subject to approval by shareholders at the forthcoming AGM in April 2020.

Non-executive Directors	Directors' Fees (FY2019) S\$
Koh Boon Hwee	350,000
S. Chandra Das ¹	234,016
Chin Yoke Choong	103,438
Dato' Mohamed Nizam bin Abdul Razak	86,562
Dato' N. Sadasivan a/l N.N. Pillay ²	59,096
Tan Chin Nam ²	64,534
Luo Dan	72,000
Fong Chun Man Kenneth	59,000
Ng Win Kong Daryl ³	58,000
Lim Su Lin ⁴	46,479
Goi Lang Ling Laureen ⁵	17,888
Sitoh Yih Pin ⁵	21,679

Annotations:

- 1 Inclusive of S\$60,000 for appointment as Chairman of YHS (Singapore) Pte Ltd, the Company's wholly-owned subsidiary.
- 2 Pro-rated in accordance with Dato' N. Sadasivan's and Mr. Tan's term in office from 1 January 2019 to 30 September 2019.
- 3 Mr. Ng has waived his right to receive any Director's fees due to him effective from the date of his appointment and for subsequent financial years while holding office as a Director of the Company.
- 4 Pro-rated in accordance with Dr. Lim's term in office from 1 May 2019 to 31 December 2019.
- 5 Pro-rated in accordance with Ms. Goi's and Mr. Sitoh's term in office from 1 October 2019 to 31 December 2019.

The remuneration of the executive Director is set out in the table below.

Executive Director	Total Gross Remuneration S\$	Fixed Salary¹ %	Variable Bonus² %	Benefits-in-kind & Others³ %
Melvin Teo Tzai Win	1,949,628	55.4	32.7	11.9

Annotations:

- 1 Fixed Salary refers to base salary, annual wage supplement, fixed allowances and contractual bonuses, where applicable.
- 2 Variable Bonus comprises cash bonus awarded for Mr. Teo's performance for FY2019. In addition to the above, an additional amount of S\$342,000 will be payable to Mr. Teo in July 2020.
- 3 Benefits-in-kind & Others are stated on the basis of direct costs to the Group and is inclusive of payments in respect of the company (employer) statutory contributions to the Singapore Central Provident Fund, Malaysia Employees Provident Fund, tax equalisation, car benefits, children's education, mobile phone allowance, club membership, housing rental and others, where applicable.



CORPORATE GOVERNANCE REPORT

Remuneration of key management personnel

The remuneration of the GMC members as at 31 December 2019 is as follows:

Key Management Personnel	Designation	Remuneration Band	Fixed Salary ¹	Variable Bonus ²	Benefits-in-kind & Others ³
		S\$	%	%	%
Yap Ng Seng ⁴	Deputy Chief Executive Officer	\$250,000 to \$499,999	94.9	0.0	5.1
Kam, Min Ho Andrew ⁵	Deputy CEO, HK & China	\$850,000 to \$999,999	98.6	0.0	1.4
Sueann Lim	Executive Vice President, Research & Development, Quality Assurance	\$500,000 to \$749,999	60.2	27.4	12.4
Cyndi Pei	Senior Vice President, Group Finance and Group Financial Controller	\$250,000 to \$499,999	62.2	23.4	14.4
Ooi Peng Hock ⁶	Senior Vice President, Malaysia & Indonesia	\$50,000 to \$249,999	81.8	0.0	18.2

The aggregate remuneration paid or payable to the above GMC members in the financial year under review was S\$2,401,930.

Annotations:

- Fixed Salary refers to base salary, fixed allowances and contractual bonuses, where applicable.
- Variable Bonus refers to cash bonuses awarded for performance for the financial year ended 31 December 2019. Cash bonuses above certain amounts will be payable to key management personnel in instalments in accordance with a disbursement schedule over three years.
- Benefits-in-kind & Others are stated on the basis of direct costs to the Group and is inclusive of payments in respect of the company (employer) statutory contributions to the Singapore Central Provident Fund, Malaysia Employees Provident Fund, tax equalisation, car benefits, children's education, mobile phone allowance, club membership, housing rental and others, where applicable.
- Retired on 20 January 2019.
- Appointed on 11 February 2019.
- Left employment on 7 June 2019.

Employees related to Directors/Group CEO/substantial shareholder

There were no employees of the Group who are substantial shareholders of the Company or are immediate family members of any of the Directors, the Group CEO or a substantial shareholder of the Company and whose remuneration exceeds S\$100,000 in the financial year under review.

Termination, retirement or post-employment benefits

No termination, retirement or post-employment benefits were granted to the Directors, the Group CEO or the key management personnel (who are not Directors or the Group CEO) during the financial year under review.

Link between remuneration and performance

The Company has in place a performance bonus plan. Each year, during the budget period, Management will propose a balanced scorecard (comprising financial and non-financial KPIs with different ascribed weightages) to the RC and the Board for consideration and approval. The scorecard will take into consideration all the critical items that the Group is to focus on for the financial year, including key multi-years' projects. The KPIs and weightages will differ depending on the function and geography of the different operating units.



CORPORATE GOVERNANCE REPORT

During the financial year, the Group CEO evaluates *inter alia* the extent to which the above KPIs have been achieved based on the Company's performance after taking into consideration market conditions during the year and benchmarking the Group's performance against peer performance, and recommends for the approval of the RC and the Board, the bonus pool quantum for distribution. As part of the Company's continuing efforts to reward, retain and motivate the key management personnel, the total bonus awarded to the Group CEO and key employees may be paid in a combination of cash and deferred cash to further strengthen medium term alignment of the interests of such personnel with that of shareholders.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9 The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Compliance with legislative and regulatory requirements

The Company has in place a system of reporting to maintain compliance with statutory and regulatory reporting requirements.

In compliance with the Listing Manual, negative assurance statements were issued by the Board with each quarterly financial report to confirm that to the best of its knowledge, nothing had come to its attention which would render the Company's quarterly results false or misleading in any material respect.

As required under Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its Directors and executive officers where they each undertook to, in the exercise of their powers and duties as Directors and executive officers respectively, use their best endeavours to comply with the provisions of the Listing Manual.

Management's accountability for the provision of timely information to the Board

Management provides the Board with a regular flow of relevant information on a timely basis in order that it may effectively discharge its duties. All Board members are also provided with up to date financial reports and other information on the Group's performance for effective monitoring and decision making.

Management also provides all members of the Board with unaudited results with explanatory notes which present a balanced and understandable assessment of the Company's performance, financial position and prospects on a quarterly basis. With respect to the financial year under review, the Company announced the unaudited financial results of the Group and the Company on a quarterly basis and disclosed other relevant material information via SGXNET to the shareholders. Following changes to the Listing Manual which took effect from 7 February 2020, the Company announced on 27 February 2020 that moving forward, it would not be announcing its unaudited financial results on a quarterly basis but would instead announce its financial results on a semi-annual basis.

Management also highlights key business indicators and any major issues that are relevant to the Group's performance as and when appropriate in order for the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Risk management and internal control systems

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets. The Board is primarily responsible for the governance of risk, including determining the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

The Group has established a comprehensive risk management framework approved by the ARC which oversees and ensures that the systems of risk management and internal controls are being appropriately designed, implemented and closely monitored for its adequacy and effectiveness.



CORPORATE GOVERNANCE REPORT

The Company has also instituted and put in place across the Group policies on Code of Conduct, Dealing in Securities, Interested Person Transactions and Whistle-Blowing to mitigate the risk of fraud, corruption and misconduct by employees.

The identification and management of financial risks are outlined in the “**Notes to the Financial Statements**” section of the Annual Report.

The main operational risks of the Group and a description of how they are being managed or mitigated are as follows:

- i. risk of product contamination and product integrity in the manufacturing process. The Company has established a strong Group Research & Development and Quality Assurance Centre in Singapore which oversees and monitors product integrity and manufacturing processes across the Group;
- ii. risk of an inadequate Business Continuity Plan (“**BCP**”) which is essential for the continuation of key processes to recover from unexpected business interruptions. The Group has a BCP to recover from natural and/or man-made disasters;
- iii. risk of ineffective advertising, promotion and selling expenses being incurred which do not generate the expected sales and profits. Management constantly monitors major advertising and promotion programmes and sets key performance indicators to monitor spending against the sales and profitability;
- iv. change in operational conditions including fluctuation in raw material prices and labour issues that affect the cost of doing business. To avoid over-dependence on any one supplier or service provider, the Group has a policy to have more than one supplier or service provider where practicable. The Group will monitor and judiciously lock in raw material prices where appropriate and possible in order to manage raw material costs;
- v. economic conditions in markets where the Group operates may be uncertain which inevitably subjects it to financial risks ranging from foreign exchange and commodity volatilities. Policies and procedures addressing these areas have been established throughout the Group to mitigate these risks;
- vi. loss of capacity at any particular plant within the Group due to unforeseen circumstances that affects the supply of products and the business of the Group. The Group, where possible, will have more than one manufacturing site or a third-party contract manufacturer to serve as back-up to cushion the impact;
- vii. core operational disruptions and data breaches from cyber-attacks resulting in reputational damage due to insufficient preparation of IT security systems. The Group reviewed its cyber security measures and has an off-site recovery centre, an IT recovery plan and manual back-up procedures to improve its resilience against cyber-attacks;
- viii. risk of disruptions due to departure of key management personnel. The Group has a compensation scheme that seeks to attract and retain talent and prepares for succession of key appointment holders;
- ix. risk of intense competition in the markets that the Group operates in. The Group constantly keeps ahead of market developments to calibrate its strategies and investments to mitigate against risks which may arise, or capitalise on opportunities that present themselves;
- x. water and utilities disruption in production can have tangible impacts on the Group’s supply chains, operations and production. The Group has established water tanks for supply to critical production and product lines and deployed Uninterrupted Power Supply systems for its critical key processes in the event of any supply disruptions; and



CORPORATE GOVERNANCE REPORT

- xi. operating in a global environment, the Group is exposed to changing regulations and applicable laws in jurisdictions where it has a business presence. The Group monitors and keeps itself updated with the latest changes to ensure regulatory compliance.

Adequacy and effectiveness of risk management and internal control systems

The Company's internal auditors review the implementation of the policies and procedures adopted for risk management and internal control, and report their findings to the ARC to provide check and balance.

The Company's external auditors carry out, in the course of the statutory audit, an assessment of the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, and highlight any material internal control weaknesses that have come to their attention during the conduct of their normal audit procedures, which are designed primarily to enable them to express an opinion on the financial statements. Any material internal control weaknesses identified by the external auditors during their audit and their recommendations are reported to the ARC.

On a quarterly basis, the ARC conducts a review of the Company's risk management and internal controls systems to ensure that the systems in place are adequate and effective to address the Company's significant risk areas and credit risks.

Board's comment on the adequacy and effectiveness of internal controls

For the financial year under review, the Board was assured by the Group CEO and the Group Financial Controller that the financial records had been properly maintained and the financial statements gave a true and fair view of the Group's operations and finances and that the Group's internal controls and risk management systems were adequate and effective.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, the assurance furnished by the Group CEO and the Group Financial Controller, and reviews performed by Management and various Board committees, the Board with the concurrence of the ARC, is of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2019 to address the financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

For the year under review, no material weaknesses in the systems of risk management and internal controls were identified by the Board or the ARC.

Internal controls, because of their inherent limitations can only provide reasonable but not absolute assurance in the achievement of their internal control objectives. The Board is satisfied that if significant internal control failures or weaknesses were to arise, Management would take all necessary actions to remedy them.

Separate risk committee

Oversight of the Group's risk management framework and policies is under the purview of the ARC, which is aided by the Group Risk Management function and the internal auditors. Having considered the Group's business operations as well as its existing internal controls and risk management systems, the Board is of the opinion that a separate risk committee is not required for the time being.



CORPORATE GOVERNANCE REPORT

Audit Committee

Principle 10 The Board has an Audit Committee which discharges its duties objectively.

ARC composition

The ARC currently comprises four (4) non-executive Directors, namely, Mr. Chin Yoke Choong (Chairman of ARC), Mr. S. Chandra Das, Dato' Mohamed Nizam bin Abdul Razak and Mr. Sitoh Yih Pin. All four (4) members are independent Directors. During the financial year under review, Dato' N. Sadasivan a/l N.N. Pillay, who was also an independent and non-executive Director, stepped down from his position as a member of the ARC.

The ARC is guided by its written Terms of Reference which specifically sets out its authority and responsibilities.

During the financial year under review, the ARC held four (4) scheduled meetings.

Expertise of ARC members

The ARC members bring with them professional expertise and experience in the field of accounting and financial management. The Chairman of the ARC, Mr. Chin Yoke Choong has served as the Managing Partner of KPMG Singapore from 1992 to 2005. Mr. Sitoh Yih Pin is a chartered accountant. The background of each ARC member can be found in the "**Profile of the Board of Directors**" section of the Annual Report.

The NC is of the view that the members of the ARC have sufficient recent and relevant financial management expertise and experience to discharge the ARC's functions.

Role, responsibilities and authority of the ARC

The ARC has full access to and co-operation from the Company's Management and the internal auditors, and has full discretion to invite any Director or executive officer to attend its meetings. The executive Director, at the invitation of the ARC, participates in the ARC's deliberations.

The ARC performs the following main functions:

- i. reviewing with the external auditors their audit plan, audit reports, significant financial reporting issues and judgements (to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance), the nature, extent and costs of non-audit services and any matters which the external auditors wish to discuss;
- ii. reviewing and reporting to the Board at least annually the scope and results of internal audit procedures and its evaluation of the adequacy and effectiveness of the overall internal controls and risk management systems;
- iii. reviewing the assurance from the CEO and the Group Financial Controller on the financial records and financial statements;
- iv. reviewing and recommending to the Board for approval the financial statements and full-year financial results and related SGXNET announcements;
- v. reviewing and approving the appointment, re-appointment, remuneration or the dismissal of the internal auditors and the adequacy, independence, scope and effectiveness of the internal audit function;
- vi. reviewing the adequacy, effectiveness, independence, scope and results of the external audit, and the independence and objectivity of the external auditors;
- vii. recommending to the Board (i) the appointment, re-appointment or change of the external auditors, taking into consideration (where applicable) the scope and results of the audit and their cost effectiveness, and (ii) their remuneration and engagement terms;



CORPORATE GOVERNANCE REPORT

- viii. assisting the Board in the oversight of risk management including reviewing and recommending to the Board on an annual basis the type and level of business risks that YHS should undertake to achieve its business objectives, the appropriate framework and policies for managing risks that are consistent with the Group's risk appetite, the risk tolerance levels for the Group's key risks to ensure that there is clarity on the thresholds within which the Group should operate and the adequacy of resources required to carry out its risk management functions effectively;
- ix. reviewing interested person transactions to consider whether such transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders and (where applicable) to issue a statement on the views expressed and to recommend to the Board appropriate actions to be taken depending on the classification of the transactions in accordance with the Listing Manual;
- x. reviewing the whistle-blowing policy and arrangements for staff to raise concerns and improprieties in confidence, and ensure that these arrangements allow independent investigation of such matters and appropriate follow up action;
- xi. reviewing improper activities, suspected fraud or irregularities, discussing such matters with the external auditors and reporting to the Board, where necessary; and
- xii. performing any other functions which may be agreed by the ARC and the Board.

The ARC has the power to investigate any matter brought to its attention and any matters within its Terms of Reference. It also has the power to seek professional advice at the Company's expense.

Where relevant, the ARC makes reference to the best practices and guidance in publications such as the Guidebook for Audit Committees in Singapore jointly issued by ACRA, the Monetary Authority of Singapore and SGX, the Guidance to Audit Committees on ACRA's Audit Quality Indicators Disclosure Framework, practice directions issued from time to time in relation to Financial Reporting Surveillance Programme administered by ACRA, and the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council.

In its review of the financial statements, the ARC discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements reported under key audit matters in the independent auditors' report. This can be found in the "**Financial Statements**" section of the Annual Report.

Having reviewed the audit plans (internal and external) and the adequacy and effectiveness of the Group's systems of risk management and internal controls, the ARC is satisfied with Management's processes, disclosures in the financial statements and report of the external auditors.

Following the review and discussions, the ARC will then recommend to the Board where appropriate the release of the full-year financial statements.

Minutes of the ARC meetings are routinely tabled at Board meetings for the Directors' information.

External and internal auditors

The ARC recommends to the Board the appointment, re-appointment or change of the external auditors, and their remuneration and terms of engagement. The appointment of the external auditors is subject to shareholders' approval at each AGM of the Company.

The ARC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.

For the financial year under review, the ARC held a meeting with the external and internal auditors without the presence of Management.



CORPORATE GOVERNANCE REPORT

Independence of external auditors

The ARC reviews the independence and objectivity of the external auditors through discussions with the external auditors, as well as an annual review of the volume and nature of non-audit services provided by the external auditors. The fees paid to the Group's external auditors are as disclosed in the table below:

External Auditors' Fees for FY2019	S\$'000	% of Total Fees
Audit Fees	670	92
Non-audit Fees	56	8
Total Fees	726	100

In the ARC's opinion, the non-audit services provided by the external auditors did not impair their objectivity and independence. Accordingly, the Company has complied with Rule 1207(6)(b) of the Listing Manual.

The Company has also complied with Rules 712 and 715 or 716 of the Listing Manual, as applicable, in relation to the Company's appointment of auditing firms. Where auditing firms other than the Company's external auditors are engaged as auditors by foreign-incorporated subsidiaries or associated companies, such foreign-incorporated subsidiaries or associated companies are not significant in the sense of Rule 718 of the Listing Manual.

Whistle-blowing policy

The Company has put in place a whistle-blowing framework, endorsed by the ARC, under which employees of the Group may, in confidence raise concerns about possible corporate irregularities in matters of financial reporting or other matters. Management provides quarterly updates to the ARC on whistle-blowing incidents, if any. A copy of the whistle-blowing policy is posted on the Company's intranet and official website encouraging the report of any behavior or action that might constitute a contravention of any rules/regulations/accounting standards as well as internal policies.

The Company treats all information received in strict confidence and protects the identity and the interest of all whistle-blowers. The anonymity of the whistle-blower will be maintained where so requested by the whistle-blower.

ARC's activities and members' duty to keep abreast of changes to accounting standards

The primary role of the ARC is to assist the Board in ensuring the integrity of the Group's financial accounting system and that a sound internal control system is in place.

The ARC meets regularly with Management and the external auditors to review auditing and risk management matters and deliberate on accounting implications of any major transactions including significant financial reporting issues. It also reviews the internal audit functions to ensure that an effective system of control is maintained by the Group.

During the financial year under review, the ARC reviewed, on a quarterly basis, the Company's financial results announcements before their submission to the Board for approval.

The ARC is kept abreast by Management and the external auditors of changes to the financial reporting standards, Listing Manual and other regulations and issues which have a direct impact on the Group's business and financial statements.

Cooling-off period for partners of the Company's auditing firm

None of the ARC members were previous partners or directors of the Company's existing external auditors, KPMG LLP, within the period of two (2) years commencing on the date of their ceasing to be a partner or director of KPMG LLP. All ARC members do not have any financial interest in KPMG LLP.



CORPORATE GOVERNANCE REPORT

Internal auditors and their function

The Company has appointed Deloitte Risk Advisory Sdn. Bhd. (“**Deloitte**”) as the Company’s internal auditors. Deloitte reports directly to the ARC.

The ARC assesses, at least annually, the adequacy and effectiveness of the internal audit function. Having regard to the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, and having reviewed the functions and organisational structure of Deloitte, the ARC is satisfied that Deloitte meets the requisite standards.

The ARC is satisfied that the Company’s internal audit function is effective, adequately resources, independent, and has appropriate standing within the Company.

The internal auditors have unfettered access to all the Company’s documents, records, properties and personnel, including access to the ARC.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11 The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders’ rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Effective participation and voting by shareholders at general meetings

All shareholders are informed of shareholders’ meetings through notices contained in annual reports and circulars disseminated to them. These notices are also published in the local press and posted on SGXNET. Resolutions tabled at general meetings are voted by poll, the procedures and rules under which are clearly explained by scrutineers at such general meetings.

The Company supports active shareholder participation at general meetings. The shareholders are encouraged to attend these general meetings to ensure a high level of accountability and to stay informed of the Group’s strategies and visions. These meetings also allow shareholders to raise relevant questions or seek clarification on the motions before they are put to the vote.

Separate resolutions at general meetings

Resolutions to be tabled at general meetings are separate for each substantially separate issue, unless they are interdependent and linked so as to form one significant proposal. Where resolutions are bundled, the reasons and material implications are explained in the notice of general meeting to enable shareholders to make an informed decision.

Voting by poll at general meetings

For greater transparency in the voting process, the Company has implemented electronic poll voting at general meetings of shareholders. The voting results of all votes cast for or against each resolution are made available at the meeting and subsequently announced to the SGX-ST after the meeting.

Provision 11.4 of the 2018 Code provides that an issuer’s Constitution should allow for absentia voting at general meetings of shareholders. Our Constitution currently does not, however, permit shareholders to vote at general meetings in absentia (such as via mail, email or fax). The Company has not amended its Constitution to provide for absentia voting, as it could be costly to implement, bearing in mind that the Company would need to implement preventive measures to guard against errors, fraud and other irregularities. The Company is of the opinion that despite its deviation from Provision 11.4 of the 2018 Code, shareholders nevertheless have opportunities to communicate their views on matters affecting the Company even when they are not in attendance at general meetings. For example, shareholders may appoint proxies to attend, speak and vote, on their behalf, at the respective general meetings.



CORPORATE GOVERNANCE REPORT

Multiple proxies

Following the introduction of the multiple proxies regime under the amended Companies Act of Singapore, with effect from 3 January 2016 “**relevant intermediaries**” (such as banks and capital markets services licence holders which provide custodial services for securities) which are members of the Company, are able to appoint more than two proxies to attend, speak and vote at general meetings of shareholders of the Company. Accordingly and to facilitate effective participation in general meetings of shareholders, the Company has at its 60th AGM held on 22 April 2016 adopted a new Constitution, which contains new provisions that cater to the multiple proxies regime.

Attendees at general meetings

Members of the Board, the Chairman of each of the Board committees, senior management, the external auditors, legal advisors and Management are in attendance at general meetings of shareholders.

The external auditors who attend the Company’s general meetings of shareholders are equipped to address shareholders’ queries about the conduct of audit and the preparation and content of the auditors’ report.

Minutes of general meetings

The Company Secretary prepares the minutes of shareholders’ meetings, which include substantive comments and queries from shareholders and the responses from the Board and Management. Provision 11.5 of the 2018 Code provides that an issuer should publish the minutes of general meetings of shareholders on its corporate website as soon as practicable after such meetings. The Company currently does not publish such minutes on our corporate website. The Company is of the view that despite its deviation from Provision 11.5 of the 2018 Code, the Company treats all shareholders fairly and equitably to enable them to exercise their shareholders’ rights, including shareholders who are unable to attend general meetings, as the minutes of shareholders’ meetings are available to any shareholder upon request and upon authentication of the shareholder’s identity by the Company.

Dividend policy

Provision 11.6 of the 2018 Code provides that an issuer should have a dividend policy and communicate it to shareholders. The Company does not, however, have a stated policy of distributing a fixed percentage of earnings by way of dividend annually. Rather, in fixing a dividend for any year, the Company considers a number of factors including current and forecast earnings, internal capital requirements, growth options and the Company’s debt/equity position. The Company is of the view that despite its deviation from Provision 11.6 of the 2018 Code, all shareholders are treated fairly and equitably to enable them to exercise their shareholders’ rights. Shareholders have the opportunity to communicate their views on matters affecting the Company, including the dividend payout in any given year. Notwithstanding the absence of a stated dividend policy, shareholders are able to express their views to the Company on matters relating to dividends, whether this is done at AGMs or otherwise, and due consideration is given to such feedback.

Engagement with Shareholders

Principle 12 The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Communication with shareholders

In addition to regular dissemination of information through SGXNET, the Company also attends to general enquiries from shareholders, investors, analysts, fund managers and the press. The Company’s investor relations policy allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. The policy sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions. The Company has a team of investor relations personnel to focus on facilitating communication with shareholders, investors, fund managers, analysts, media and other stakeholders on a regular basis, to attend to their queries or concerns as well as to keep the investing public apprised of the Company’s corporate developments and financial performance.

Information on the Company and its businesses is also made available on the Company’s website: www.yeos.com.sg.



CORPORATE GOVERNANCE REPORT

Timely Information to shareholders

The Company is committed to providing a balanced and clear assessment of the Group's performance, financial position and prospects through timely reporting of its quarterly and full-year results. The Company's Annual Report and all financial results are accessible to the public on SGXNET and the Company's website. Although the Company is ceasing quarterly reporting of its financial results in conjunction with changes to the Listing Manual which took effect from 7 February 2020, the Company will continue to keep shareholders updated on material developments relating to the Company and the Group, in compliance with its continuing disclosure obligations, as and when appropriate.

The Company does not practice selective disclosure of material information. Price sensitive information is first publicly released before the Company meets with any group of investors or analysts. Financial results and other price sensitive public announcements are presented by the Company through a balanced and understandable assessment of the Group's performance, position and prospects.

Sufficient information to shareholders

The Company's corporate governance practices promote the fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, especially information pertaining to the Company's business development and financial performance which could have a material impact on the price or value of its shares, so as to enable shareholders to make informed decisions in respect of their investments in the Company.

Further, the Company also believes in providing sufficient and regular information to shareholders and the public beyond mere compliance with prevailing statutory or professional standards.

Regular dialogue with shareholders

General meetings have been and are still the principal forums for dialogue with shareholders. At these meetings, shareholders are given the opportunity to engage the Board and Management on the Group's activities, financial performance, other business-related matters and plans for the Group's development. Such meetings also allow the Company to gather views or inputs, and address shareholders' concerns.

Soliciting and understanding views of shareholders

Outside of the financial reporting periods, when necessary and appropriate, the Group CEO will meet analysts and fund managers who seek a better understanding of the Group's operations. The Group CEO also engages with local and foreign investors to garner feedback from the investor community on a range of strategic and topical issues, which provides the Board with valuable insights on investors' views. When opportunities arise, the Group CEO conducts media interviews to give shareholders and the investing public a profound perspective of the Group's business.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13 The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company's stakeholders include employees, contractors and suppliers, government and regulators, community, shareholders and investors. The Company engages these stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

The Company maintains a corporate website at www.yeos.com.sg to communicate and engage with stakeholders.



CORPORATE GOVERNANCE REPORT

CODE OF BUSINESS ETHICS

The Group has adopted a Code of Business Ethics to regulate the standards and ethical conduct of the Group's employees who are required to observe and maintain high standards of integrity.

DEALINGS IN SECURITIES

The Company has in place a Securities Trading Policy (as may be amended from time to time) modelled to comply with the best practices guidance in Rule 1207(19) of the Listing Manual. Effective from 27 February 2020, the Company will be issuing half yearly reminders to its Directors and employees on the restrictions in dealings in listed securities of the Company during the period commencing one month immediately preceding, and up to the time of announcement of, the Company's results for the half-year and the full financial year. Directors and employees are also reminded not to trade in listed securities of the Company at any time while in possession of unpublished price sensitive information and to refrain from dealing in the Company's securities on short-term considerations.

MATERIAL CONTRACTS

No material contracts were entered into by the Company or any of its subsidiaries involving the interests of the Group CEO, any Director or controlling shareholder and either (i) still subsisting at the end of the financial year under review or (ii) entered into since the end of the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year under review which fall under Chapter 9 of the Listing Manual are as follows:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		2019 S\$
<u>Far East Organization Group</u> Sale of goods	Associate of controlling shareholder	298,862
<u>Sino Land Company Limited Group</u> Operating lease expense paid/payable Sale of goods	Associate of controlling shareholder	226,456 133,476

The Company does not have any shareholders' mandate for interested person transactions.



SUSTAINABILITY REPORT

CREATING A SUSTAINABLE FUTURE

YHS SUSTAINABILITY VALUES:

B-U-I-L-D

Our approach to sustainable development of our business is guided by our sustainability values:

- B**usiness excellence with sustainability in mind
- U**nity as one team in pursuing sustainability goals
- I**ntegrity, honesty and fairness to all stakeholders
- L**oyalty and commitment to sustainability goals
- D**iligence, pride and passion

**Sustainability
Is A Key Success
Factor To Grow
Our Business**

Yeo Hiap Seng Limited ("YHS")'s sustainability report details our environmental, social and governance ("ESG") performance for the calendar year 2019.

SUSTAINABILITY AT THE FOREFRONT

As YHS celebrate our 120th anniversary in 2020, we appreciate what it takes to build a sustainable fast moving consumer goods ("FMCG") business – YHS's strong commitment to sustainability across its businesses for continuous growth and value creation for all our stakeholders.

Our sustainability vision is embedded in our business and operational strategy underpinned by our values. We conduct our businesses in a fair and responsible manner backed by robust governance structures; optimise the use of resources in delivering high quality products to our consumers; seek continual improvement to minimise environmental footprint; continuously innovate to delight our consumers with healthier and high quality consumption choices; and contribute to local communities.

This pursuit for sustainability excellence is backed by our sustainability values that emphasise on integrity, diligence as well as unity across the functions as we stay loyal and committed in achieving our sustainability goals.



SUSTAINABILITY REPORT

CONTENTS

	Page number
GROUP OVERVIEW	
Sustainability Management	42
Materiality Assessment	44
Our Materiality Topics	45
Sustainable Development Goals	46
PROTECTING OUR ENVIRONMENT	
Water Management	47
Effluents and Waste	49
Energy Management	50
CARING FOR OUR PEOPLE	
Our People, Our Greatest Asset	51
Occupational Health and Safety	56
CARING FOR OUR CONSUMERS	
Product Quality and Safety	59
LEADING OUR MARKETPLACE	
Economic Performance	61
Corporate Governance	64
OTHER INFORMATION	
About this Report	65
Sustainability Targets	66
Global Reporting Initiative (GRI) Content Index	67



SUSTAINABILITY REPORT

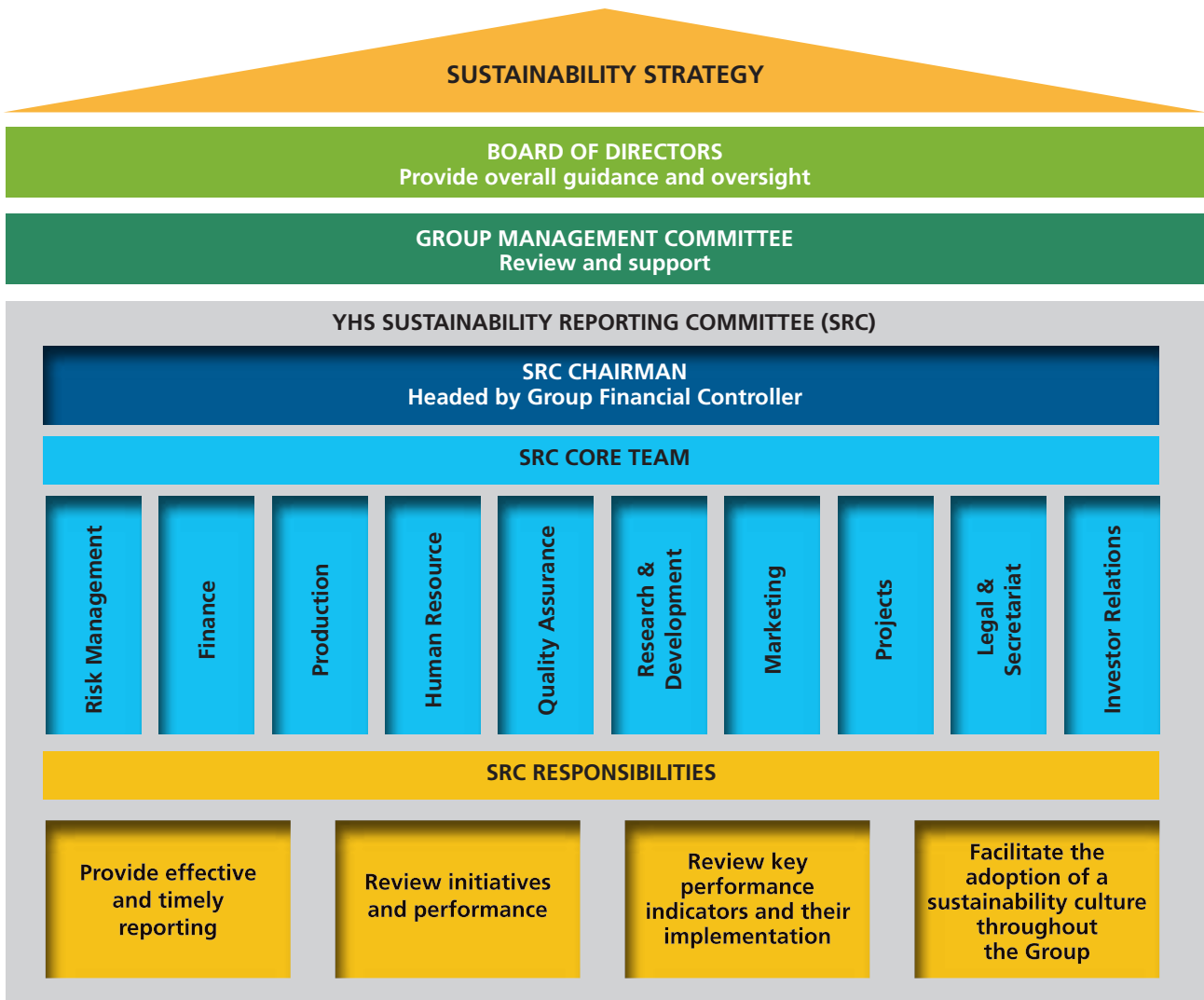
GROUP OVERVIEW

SUSTAINABILITY MANAGEMENT

At YHS, the Board of Directors has oversight of the Group’s sustainability strategy. The Board’s responsibilities include providing guidance on the material ESG factors that impact the Group’s activities. In managing the sustainability strategy, the Board is assisted by the Sustainability Reporting Committee (“SRC”) which is headed by the Group Financial Controller and reports to the Group Management Committee.

Reporting Process

YHS’s SRC is represented by the Heads of Departments from major functions and provides the overall direction for preparing the report.



While we have not sought independent assurance, we rely on our internal processes to verify the accuracy of ESG performance data and the information presented in the report.

SUSTAINABILITY REPORT

Stakeholder Engagement

Stakeholder engagement is key to our sustainability strategy and we recognise that our actions can impact how our stakeholders assess us and make their decisions. Our selection of stakeholders for engagement is determined by the influence, responsibility, dependency, representation and proximity that the stakeholders have with our businesses.

Stakeholder Groups

At YHS, we have categorised our stakeholders into six groups and engaged them as follows:

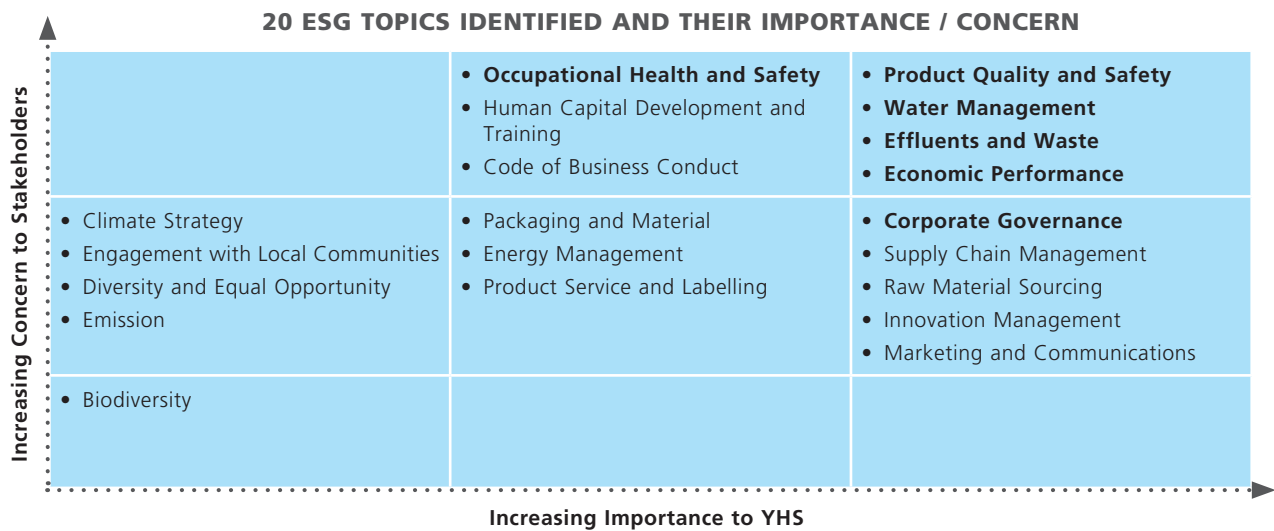
	Significance	Key Topics & Concerns	Engagement Platforms
Employees	Human capital is our most valuable asset and we are committed to investing in the development of our people. We create a performance-led culture with learning opportunities where our people can develop and grow.	<ul style="list-style-type: none"> • People development • Safe and healthy work environment • Engaging employment experience 	<ul style="list-style-type: none"> • Intranet / Circulars • Email communication • Briefings / Trainings
Suppliers	Strong and effective relationships with our suppliers give our businesses strategic advantages, including better value. By effecting stringent procurement processes, we foster an ethical culture and comply with all legal requirements.	<ul style="list-style-type: none"> • Responsible business practices • Governance and compliance structure 	<ul style="list-style-type: none"> • Face-to-face meetings • Email communication
Customers/ Retailers	We are committed to keep abreast of consumer trends and preferences as well as research and development initiatives to continually improve our range of products to better meet consumers' needs for high quality, healthier and innovative offerings.	<ul style="list-style-type: none"> • Product quality • Understanding consumer needs • Innovation and creation 	<ul style="list-style-type: none"> • Corporate website • Product campaigns • Social media channels
Government/ Regulators/ Activists	Governments and regulations can affect how businesses are run and create new challenges or opportunities for us. We keep a close eye on topics of concern to governments, regulatory bodies and activist groups wherever we operate. In our key markets, we also engage with the regulators regularly to understand their concerns and to provide our feedbacks.	<ul style="list-style-type: none"> • Compliance with laws and regulations • Opportunities for collaboration 	<ul style="list-style-type: none"> • Regulatory filings • Meetings and dialogues

SUSTAINABILITY REPORT

	Significance	Key Topics & Concerns	Engagement Platforms
Investors	Our investors believe firmly that a sustainable business approach is important in creating long-term value for the company.	<ul style="list-style-type: none"> • Relevant disclosure to shareholders • Business strategy • Economic and financial performance 	<ul style="list-style-type: none"> • Annual general meeting • Annual report • Corporate website and communications
Local Communities	As active members of our communities, we aim to contribute towards their continued well-being.	<ul style="list-style-type: none"> • Sustainable development of our communities 	<ul style="list-style-type: none"> • Corporate social responsibility events

MATERIALITY ASSESSMENT

In our materiality assessment, we have identified 20 ESG topics that are relevant to us. We have re-assessed the six material topics we have reported in the prior year and confirmed that they remained in relevance based on the significance of the ESG factors; their impact on the businesses; and the degree of influence they have on stakeholders' decision. The 20 relevant ESG topics are presented below with the six material topics highlighted in bold print.



SUSTAINABILITY REPORT

OUR MATERIALITY TOPICS

From the 20 ESG topics identified, we shortlisted six material topics to be reported as they are the most relevant to the business. The rest of the topics remain important and we will look to build on them further down our sustainability journey.

SIX MATERIAL TOPICS SHORTLISTED



SUSTAINABILITY REPORT

SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (“SDG”) are the blueprint by the United Nations to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice.

Our material topics are mapped to several Sustainable Development Goals, ensuring our sustainability efforts are aligned to the broader goals of United Nations.

Yeo’s Sustainability Thrusts	Related Material Topics	Related SDGs	Approach
Protecting Our Environment	Water Management		We are committed to seek innovative water management solutions – including water saving and recycling initiatives – as part of our overall water stewardship efforts and practices in our production facilities.
	Effluents and Waste	 	We are focused on achieving effective management and reduction of our waste, including the by-products generated from the manufacturing processes in our factories.
Caring for Our People	Occupational Health and Safety	 	We place the utmost priority on maintaining a culture of safety amongst all our employees and enforce robust safety policies and practices to mitigate safety risks.
Caring For Our Consumers	Product Quality and Safety	 	In the Food and Beverage business, ensuring the health and safety of our consumers is our top priority, and we have put in place stringent controls on our procurement and manufacturing processes to safeguard product quality and safety.
Leading Our Marketplace	Economic Performance		We believe in creating long term economic value for our investors and further distributing the economic value to other stakeholders including our employees through wages, government through taxes, investors through dividends, suppliers through purchases and communities through corporate social responsibility initiatives.
	Corporate Governance		We maintain a strong corporate governance and control environment in order to operate as a responsible corporate entity with a focus on sustainability. We have zero tolerance for fraud, bribery, corruption and violation of laws and regulations.

SUSTAINABILITY REPORT

PROTECTING OUR ENVIRONMENT

We manage our environmental footprint by minimising the environmental impact of our business operations.

WATER MANAGEMENT

According to National Geographic, an estimated 97% of water is stored in our oceans while the remaining 3% of water on earth is fresh water, of which the majority of it is found in glaciers and ice caps. With population growth, urbanisation and a rapidly rising middle-class in our key markets driving an increase in demand for food and beverages (and therefore fresh water), this places an enormous strain on the supply of fresh water to cater for this sociodemographic change.

In the food and beverage industry which we are in, water is used both as a vital ingredient for our products, as well as for several production processes such as cleaning and sanitising. As such, the importance of water is top of mind in our business. We constantly seek to achieve more efficient use of water and to innovate in water recycling by pursuing better water saving and recycling technique to evolve the way food and beverages can be produced.

Water Saving and Recycling

Water usage is the highest in the production function in our business and the aggregate production capacity of our Singapore and Malaysia factories constitutes more than 90% of the whole Group's production capacity. Currently, we are focusing our efforts in water saving and recycling initiatives in these two locations to maximise their impact.

We reduce our water footprint by putting recycled water to alternative uses. In Singapore, we have completed the installation of a water recycling plant at our Senoko factory in collaboration with Singapore's Public Utilities Board ("PUB") and Nanyang Technological University ("NTU") as a research partner. This water recycling plant is expected to recycle a substantial portion of the wastewater collected from the production process which can in turn be used for cooling, steam generation, washing and other industrial non-production processes. On an annual basis, it is capable of recycling approximately 70% of water drawn and used in production processes.

We are currently conducting further optimisation study and testing on the waste water treatment plant before we enter commercial use. This entails the study on feasible options to recover energy from process by-products and enhancements to the plant to better cater to the change in portfolio of products being manufactured in our Senoko factory.

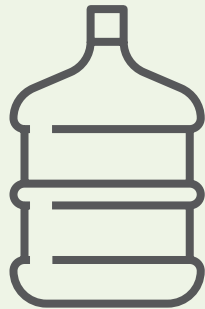


Water recycling plant at our Senoko factory

SUSTAINABILITY REPORT

Material Topic(s)		Target(s)
Water Management		
303-1	Water withdrawal by source	Reduce by 20% from water recovery and recycling programs by 2020 in Singapore, and additional 10% when these programs are fully operationalised
303-3	Water recycled and reused	Recycle at least 50% of collected wastewater generated by 2020 in Singapore

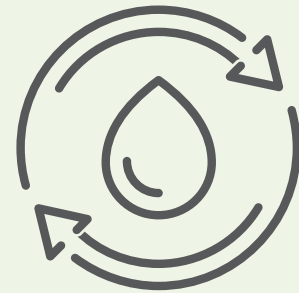
2019 WATER USAGE AND RECYCLING IN SINGAPORE



173,994
Total water usage
(in cubic metres)



28,000
cubic meters recycled
from factory operations



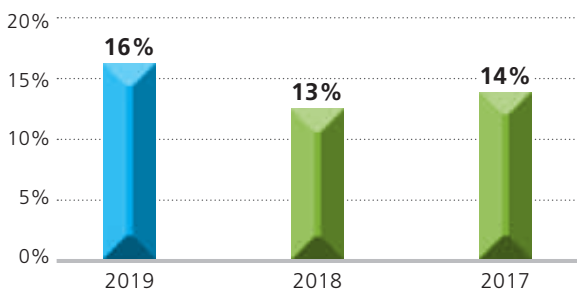
16%
water recycled

KEY STATISTICS ON WATER (SINGAPORE)

Description	2019	2018	2017
Total water usage (in cubic metres)	173,994	170,717	177,346

In 2019, Singapore water usage has increased due to higher production level but we have also increased the percentage of water recycled. We expect that with the operationalisation of the water recycling plant, we will be on track to meet both our water withdrawal by source reduction target and water recycling target by 2020.

% OF WATER RECYCLED



In Malaysia, we continue our waste water recycling initiative at our Shah Alam factory where we were able to recycle close to 80,000 cubic metres of water used during the production process for re-use at the cooling tower. We will further embark on an initiative to capture rainwater to be reused in lavatory to reduce fresh water consumption in 2020.

SUSTAINABILITY REPORT

EFFLUENTS AND WASTE

We are focused on achieving effective management and reduction of our waste, including the by-products generated from the manufacturing processes in our factories. In 2019, we have developed a waste management framework, which aims to reduce, reuse and recycle as well as to dispose of any remaining waste responsibly.

Reduce

Starting in 2020, we will expand on our tracking of waste to also include information related to the packaging used in our products placed on the market in Singapore. This is in line with new mandatory packaging reporting framework requirements from the Singapore Ministry of the Environment and Water Resources. We target to reduce the amount of packaging used via various initiatives such as primary packaging weight optimisation, standardising secondary packaging – such as cartons and trays – dimensions, and rationalisation of label thickness dimensions. The learnings in Singapore will be shared with and rolled out to the rest of the Group as appropriate.

Reuse

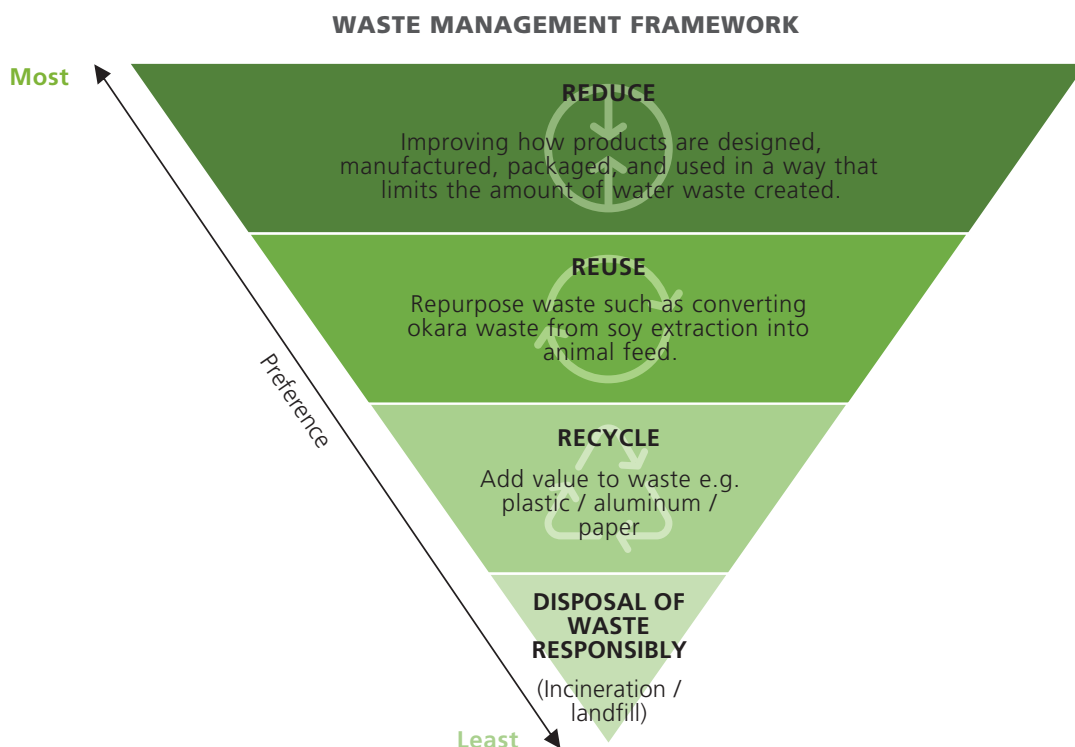
From the production of our soy milk, we generate soya pulp residue, commonly known as okara, as a by-product. Okara – which still contains nutrients such as dietary fibre, calcium, protein, carbohydrates and potassium – can also be used as animal feed or as natural fertilisers which greatly improves the utilisation of waste materials which would otherwise be dumped in landfills.

Currently, we redirect our okara waste from the Malaysian factories to the farms in the vicinity as animal feed. In Singapore, we dispose okara to off-takers who use it as fertilisers or animal feed. The recent change in regulation which recognises okara as animal feed has opened up more options for us and we are actively seeking partners for meaningful reuse of this by-product.

As increasing studies are performed on alternative uses for okara which include the creation of healthy probiotic drinks, mock meat and biodegradable packaging, we will continue to look out for different ways to reuse the okara waste meaningfully.

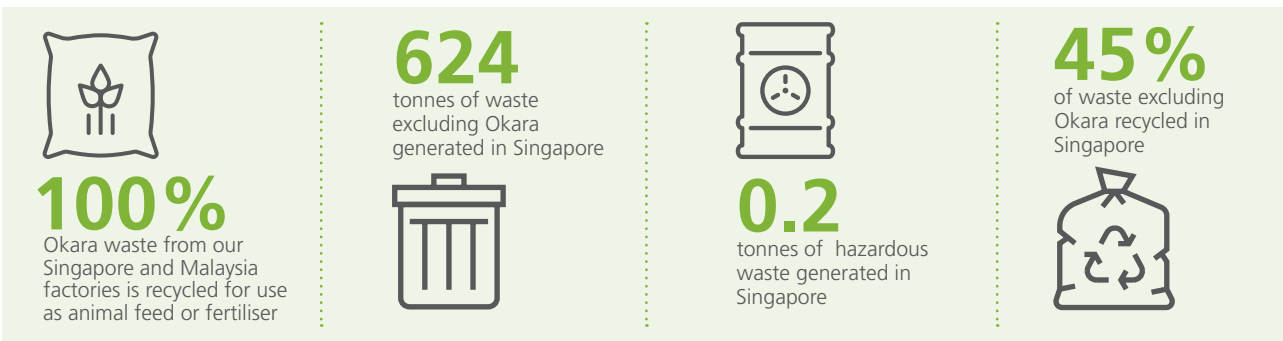
Recycle

We recycle the cartons that we use, as well as plastic, aluminium and scrap metal from our manufacturing processes.



SUSTAINABILITY REPORT

Material Topic(s)		Target(s)
Effluents and Waste		
306-2	Waste by type and disposal method	Develop a framework for measuring the types of waste generated from our operations to progressively cover all factories in the Group by 2020



KEY STATISTICS ON WASTE (SINGAPORE)

Types of waste	Description	2019	2018	2017
Okara waste generated	in tonnes	579	309	231
Okara waste recycled	% recycled	100%	100%	100%
Other waste generated excluding Okara	in tonnes	624	608	663
Other waste recycled excluding Okara	% recycled	45%	44%	32%

In 2019, Okara and other waste generated in Singapore increased as compared to prior year due to higher production volume. 100% of the Okara waste was recycled by disposing to off-takers who use it as fertiliser or animal feed. For other waste generated in 2019, we have recycled 45% of those. We will continue to evaluate and explore evolving recycling technologies and options to continue to increase our recycling rate.

ENERGY MANAGEMENT

Optimising Energy Usage

The Group is exploring the use of our rooftops for the installation of solar panels as part of our initiative to use greener energy and reduce carbon footprint. This will help to reduce our reliance on the use of energy from traditional gas-fired power generation plants in Singapore that produce greenhouse gas emissions. We are evaluating this initiative for our Senoko factory in Singapore which can be installed with approximately 2,237 solar panels covering approximately 4,300 square meters of rooftop area. If implemented, we expect to reduce energy consumption by about 15% in Singapore. In Malaysia, a similar solar energy initiative is being studied for which we are working with power providers on a project to use solar panels for electricity generation in our Shah Alam factory covering about 2,000 square meters of roof area.

Use of Energy Efficient Equipments

We are constantly in search for more energy-efficient equipment to sustain our manufacturing operations. In our Senoko plant in Singapore, we currently use diesel – a form of fossil fuel – for water heating. We are in the process of evaluating a potential change to an alternative energy-efficient equipment which runs on electricity and is expected to reduce energy consumption significantly.

In our Shah Alam factory in Malaysia, we have upgraded most of our lightings from fluorescent lamps to light-emitting diode (“LED”) high bay lighting in more than ten different areas of the factory in 2019. This upgrade has reduced energy consumption in these areas by more than 70% measured in terms of kilowatts. Besides being more energy-efficient, LED lights also have an average lifespan of three times longer than fluorescent lamps. Replacing the fluorescent lamps – which contain a small amount of mercury which is a toxic heavy metal – with LED bulbs also means that we eliminate the risk of human and environmental exposure to mercury during accidental breakage or disposal. In 2020, we are extending our lighting solutions with more energy-efficient and environmental-friendly options to our Shah Alam factory perimeter lightings as well. We will continue to review opportunities to upgrade our lightings to LED in other factories.

SUSTAINABILITY REPORT

CARING FOR OUR PEOPLE

OUR PEOPLE, OUR GREATEST ASSET

Our people are our greatest asset. We are committed to become the employer of choice through the co-creation of a welcoming and vibrant place to work together with our people. In 2019, YHS was recognised for its people efforts when we were awarded five prestigious awards by Singapore Human Resources Institute during their annual event – The Singapore HR Awards 2019 – to celebrate leading organisations and HR professionals in their drive for impactful human capital strategies. These awards are:

- ★ Leading CEO
- ★ Leading HR Leader
- ★ Employer Branding
- ★ Learning & Development (Special Mention)
- ★ Purpose Driven (Special Mention)

YHS is also the proud recipient of the Top 100 Asia's Best Employer Brands 2019 which is hosted by Employer Branding Institute and World HRD Congress. Into the 10th year, this event acknowledges individuals and companies with outstanding management and efficient development of future leadership capabilities to be ready for business growth.

In addition, we are also the proud recipient of Asia's most renowned HR Excellence Awards 2019 which is organised by Human Resources Online to honour distinguished organisations with exceptional employment management programmes and robust human resource management strategy. We are proud to clinch two coveted awards in the following categories:

- ★ Most People Focused CEO
- ★ Excellence in Work Life Balance



The 14th Singapore HR Awards 2019 – 27 August 2019

Bringing all together, these awards are strong validation to YHS for our excellent people practices and emphasis on the development and interests in our people. These achievements are strong testimonials of YHS championing its people agenda and bringing out the best in our people through sound and commendable human resource and people management practices.

SUSTAINABILITY REPORT



Top 100 Asia's Best Employer Brands 2019; Ms Angelina Chua, First Vice President, Group Human Resource, receiving the award



7th HR Excellence Awards 2019 – 11 October 2019

Our approach to developing human capital and retaining talent is characterised by our three core principles:

- (i) We adopt fair labour practices and have zero tolerance towards discrimination;
- (ii) We invest in the training and development of our employees to enhance their competencies; and
- (iii) We provide our employees a safe and conducive working environment for them to excel in their respective fields.

SUSTAINABILITY REPORT



Fair Labour Practices

zero tolerance towards discrimination



Development of Employees

investment in training to enhance competencies



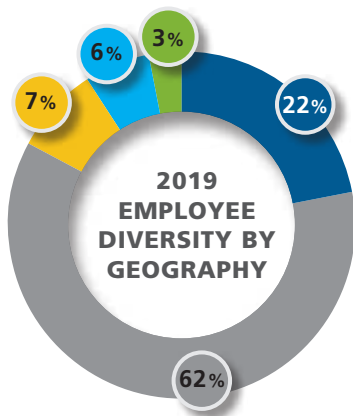
Safe Environment

conducive workplace to focus on business excellence

Fair Labour Practices – Diversity and Inclusion

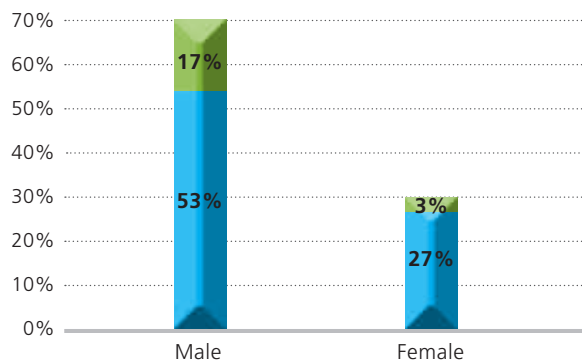
At YHS, we embrace talents from different backgrounds and strengths. Although domain expertise forms the fundamental hiring pre-requisite, we also look out for candidates who exhibit behaviours which align with our values. By tapping on the synergy that is brought along by the fresh hires from different fields and diverse experience, YHS stays dynamic, agile and innovative.

YHS does not discriminate any applicant based on their age, gender, race, religion or nationality. We are committed to ensuring fair labour practices, diversity and inclusion in all our factories and offices. As at 31 December 2019, we have 1,878 employees working across all our operations, within which 84% are based in Singapore and Malaysia.



■ SINGAPORE ■ MALAYSIA ■ CHINA
■ CAMBODIA ■ OTHERS

2019 EMPLOYEE DIVERSITY BY EMPLOYMENT TYPE



■ PERMANENT ■ TEMP (CONTRACT)

On gender diversity, given the nature of the work in our industry in which a substantial portion of our work force are deployed in the manufacturing and supply chain operations, the gender balance has a tendency to weigh stronger on the males. The percentage of female employees as at end of 2019 is 30% (2018: 32%).

SUSTAINABILITY REPORT

At the Group level, 45% of our employees are covered by collective bargaining agreements which strive to seek fair working salaries, optimal working conditions, benefits, and other aspects of workers' compensation and rights for the employees. In Singapore, YHS is a member of the Singapore National Employers Federation and the Food, Drinks and Allied Workers Union. In Malaysia, we are associated with the Malaysian Employers Federation, Federation of Malaysian Manufacturers, MECA Employers Consulting Agency Sdn Bhd and Food Industry Employees' Union. As active members of unions and associations, YHS ensures compliance with applicable laws and regulations and maintains regular dialogues with the various stakeholders to build constructive and harmonious relationships.

Investing In Our People

We believe that investing in our people is critical to our success. To attract and retain talent, we manage the human capital from a holistic approach. We aim to look after both the individual's professional growth and personal well-being during their career with us. Regardless of their natural endowments and starting points, we will provide each individual the opportunity for training so that they are equipped with relevant skills to grow with the business.



Pricing & Revenue Management Training



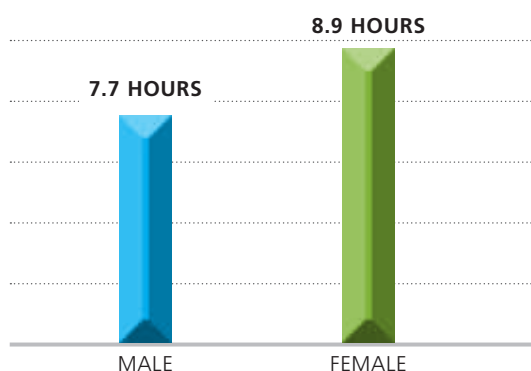
Effective Time Management Workshop

SUSTAINABILITY REPORT

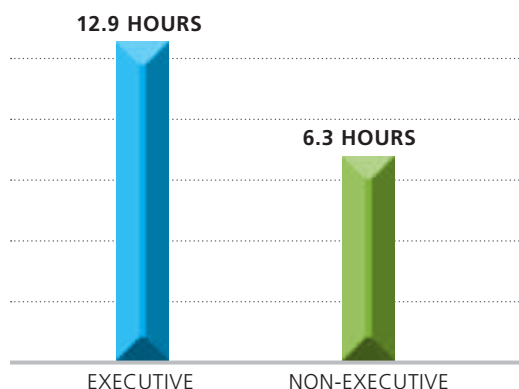
In 2019, we rolled out the Pricing & Revenue Management workshops to introduce staff to the fundamentals of pricing, helping them to develop a framework that systematically identify opportunities to boost the company's profits through revenue management practices. Other than company-initiated functional or thematic trainings, we also support our staff to attend external trainings to cater to their individual developmental needs. In 2019, some of our staff attended external trainings, such as Clean Label & Sugar Replacement Workshop and Time Management Workshop, to keep abreast with the industry development and to work effectively. Together with on-the-job training and coaching, this holistic training and development approach keeps our people up to date with technical developments and skillsets in the market, allowing them to excel in their work and to contribute meaningfully to the business.

In 2019, we have provided a total of 15,133 hours of training (not including on-the-job training) (2018: 11,629 hours) to all our employees across the regions.

2019 AVERAGE TRAINING HOURS CHART BY GENDER



2019 AVERAGE TRAINING HOURS CHART BY EMPLOYMENT CATEGORY



Generally, executive staff will receive more classroom training, whereas the non-executive staff will receive more on-the-job learning, which is excluded in the training hours reported. All new employees are also required to go through a compulsory safety induction training as part of new hire orientation.

We also provide international exposure opportunities for our talents. This builds a strong platform to continuously develop our talent pipeline and their leadership capabilities.

To help our employees take ownership of their lifelong learning journey, we will be rolling out trainings on an e-learning platform. The bite-sized e-learning modules will cover topics related to our business and will be updated periodically to remain relevant. Additional modules on emerging issues and developments will also be continuously developed and included.

Employee Compensation And Benefits

To motivate and retain our people, YHS provides a fair and progressive, performance-based remuneration reward system. Apart from recognising the contributions of our people, we leverage on the performance management system to align our people's competencies to the business directions. To determine a competitive salary level and benefits, regular reviews and benchmarking are conducted against local standards. Salary increment and annual variable bonus are based on individual performance, negotiation with employee union as well as the Group's performance.

SUSTAINABILITY REPORT

At YHS, every employee undergoes regular performance and career development reviews to help them make consistent improvements and achieve their potential. Apart from the formal annual performance review and feedback session with their direct supervisor, YHS encourages regular real-time feedback and discussions. For the year ended 31 December 2019, 100% of our staff have completed their performance feedback and discussions.

KEY STATISTICS ON PERFORMANCE REVIEWS

Description	2019	2018	2017
Percentage of staff who have completed their performance reviews	100%	100%	100%

OCCUPATIONAL HEALTH AND SAFETY

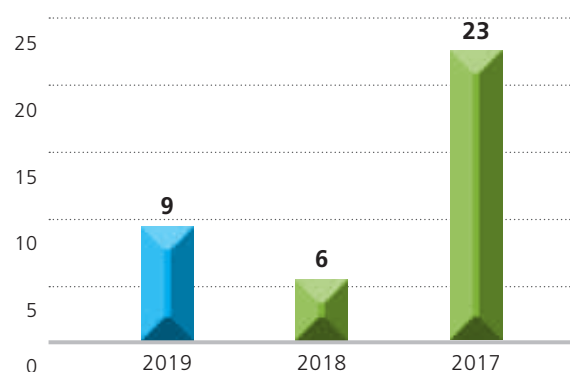
Safety risks are inherent in work places and will be relatively higher in manufacturing and supply chain functions where plant and machineries are operated. Maintaining a safe working environment allows our employees to work with peace of mind, improve their work and contribute to the sustainability of our workforce. Accordingly, we place the utmost priority on maintaining a culture of safety amongst all our employees and enforce robust safety policies and practices to mitigate safety risks. In line with “GRI 403: Occupational Health and Safety 2017”, the Group has reported not only the work-related injuries for our employees, but also workers whose work or workplace is controlled by the organisation, such as contractors.

Material Topic(s)	Target(s)
Occupational Health and Safety	
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<ul style="list-style-type: none"> • Zero work-related injuries and illnesses • Organise regular health and wellness activities

The number of reportable incidents with more than three days of medical leave increased to nine in 2019 as compared to six in 2018 generally due to slip, trip and fall; and vehicular incidents. We have reviewed the root causes of these incidents and noted that most of them can potentially be prevented. Awareness and training sessions were held in the Group during the year for continuous development of our employees on Environment, Health and Safety (“EHS”) matters and we will continue the intensity of these sessions going forward while reinforcing the EHS messages through e-learning.

To continuously remind our employees and contractors on work safety, our safety slogan – all accidents are preventable – will continue to be displayed in prominent locations in all our factories and offices to promote a culture of “zero tolerance to workplace injuries and illnesses”. For continuous monitoring and driving of safety performance, we hold monthly safety committee meetings to review performance, discuss any violations and propose improvements. These meetings are attended by functional representatives from production, maintenance, warehouse and logistics, human resource and quality assurance departments.

ANNUAL INCIDENTS STATISTICS



* Reportable incidents with more than three days of medical leave



SUSTAINABILITY REPORT

Our persistence and pursuit for safety excellence are recognised in the market place. In Singapore, we have been assessed and re-certified by a Ministry of Manpower Approved Workplace Safety and Health auditor in 2018 for another three years for bizSAFE Level 3 till 2021. This is a recognition of our strong commitment to workplace health and safety, which also provides our customers the assurance that we consistently meet stringent safety requirements. In Malaysia, we have consistently received awards from the Malaysia Occupational Safety and Health Practitioner's Association ("MOSHPA") with regard to Occupational Safety and Health Management in the food and beverage manufacturing and were awarded the Platinum Premier MOSHPA – the highest safety award from MOSHPA in 2018.

A Caring And Harmonious Workplace

We believe in the holistic development of our people and we set aside resources each year to put in place deliberate initiatives to create a stimulating working environment. Throughout the year, we organised a series of events to enrich our people with new experiences, engage them in their passion and challenge them to explore activities outside their comfort zone. The events also provide a comfortable platform for our people to connect with one another and their families after working hours.

In 2019, our events focused on the development of our people's aesthetic talents. Some of such activities include the rainbow calligraphy, tote bag painting and the terrarium workshops. One of our people goal is to keep our people feeling motivated and curious at work. The series of events lay the groundwork for increased cross-department interaction and exchange of ideas. Our people continue to work cohesively as a team and has a strong sense of ownership. With these, YHS benefits with a more productive and engaged workforce as it harnesses the creativity, energy and dynamism of our people.

To empower our people to take charge of their health and lead an active and healthy lifestyle, we provide complimentary annual health check as part of our wellness strategy in Singapore. The complimentary annual health check allows our people to understand their overall well-being through early detection of health concerns and take preventive measures for potential health risks. To further influence our people to stay active, a series of vigorous activities were introduced. In 2019, we had a good time with our staff at the bowling competition, zumba sessions and human poolball activity. By making physical activities fun, we have made good headway in promoting our people to lead a more active lifestyle.

SUSTAINABILITY REPORT



Clockwise from Top Left: Durian Feast, River Safari, Bowling Tournament, Terrarium Workshop, Annual Health Screening and Tote Bag Painting

SUSTAINABILITY REPORT

CARING FOR OUR CONSUMERS

PRODUCT QUALITY AND SAFETY

At the heart of our food and beverage business, the establishment of safety, healthy and quality products is our top priority. We appreciate the complexities in the food and beverage value chain and the risk of quality mishaps that could potentially occur during the sourcing, manufacturing, storage or delivery of our products.

Stringent Controls on Procurement and Manufacturing

We do not compromise on the quality of ingredients that we use for our products. Our ingredients are sourced from responsible suppliers who take the necessary precautions in supplying us good quality and safe-for-consumption ingredients. We ensure raw materials from our suppliers meets our specifications through rigorous testing and qualification, which includes and not limited to sensory tests, stability tests and trial runs. Our packaging materials sourced from suppliers also go through equally rigorous testing and validations. We ensure our customers receive our products in uncompromised condition by ensuring we validate and conduct qualifications such as manufacturing line trials and transportation trials, before being used for production runs. As part of our receiving procedures for materials and ingredients, we conduct batch samplings and testing to ensure that they meet our quality requirements, specifications as well as the local regulatory food safety standards.

Across all our factories, we enforce stringent quality control with regards to our manufacturing processes. Over the years, we have continuously improved our processes and held ourselves to the highest standards of food and beverage production.

In terms of certification, we are a member of the Singapore Food Manufacturers' Association and have voluntarily adopted the best practices as required by the Good Manufacturing Practices ("GMP") certification for the food manufacturing industry. The GMP certification scheme verifies and certifies that the basic manufacturing practices and prerequisites necessary for the implementation of an effective Hazard Analysis and Critical Control Points ("HACCP") food safety programme are being followed. This HACCP certification is renewed on an annual basis. In Malaysia, we also hold the Makanan Selamat Tanggungjawab Industri ("MeSTI") certification for compliance with a full spectrum of basic hygiene requirement which focuses on operation control, hygiene and maintenance, traceability and record-keeping.

Separately, we also provide the necessary training and enforce quality control to maintain the Halal certifications in our factories. There are different Halal certification agencies and authorities in different countries and it is important to meet their specific requirements and understand the acceptance of these certifications in different markets.

One milestone in our food safety journey was when the Agri-food and Veterinary Authority of Singapore ("AVA") awarded us the AVA Food Safety Excellence Platinum Award in 2015 for achieving 20 consecutive years of 'A' grades. This is the highest award that AVA confers to food companies for achieving consistently high standards of food safety. We have continued to receive Certificates of Commendation for our subsequent years and most recently in 2018 for our 24th consecutive years of 'A' grades achieved. We look forward to working closely to uphold our product quality and safety standard with Singapore Food Agency ("SFA"), which has absorbed food related duties from the AVA with effect from 1 April 2019.

When it comes to the quality and safety of our products, we spare no efforts in ensuring that they are safe for consumption. With our constant focus on product quality and safety, the Group has zero product recalls in 2019.



SUSTAINABILITY REPORT

Material Topic(s)		Target(s)
Product Quality and Safety		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Zero incidents of product trade recall due to safety issues for YHS's manufactured products

KEY STATISTICS ON PRODUCT RECALLS IN THE GROUP

Product in YHS	2019	2018	2017
Number of recalls	0	0	0



ZERO
products recall in
2017, 2018 and 2019

Producing High Quality and Healthy Products

While food safety and great taste are important pillars of our product quality, we also strive to deliver other attributes of quality with better health proposition in terms of functional benefits, natural ingredients and lower sugar or calories.

We work closely with regulators in Singapore and Malaysia to support the nationwide drives to encourage healthier diet and lifestyle choices. YHS has pro-actively partnered with the Health Promotion Board (“HPB”) to develop products with lower sugar content. Over 80% of our product sales volume are from products qualified as healthier choice alternatives and all of Yeo’s beverage products sold in Singapore are below the 12% sugar level. Likewise, in Malaysia, we have reformulated all Yeo’s beverages sold in Malaysia to below 5 grams of sugar per 100 millilitres in support of the government’s initiative to raise public awareness and education to fight obesity and encourage healthy living amongst Malaysians. The implementation of sugar tax from 1 July 2019 in Malaysia is a major step the government is taking towards addressing the obesity problem and the revenue from this tax is expected to go towards the provision of free and healthy breakfast for primary school children.

We are constantly reformulating to reduce the sugar content while maintaining the great taste in our products so that our consumers can continue to enjoy the drinking experience while pursuing healthier lifestyles.

Besides the current product range with lower sugar content, we have also prioritised health benefits in the innovation and development of new products. In 2019, we have launched a range of premium teas which are freshly brewed using high quality botanical ingredients containing antioxidants and are lower in calories with no or very low level of sugar. This new tea range – comprising Chrysanthemum Pu’er Tea, Lychee Pu’er Tea, Red Date Black Tea, Osmanthus Green Tea, Elderberry Black Tea and Rose Black Tea – will provide consumers with healthier drinks to quench their thirst while benefiting from the goodness of the botanical ingredients.

We will continue to innovate and delight our consumers with more delicious and healthier offerings to complement their changing lifestyles.



>80%
of our products
are accredited with
HCS in Singapore



100%
of our products in
Singapore and
Malaysia are
<12% sugar level

6
new products
under our
premium tea
segment



SUSTAINABILITY REPORT

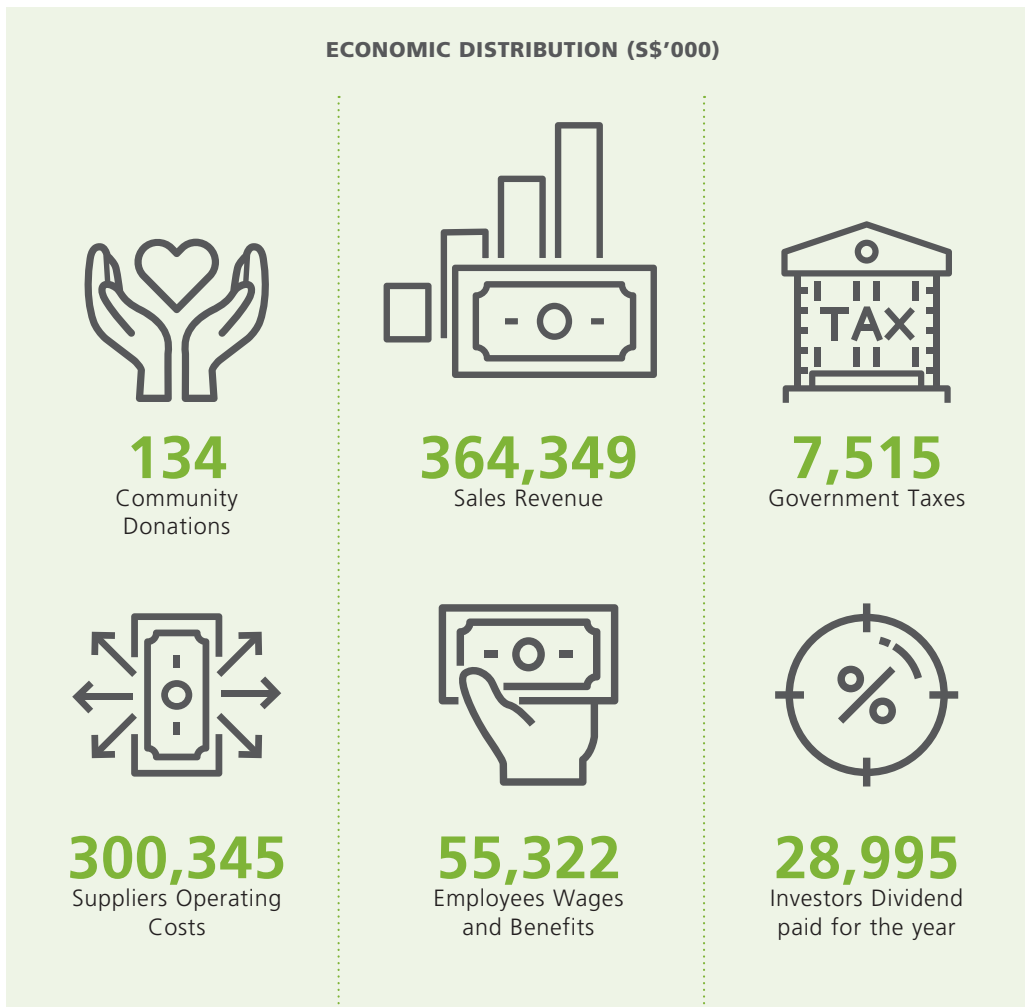
LEADING OUR MARKETPLACE

ECONOMIC PERFORMANCE

We believe in creating long term economic value for our investors and further distributing the economic value to other stakeholders including our employees through wages, government through taxes, investors through dividends, suppliers through purchases and communities through corporate social responsibility initiatives.

We strive to improve our economic performance and play a larger role in the development and well-being of our stakeholders.

Our economic value generated and distributed in 2019 (in S\$'000) is as shown.



SUSTAINABILITY REPORT

Corporate Social Responsibility

YHS is committed to being a responsible corporate citizen in the communities which we operate in by distributing part of the economic value we generated back to the communities. As part of our staff engagement initiatives, we actively involve our people through volunteerism in our corporate social responsibility (“CSR”) projects. We encourage our people to participate in at least one of the community engagement events organised by or supported by the Group each year as we believe that active employee volunteerism helps to build the softer attributes such as empathy, self-awareness and emotional intelligence within our people.



Spirit of Giving Campaign – YHS sponsored a shopping trip at NTUC Fairprice for 15 of the beneficiaries.

For the third year in a row in 2019, we have been partnering with Community Chest through donation and volunteerism during their events. At the Community Chest Getai-Xinyao Charity Concert 2019, we donated \$20,000 and celebrated the spirit of giving among 2,500 other attendees – including social service users, foreign workers, volunteers and residents from Tanjong Pagar – who were treated to two hours of Getai-Xinyao songs by beloved Getai-Xinyao artists. We also supported the Spirit of Giving campaign to involve our loyal customers in the virtuous cycle of charity. Under the campaign, Yeo’s pledged 50 cents for every \$5 worth of any Yeo’s beverage bought at NTUC FairPrice supermarkets and Cheers outlets. The campaign was very successful and raised a total of \$100,000 within three weeks. These proceeds will be distributed to three of the social service agencies supported by Community Chest, which are AWWA Ltd, AMKFSC Community Services and Montfort Care.

Through this campaign, we hope our loyal customers realise that their purchases had contributed to a larger purpose and that they are blessed when they have something to offer and give to others.

SUSTAINABILITY REPORT

Apart from collaborations with Community Chest, our people had also participated in activities to support causes close to their hearts. These activities include the OCBC Cycle which champions the use of bicycles as a green mode of travel as well as charity runs such as Stepping Out for Stroke and Santa Run which helps to raise funds for stroke prevention programmes and fulfil the wishes of children with critical illnesses respectively.



Clockwise from Top Left: Walk for Stroke, OCBC Cycle, Getai Xinyao & Santa Run

In Malaysia, we continue to support the 30-Hour Famine Camp organised by World Vision to create awareness on global hunger and poverty through experiential activity.

We have been a committed sponsor in this event for 11 years in a row and we supported the activity by sponsoring 132,000 250ml Yeo's Soya Bean Milk drinks to help hunger fighters stay nourished and brought cheer to a total of 17 selected individual camps.

SUSTAINABILITY REPORT



World Vision 30-Hour Famine Camp

Material Topic(s)		Target(s)
Economic Performance		
201-1	Direct economic value generated and distributed	Commit 1,000 hours per year to volunteerism, advocacy, education and community campaigns; or S\$200,000 contribution in the form of donations

KEY STATISTICS ON VOLUNTEER HOURS AND DONATIONS, CASH OR IN-KIND

Description	2019	2018	2017
Number of volunteer hours	>420	>1,300	>400
Amount of donations, cash or in-kind	>S\$134,000	>S\$200,000	>S\$200,000

Moving forward, we will continue to be active in doing our part to serve the communities we operate in either via volunteering or contributing in the form of donations. We also hope to nurture our people to become caring individuals who will contribute actively back to the society.

Further details of the Group's economic performance can be found in the Financial Statements section of the 2019 Annual Report.

CORPORATE GOVERNANCE

As a good and responsible corporate citizen, YHS operates its business with a strong emphasis on sustainability and under an established and compliant corporate governance practices. YHS has been disclosing our corporate governance principles and practices in our Report on Corporate Governance for more than ten years and continuously seeks to enhance the transparency and robustness of our governance practices and controls.

The Group has an established system of risk management and internal controls to safeguard the shareholders' interests and the Group's assets. The Board has the primary responsibility over the governance of risk, with oversight from the Audit & Risk Committee to ensure that the risk management system and internal controls are properly designed, implemented and closely monitored for adequacy and effectiveness.



SUSTAINABILITY REPORT

The Group has in place policies on Code of Conduct, Dealing in Securities, Interested Person Transactions and Whistle-Blowing to mitigate the risk of fraud, corruption and misconduct by employees. In line with our core value of Integrity, we also have a zero tolerance policy for corruption and fraud. This policy applies not only to corrupt business practices, but also extends to fraudulent financial reporting as well as sustainability reporting. In 2019, the Group has also rolled out the Third Party Due Diligence Framework to strengthen and enhance our third party on-boarding process.

Affirming our efforts in corporate governance, YHS moved up nine spots and was ranked 55th (previously ranked 64th) in the 2019 Singapore Governance & Transparency Index (“SGTI”). The SGTI is the leading index for assessing corporate governance practices of Singapore-listed companies.

For more information on the Group’s corporate governance framework and policies, please refer to the Corporate Governance Report included in the 2019 Annual Report.

OTHER INFORMATION

ABOUT THIS REPORT

This report has been prepared with reference to the Global Reporting Initiative Standards and covers ESG performance of all business divisions and subsidiaries which are under YHS Group’s financial and operational control.

Information presented in the report has been extracted from our internal records and documents to ensure accuracy using internationally accepted measurement data units. Unless otherwise stated, the information represents that of the Group.



SUSTAINABILITY REPORT

SUSTAINABILITY TARGETS

Material Topic(s)		Target(s)
Water Management		
303-1	Water withdrawal by source	Reduce by 20% from water recovery and recycling programs by 2020 in Singapore, and additional 10% when these programs are fully operationalised
303-3	Water recycled and reused	Recycle at least 50% of collected wastewater generated by 2020 in Singapore
Effluents and Waste		
306-2	Waste by type and disposal method	Develop a framework for measuring the types of waste generated from our operations to progressively cover all factories in the Group by 2020
Occupational Health and Safety		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	<ul style="list-style-type: none"> • Zero work-related injuries and illnesses • Organise regular health and wellness activities
Customer Health and Safety / Product Quality and Safety		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Zero incidents of product trade recall due to safety issues for YHS's manufactured products
Economic Performance		
201-1	Direct economic value generated and distributed	Commit 1,000 hours per year to volunteerism, advocacy, education and community campaigns; or S\$200,000 contribution in the form of donations

Non-material Topic(s)		Target(s)
Training and Education		
404-1	Average hours of training per year per employee	<ul style="list-style-type: none"> • Assess individual training needs of employees and develop training plan • Identify talent and support their development through specialised training programs • Provide funding for employees to undertake relevant external training courses
404-3	Percentage of employees receiving regular performance and career development reviews	<ul style="list-style-type: none"> • Integrate individual performance reviews with the organisation requirements



SUSTAINABILITY REPORT

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

Disclosure Number		Reference
General disclosures		
102-1	Name of the organization	Yeo Hiap Seng Limited
102-2	Activities, brands, products, and services	FS Note 1 – General information FS Note 36 – Segment information FS Note 39 – Listing of significant companies in the Group
102-3	Location of headquarters	3 Senoko Way, Singapore 758057
102-4	Location of operations	FS Note 1 – General information FS Note 36 – Segment information FS Note 39 – Listing of significant companies in the Group
102-5	Ownership and legal form	AR – Corporate Information, Statistics of Shareholdings FS Note 1 – General information FS Note 34 – Immediate and ultimate holding company
102-6	Markets served	AR – Financial Highlights FS Note 36 – Segment information
102-7	Scale of the organization	FS Note 33 – Financial risk management FS Note 36 – Segment information FS Note 39 – Listing of significant companies in the Group
102-8	Information on staff and other workers	SR – Caring for our people
102-9	Supply chain	SR – Caring for our consumers
102-10	Significant changes to the organization and its supply chain	No significant changes
102-11	Precautionary principle or approach	SR – Protecting our environment
102-12	External initiatives	SR – Protecting our environment, Caring for our people, Caring for our consumers, Leading our marketplace
102-13	Membership of associations	SR – Caring for our people, Caring for our consumers
102-14	Statement from senior decision-maker	AR – Chairman’s Statement
102-16	Values, principles, standards, and norms of behaviour	SR – Sustainability at the Forefront



SUSTAINABILITY REPORT

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX (CONTINUED)

Disclosure Number		Reference
General disclosures		
102-18	Governance structure	SR – Sustainability Management
102-40	List of stakeholder groups	SR – Stakeholder Engagement
102-41	Collective bargaining agreements	SR – Caring for our people
102-42	Identifying and selecting stakeholders	SR – Stakeholder Engagement
102-43	Approach to stakeholder engagement	SR – Stakeholder Engagement
102-44	Key topics and concerns raised	SR – Stakeholder Engagement
102-45	Entities included in the consolidated financial statements	FS Note 39 – Listing of significant companies in the Group
102-46	Defining report content and topic boundaries	SR – About This Report, Materiality Assessment
102-47	List of material topics	SR – Materiality Assessment
102-48	Restatements of information	None
102-49	Changes in reporting	None
102-50	Reporting period	Financial year ended 31 December 2019
102-51	Date of most recent report	31 December 2018
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	sustainability@yeos.com
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared with reference to the GRI Standards
102-55	GRI content index	As presented
102-56	External assurance	No assurance obtained

SUSTAINABILITY REPORT

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX (CONTINUED)

Specific Standard Disclosures		Reference
Water Management		
103-1/2/3	Management approach	SR – Protecting our environment
303-1	Water withdrawal by source	SR – Protecting our environment
303-3	Water recycled and reused	SR – Protecting our environment
Effluents and Waste		
103-1/2/3	Management approach	SR – Protecting our environment
306-2	Waste by type and disposal method	SR – Protecting our environment
Occupational Health and Safety		
103-1/2/3	Management approach	SR – Caring for our people
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	SR – Caring for our people
Training and Education		
404-1	Average hours of training per year per staff	SR – Caring for our people
404-3	Percentage of staff receiving regular performance and career development reviews	SR – Caring for our people
Customer Health and Safety		
103-1/2/3	Management approach	SR – Caring for our consumers
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	SR – Caring for our consumers
Economic Performance		
103-1/2/3	Management approach	SR – Leading our marketplace
201-1	Direct economic value generated and distributed	SR – Leading our marketplace

AR: Annual Report 2019

FS: Financial Statements 2019

SR: Sustainability Report 2019





FINANCIAL CONTENTS

Directors' Statement	72
Independent Auditors' Report	76
Consolidated Statement of Comprehensive Income	82
Balance Sheets	83
Consolidated Statement of Changes in Equity	84
Consolidated Statement of Cash Flows	86
Notes to the Financial Statements	88



DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 82 to 168 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; 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 as follows:

Ng Win Kong Daryl
S. Chandra Das
Chin Yoke Choong
Dato' Mohamed Nizam bin Abdul Razak
Luo Dan
Dr Lim Su Lin (Appointed on 1 May 2019)
Goi Lang Ling Laureen (Appointed on 1 October 2019)
Sitoh Yih Pin (Appointed on 1 October 2019)

Arrangements to enable directors to acquire shares and debentures

Except as disclosed under the "YHS Share Incentive Plan" section of this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or any related corporations, except as follows:

	Holdings registered in name of director or nominee	
	At 31.12.2019	At 1.1.2019
Yeo Hiap Seng Limited (Number of ordinary shares)		
Melvin Teo Tzai Win (Resigned on 31 December 2019)	1,314,203	1,314,203

- (b) The director's interests in the ordinary shares and convertible securities of the Company as at 21 January 2020 were the same as those as at 31 December 2019.



DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

.....

Share incentive plan

YHS Share Incentive Plan

The YHS Share Incentive Plan (the "Plan") was approved and adopted by the members of the Company at an Extraordinary General Meeting held on 26 April 2010. The Remuneration Committee has been designated as the committee ("Committee") responsible for the administration of the Plan. The Committee comprises Mr. Sitoh Yih Pin, Mr. S. Chandra Das, Ms. Luo Dan and Ms. Goi Lang Ling Laureen.

The Plan is an omnibus share incentive scheme which amalgamates a share option plan component and a performance share plan component. Participants will be selected at the sole discretion of the Committee from eligible categories of persons comprising (i) employees and directors of the Group, (ii) employees and directors of associated companies, and (iii) associates (being employees of companies within the Far East Organization) who spend more than half of their time performing services out-sourced by the Company to the associates' employer. Persons who are the Company's controlling shareholders or their associates (as those terms are defined in the Listing Manual of the Singapore Exchange Securities Trading Limited) will not be eligible to participate in the Plan. The aggregate number of new shares which may be issued pursuant to options and/or awards granted under the Plan on any date, when added to the number of new shares issued and issuable in respect of all options and awards granted under the Plan, shall not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company. Unless earlier terminated or extended with the approval of the members of the Company, the Plan will continue in force, at the discretion of the Committee, for a maximum period of 10 years commencing on the date of its adoption.

Under the share option plan component, an option granted pursuant to the Plan represents a right to acquire ordinary shares in the Company at the acquisition price per share applicable to the option. The acquisition price per share is fixed at the time of the grant of the option and may be set at the market price, or at a discount to the market price, or at the market price subject to adjustment with a discount if prescribed performance conditions are met, or at a premium to the market price. Any discount given must not exceed 20% of the market price of a share.

Under the performance share plan component, an award granted represents a contingent right to receive fully paid ordinary shares in the Company, their equivalent cash value or combinations thereof, free of charge, provided that prescribed performance targets (if any) are met and upon expiry of the prescribed vesting periods.

Subject to the Plan size and the individual and collective limits applicable to associates under the Plan, the number of shares that will be comprised in an option or award, and the terms thereof, including any vesting or other conditions, will be determined by the Committee at its sole discretion having regard to various factors such as (but not limited to) the participant's capability, responsibilities, skill sets, and the objective desired to be achieved through the grant.

The person to whom the awards have been granted has no right to participate by virtue of the award in share issue of any other company.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Share incentive plan (continued)

YHS Share Incentive Plan (continued)

There was no grant of awards made pursuant to the Plan in 2019. The following table sets out the movements in awards granted pursuant to the Plan and their weighted average fair values at grant date.

Number of ordinary shares under award	2019	2018
Beginning of financial year	–	525,525
Shares issued during the year	–	(518,525)
Forfeited during the year	–	(7,000)
End of financial year	–	–
Weighted average fair value per award based on market price per share at grant date	–	–
Weighted average remaining contractual life (days)	–	–

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Audit and Risk Committee

The members of the Audit and Risk Committee at the end of the financial year were as follows:

Chin Yoke Choong (Chairman)
S. Chandra Das
Dato' Mohamed Nizam bin Abdul Razak
Sitoh Yih Pin

All members of the Audit and Risk Committee were independent non-executive directors.

The Audit and Risk Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, including a review of the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019, and the Independent Auditors' Report thereon. The Audit and Risk Committee has full access to management, has discretion to invite any director or executive officer to attend its meetings, and is given the resources required for it to discharge its functions.



DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

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Audit and Risk Committee (continued)

The Audit and Risk Committee has also reviewed the following:

- (i) the adequacy of the Group's internal accounting control system and its internal control procedures relating to interested person transactions;
- (ii) the compliance with legal and other regulatory requirements;
- (iii) the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;
- (iv) the appointment of the independent auditors and the level of audit and non-audit fees;
- (v) the co-operation given by the Company's management and officers to the independent auditors;
- (vi) the review of independent auditors' audit plan, audit report and any recommendations on internal accounting controls arising from the statutory audit; and
- (vii) any other matter which in the Audit and Risk Committee's opinion, should be brought to the attention of the Board.

The Audit and Risk Committee has reviewed the non-audit services provided by the independent auditors, KPMG LLP; is satisfied with the independence and objectivity of the independent auditors and has recommended to the Board that KPMG LLP be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditors

The independent auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

On behalf of the directors

NG WIN KONG DARYL
Director

CHIN YOKE CHOONG
Director

27 February 2020



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YEO HIAP SENG LIMITED

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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Yeo Hiap Seng Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 82 to 168.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YEO HIAP SENG LIMITED

Valuation of Investment Properties

Refer to note 2.5 and note 20 to the financial statements

The key audit matter

The Group's investment properties are accounted for at fair value and amounted to \$52.3 million (2018: \$59.1 million), which represents 7.3% (2018: 8.3%) of the Group's total assets as at 31 December 2019. The net fair value gains on investment properties amounted to \$2.4 million (2018: \$5.5 million) for the year ended 31 December 2019.

The Group engaged external valuers to value its properties located in Malaysia and China. In determining the fair value, the external valuers make a number of key estimates and assumptions, in particular assumptions in relation to forecasted rental rates, real estate sales prices and capitalisation rates. Some of these estimates and assumptions are subject to market forces and will change over time.

The valuation models applied to determine the value of investment properties are sensitive to the assumptions made.

How the matter was addressed in our audit

We evaluated the qualifications and competence of the external valuers. We considered the valuation methodologies used against those applied by other valuers for similar property types.

We assessed the appropriateness of capitalisation rates, forecasted rental rates and comparable sales prices used in the valuations by comparing them against available industry data, taking into consideration the comparability and market factors.

We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates.

Our findings:

The valuers are members of professional bodies for valuers. The valuation methodologies used are in line with generally accepted market practices and the key assumptions used are within the range of market data. The disclosures in the financial statements are appropriate.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YEO HIAP SENG LIMITED

Valuation of Inventories

Refer to note 2.18 and note 13 to the financial statements

The key audit matter

Inventories represent 7.6% (2018: 8.7%) of the Group's total assets as at 31 December 2019.

Cost of inventories may not be recoverable if those inventories are damaged, expired or obsolete; or if their selling prices have declined significantly such that net realisable value is below their carrying amount.

The write-down of inventories to net realisable value is based on the age of these inventories, prevailing market conditions in the consumer food and beverage industry and historical provisioning experience which require management judgement.

How the matter was addressed in our audit

We assessed management's basis of write-down and performed the following audit procedures, amongst others:

- Tested the amount of obsolete or expired inventory recorded to actual write-off incurred in the past;
- Assessed whether the inventory write-down made at reporting date was consistent with the Group's provisioning policy;
- Tested the inventory ageing reports which age the products by expiration date;
- Tested the process which determines the date of expiration for the finished goods produced;
- Checked the adequacy of the write-down made according to the finished goods' expiry dates;
- Tested the net realisable value of finished goods by comparing the costs to selling prices after the year-end or to the latest selling prices available; and
- Observed physical inventory counts to determine whether inventories with quality or obsolescence issues or that are damaged have been appropriately identified and written off.

Our findings:

We found the write-down to be reasonable for all inventories with net realisable values below their carrying amounts.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YEO HIAP SENG LIMITED

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Other information

Management is responsible for the other information. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon. We have obtained all other information prior to the date of this auditors' report except for the Statistics of Shareholdings, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Statistics of Shareholdings, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors 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 Act and SFRS(I)s, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YEO HIAP SENG LIMITED

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As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YEO HIAP SENG LIMITED

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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.

The engagement partner on the audit resulting in this independent auditors' report is Yeo Lik Khim.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

27 February 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Revenue	4	364,349	348,632
Cost of sales		(245,215)	(231,699)
Gross profit		119,134	116,933
Other income	5	9,128	6,158
Other gains	6	20,611	10,545
Expenses			
– Marketing and distribution		(90,656)	(87,581)
– Administrative		(33,581)	(32,926)
– Finance		(723)	–
Share of profit of associated companies and a joint venture		184	292
Profit before income tax		24,097	13,421
Income tax expense	9	(6,407)	(1,399)
Net profit attributable to equity holders of the Company		17,690	12,022
Other comprehensive (losses)/income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Cash flow hedges			
– Fair value losses		(100)	(154)
– Reclassification		52	494
Currency translation differences arising from consolidation		(1,957)	(553)
		(2,005)	(213)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of defined benefit plans		88	637
Other comprehensive (losses)/income, net of tax	9	(1,917)	424
Total comprehensive income attributable to equity holders of the Company		15,773	12,446
Earnings per share attributable to equity holders of the Company (expressed in cents per share)			
– Basic	10	3.05	2.07
– Diluted	10	3.05	2.07

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

As at 31 December 2019

	Note	The Group		The Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	295,751	282,729	14,877	18,916
Trade and other receivables	12	72,795	70,186	64,473	65,333
Inventories	13	54,716	61,550	–	–
Current income tax recoverable	9	1,516	1,881	–	–
Non-current assets classified as held-for-sale	14	–	838	–	–
		424,778	417,184	79,350	84,249
Non-current assets					
Trade and other receivables	12	3,744	–	–	–
Other financial assets	15	53	10,457	–	10,326
Loans to subsidiaries	16	–	–	41,052	41,052
Investments in associated companies	17	4,656	4,884	–	–
Investment in a joint venture	18	646	658	–	–
Investments in subsidiaries	19	–	–	317,758	317,758
Investment properties	20	52,312	59,131	79,883	65,000
Property, plant and equipment	21	223,543	212,268	2,587	3,102
Intangible assets	23	5,246	–	–	–
Deferred income tax assets	24	2,592	3,856	–	–
		292,792	291,254	441,280	437,238
Total assets		717,570	708,438	520,630	521,487
LIABILITIES					
Current liabilities					
Trade and other payables	25	61,986	59,967	55,723	45,638
Current income tax liabilities	9	6,287	1,250	133	133
Lease liabilities	26	2,576	–	268	–
		70,849	61,217	56,124	45,771
Non-current liabilities					
Lease liabilities	26	19,161	–	14,615	–
Provisions for other liabilities and charges	27	1,741	1,836	–	–
Deferred income tax liabilities	24	10,122	12,253	617	572
		31,024	14,089	15,232	572
Total liabilities		101,873	75,306	71,356	46,343
NET ASSETS		615,697	633,132	449,274	475,144
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	28	228,245	228,245	228,245	228,245
Capital reserve	29	6,066	6,066	–	–
Other reserves	30	(46,293)	(40,838)	–	–
Retained profits		427,679	439,659	221,029	246,899
Total equity		615,697	633,132	449,274	475,144

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

		← Attributable to equity holders of the Company →							
		Foreign			Share-based				
		Property	Foreign	General	Hedging	Retained	Total		
		revaluation	currency	reserve	reserve	profits	equity		
		reserve	translation	translation	translation	translation	translation		
		\$'000	reserve	reserve	reserve	reserve	reserve	\$'000	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Note	Share capital \$'000	Capital reserve \$'000	Property revaluation reserve \$'000	Foreign currency translation reserve \$'000	General reserve \$'000	Hedging reserve \$'000	Retained profits \$'000	Total equity \$'000	
2019									
	Balance at 31 December 2018	228,245	6,066	6,669	(9,172)	(38,335)	-	439,659	
	Adoption of SFRS(I) 16	-	-	-	-	-	-	(4,213)	
	Balance at 1 January 2019	228,245	6,066	6,669	(9,172)	(38,335)	-	435,446	
	Profit for the year	-	-	-	-	-	-	17,690	
	Other comprehensive losses for the year	-	-	-	(1,957)	-	(48)	88	
	Transfer to retained profits on realisation	-	-	(3,401)	-	(49)	-	3,450	
	Total comprehensive income for the year	-	-	(3,401)	(1,957)	(49)	(48)	15,773	
	Dividends paid	-	-	-	-	-	-	(28,995)	
	Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	(28,995)	
	Balance at 31 December 2019	228,245	6,066	3,268	(11,129)	(38,384)	(48)	427,679	
		633,132	(4,213)	628,919	615,697	-	-	-	

An analysis of the movements in property revaluation reserve, foreign currency translation reserve, general reserve, share-based payment reserve and hedging reserve is presented in Note 30.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Attributable to equity holders of the Company								
	Share capital	Capital reserve	Property revaluation reserve	Foreign currency translation reserve	General reserve	Share-based payment reserve	Hedging reserve	Retained profits	Total equity
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2018	227,563	6,066	6,697	(8,619)	(38,315)	558	(340)	438,540	632,150
Balance at 1 January 2018									
Profit for the year	-	-	-	-	-	-	-	12,022	12,022
Other comprehensive income for the year	-	-	-	(553)	-	-	340	637	424
Transfer to retained profits on realisation	-	-	(28)	-	(20)	-	-	48	-
Total comprehensive income for the year	-	-	(28)	(553)	(20)	-	340	12,707	12,446
Employee share-based compensation scheme									
- Value of employee services	8	-	-	-	-	124	-	-	124
- Issue of new shares	28	-	-	-	-	(682)	-	-	-
Dividends paid	31	-	-	-	-	-	-	(11,588)	(11,588)
Total transactions with owners, recognised directly in equity	682	-	-	-	-	(558)	-	(11,588)	(11,464)
Balance at 31 December 2018	228,245	6,066	6,669	(9,172)	(38,335)	-	-	439,659	633,132

An analysis of the movements in property revaluation reserve, foreign currency translation reserve, general reserve, share-based payment reserve and hedging reserve is presented in Note 30.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	2019 \$'000	2018 \$'000
Cash flows from operating activities		
Net profit	17,690	12,022
Adjustments for:		
– Income tax expense	6,407	1,399
– Interest expense	723	–
– Amortisation of intangible assets	217	–
– Amortisation of capitalised letting fees	23	–
– Depreciation of property, plant and equipment	15,446	13,475
– Dividend income from financial assets designated as fair value through profit or loss at initial recognition	–	(206)
– Share-based payment expense	–	124
– Unrealised currency translation differences	(117)	(792)
– Fair value gains on investment properties – net	(2,406)	(5,501)
– Gain on disposal of property, plant and equipment – net	(13,678)	(2,773)
– Gain on disposal of investment properties	(293)	–
– Gains on disposal and fair value gains on financial assets designated as fair value through profit or loss at initial recognition	(3,627)	(963)
– Gain on disposal of an associated company	–	(2)
– Interest income	(5,339)	(3,645)
– Provision for retirement benefits	196	296
– Share of profit of associated companies and a joint venture	(184)	(292)
	15,058	13,142
Change in working capital:		
– Trade and other receivables	(4,286)	4,649
– Inventories	6,508	(7,783)
– Trade and other payables	2,306	(6,083)
Cash generated from operations	19,586	3,925
Income tax paid	(879)	(1,068)
Retirement benefits paid	(203)	(179)
Net cash provided by operating activities	18,504	2,678

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from investing activities			
Dividends received		–	206
Dividends received from an associated company		–	886
Payments for intangible assets		(3,744)	–
Proceeds from disposal of property, plant and equipment		15,173	4,099
Proceeds from disposal of investment properties		9,799	578
Proceeds from disposal of an associated company		–	2
Proceeds from disposal of financial assets designated as fair value through profit or loss at initial recognition		44,031	–
Payments for purchases of and deposits for property, plant and equipment		(12,679)	(12,856)
Additions to financial assets, at fair value through profit or loss		(30,000)	–
Additions to investment properties		(535)	–
Interest received		5,339	3,645
Net cash provided by/(used in) investing activities		27,384	(3,440)
Cash flows from financing activities			
Dividends paid		(28,995)	(11,588)
Interest paid		(723)	–
Principal payment of lease liabilities		(2,746)	–
Net cash used in financing activities		(32,464)	(11,588)
Net increase/(decrease) in cash and cash equivalents		13,424	(12,350)
Cash and cash equivalents at beginning of financial year		282,729	294,843
Effects of currency translation on cash and cash equivalents		(402)	236
Cash and cash equivalents at end of financial year	11	295,751	282,729

The accompanying notes form an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Yeo Hiap Seng Limited (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 3 Senoko Way, Singapore 758057.

The principal activities of the Company are those of a management and investment holding company. The principal activities of the subsidiaries are shown in Note 39.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) (“INT SFRS(I)”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group’s accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*:

Adoption of SFRS(I) 16 *Leases*

(a) *When the Group is the lessee*

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group’s accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.17.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of SFRS(I) 16 Leases (continued)

(a) *When the Group is the lessee* (continued)

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

- i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and
- ii) On a lease-by-lease basis, the Group has:
 - a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
 - c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
 - d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
 - e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

- i) On a lease-by-lease basis, the Group chose to measure its ROU assets (except for ROU assets which meet the definition of investment property) at a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019. For ROU assets which meet the definition of an investment property, the Group had measured the ROU assets at their fair values at 1 January 2019.
- ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristics.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of SFRS(I) 16 Leases (continued)

(a) *When the Group is the lessee* (continued)

- iii) The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

(b) *When the Group is a lessor*

There are no material changes to accounting by the Group as a lessor except when the Group is an intermediate lessor (Note 2.1(c)).

(c) *When the Group is the intermediate lessor*

The Group leases underlying assets under head lease arrangements and subleases the same assets to third parties as an intermediate lessor. Prior to the adoption of SFRS(I) 16, the subleases are classified as operating leases when the head leases are operating leases. The intermediate lessor recorded rental income in respect of the subleases on a straight-line basis over the terms of the subleases and recorded rental expenses in respect of the head leases on a straight-line basis over the terms of the head leases.

Under SFRS(I) 16, accounting by the Group as an intermediate lessor depends on the classification of the subleases with reference to the ROU assets arising from the head leases rather than the underlying assets. On 1 January 2019, the Group has reassessed the classification of the subleases based on the remaining contractual terms and condition of the head leases. There were no material changes arising from this assessment.

The accounting policy for subleases are disclosed in Note 2.17.

The effects of adoption of SFRS(I) 16 on the Group's and the Company's financial statements as at 1 January 2019 are as follows:

	The Group Increase/ (Decrease) \$'000	The Company Increase/ (Decrease) \$'000
Investment properties	–	15,149
Property, plant and equipment	17,417	–
Lease liabilities	22,513	15,149
Deferred income tax assets	883	–
Retained profits	(4,213)	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of SFRS(I) 16 Leases (continued)

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	\$'000
Operating lease commitments disclosed as at 31 December 2018	8,993
Less: Short-term leases	(468)
Less: Low-value leases	(18)
Less: Discounting effect using weighted average incremental borrowing rate of 3.22%	(864)
Add: Extension options which are reasonably certain to be exercised	14,774
Add: Adjustments relating to changes in the index or rate affecting variable payments	96
Lease liabilities recognised as at 1 January 2019	<u>22,513</u>

2.2 Revenue recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax, volume rebates and trade discounts, and after eliminating sales within the Group. No significant element of financing is deemed present as the sales activities are made within the range of market practices.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Sale of goods – consumer food, beverage and other products*

Revenue from sale of goods is recognised when the Group has delivered the products to the customers and the customers have accepted the products in accordance with the terms of the sales contracts or arrangements.

(b) *Rendering of services – warehousing and logistics services*

Revenue from warehousing and logistics services is recognised when the services are rendered.

(c) *Dividend income*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (continued)

(d) *Royalty fees*

Royalty fees are recognised on an accrual basis in accordance with the terms of the relevant agreements.

(e) *Interest income*

Interest income is recognised using the effective interest method.

(f) *Rental income*

Rental income from operating leases is recognised on a straight-line basis over the lease term.

2.3 Group accounting

(a) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

As at 31 December 2019 and 31 December 2018, there are no non-controlling interests in the subsidiaries of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over (b) the fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to Note 2.6 for the accounting policy on goodwill.

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.7 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

.....

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (continued)

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in "general reserve" within equity attributable to the equity holders of the Company.

(c) *Associated companies and joint ventures*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) *Acquisitions*

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

(ii) *Equity method of accounting*

In applying the equity method of accounting, the Group's share of its associated companies' or joint ventures' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or a joint venture equals to or exceeds its interests in the associated company or joint venture, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations to make or has made payments on behalf of the associated company or joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (continued)

(c) *Associated companies and joint ventures* (continued)

(ii) *Equity method of accounting* (continued)

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associated companies or joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) *Disposals*

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. Any retained equity interest in the entity, which is a financial asset, is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal is recognised in profit or loss.

Please refer to Note 2.7 for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) *Measurement*

(i) *Land and buildings*

Land and buildings are initially recognised at cost. Freehold land are subsequently carried at cost less accumulated impairment losses and includes plots of land with Land Usage Titles in Indonesia ("Land Usage Titles"). These Land Usage Titles entitle the Group to use the land for the purpose of the operation of food and beverages manufacturing and other facilities for a period of 30 years. Management anticipates that the Land Usage Titles will be perpetually renewable at a nominal cost and therefore the land is not depreciated. Buildings and leasehold land are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Other property, plant and equipment*

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (continued)

(a) **Measurement** (continued)

(iii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Please refer to Note 2.8 for the accounting policy on borrowing costs.

(b) **Depreciation**

No depreciation is provided on construction-in-progress and freehold land.

Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Leasehold land (over term of lease)	50 – 99 years
Buildings on freehold and leasehold land	20 – 50 years
Plant and machinery, furniture and fittings	5 – 20 years
Computer equipment and software costs	3 – 7 years
Motor vehicles and trucks	5 – 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) **Subsequent expenditure**

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) **Disposal**

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (continued)

(e) *Transfer of property, plant and equipment to investment properties*

When the use of a property changes from owner-occupation to investment property holding, the property is remeasured to fair value before transfer. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in the property revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

2.5 Investment properties

Investment properties are land and buildings held for long-term rental yields and/or for capital appreciation. Investment properties include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss.

The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

When the use of an investment property changes such that it becomes owner-occupied and is transferred to property, plant and equipment, its fair value at the date of change in use becomes its deemed cost for subsequent accounting.

2.6 Intangible assets

(a) *Goodwill*

Goodwill on acquisition of subsidiaries and business represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisition of associated companies and joint ventures represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, associated companies and joint ventures include the carrying amount of goodwill relating to the entity sold.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets (continued)

(b) *Acquired trademark licence and bottling right*

Trademark licence and bottling right acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 20 years, which is the shorter of the estimated useful life and period of contractual right.

(c) *Acquired computer software licences*

Acquired computer software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost is amortised to profit or loss using the straight-line method over its estimated useful life of 20 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.7 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.8 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction. Borrowings costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

(b) *Property, plant and equipment*

Intangible assets

Investments in subsidiaries, associated companies and joint ventures

Property, plant and equipment, intangible assets and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss. An impairment loss for an asset other than goodwill 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation and amortisation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

(a) *Classification and measurement*

The Group classifies its financial assets in the following measurement categories:

- (i) Amortised cost; and
- (ii) Fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) *Debt instruments*

Debt instruments mainly comprise of "cash and cash equivalents" and "trade and other receivables" excluding prepayments and deposits for property, plant and equipment.

There are two subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- **Amortised cost:** Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- **FVPL:** Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or fair value through other comprehensive income are classified as FVPL. Movements in fair values and interest income are recognised in profit or loss in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(a) *Classification and measurement* (continued)

At subsequent measurement (continued)

(ii) *Equity investments*

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains". Dividends from equity investments are recognised in profit or loss as "dividend income".

(b) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 33 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument or an equity investment classified as FVPL, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

2.11 Non-current assets classified as held-for-sale

Non-current assets are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.15 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging relationship meets the hedge effectiveness requirements under SFRS(I) 9.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Derivative financial instruments and hedging activities (continued)

Cash flow hedge

The Group has entered into currency forwards or designated non-derivative financial assets or liabilities that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The fair value changes on the effective portion of the currency forwards or non-derivative financial assets or liabilities designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and transferred to profit or loss when the hedged forecast transactions are recognised; or be included in the initial cost of the hedged non-financial asset when the hedged item subsequently results in the recognition of a non-financial asset (such as inventories and property, plant and equipment).

The fair value changes on the ineffective portion of currency forwards or non-derivative financial assets or liabilities are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in other comprehensive income are reclassified to profit or loss immediately.

2.16 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices and the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments.

The fair values of currency forwards are determined using actively quoted forward exchange rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases

The accounting policy for leases before 1 January 2019 are as follows:

(a) When the Group is the lessee:

The Group leases land, warehouses, plant and machinery, vehicles, office space and office equipment under operating leases mainly from non-related parties.

Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Lessee – Operating leases

Leases of property, plant and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

(b) When the Group is the lessor:

The Group leases investment properties under operating leases to non-related parties.

Lessor – Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (continued)

The accounting policy for leases from 1 January 2019 are as follows:

(a) *When the Group is the lessee:*

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

(i) Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meets the definition of an investment property) are presented within "property, plant and equipment".

Right-of-use asset which meets the definition of an investment property is presented within "investment properties" and accounted for in accordance with Note 2.5.

(ii) Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

.....

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (continued)

The accounting policy for leases from 1 January 2019 are as follows: (continued)

(a) When the Group is the lessee: (continued)

(ii) Lease liabilities (continued)

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There are changes in the Group's assessment of whether it will exercise an extension option; or
- There are modifications in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Short-term and low-value leases

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases for which the underlying assets are of low value (less than \$7,000). Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

(iv) Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

.....

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (continued)

The accounting policy for leases from 1 January 2019 are as follows: (continued)

(b) When the Group is the lessor:

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16 except when the Group is an intermediate lessor.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognises lease income from sublease in profit or loss within "other income". The right-of-use asset relating to the head lease is not derecognised.

For contracts which contain lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

2.18 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Cost also includes any gains or losses on qualifying cash flow hedges of foreign currency purchases of inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.19 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Income taxes (continued)

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.21 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee compensation (continued)

(b) *Defined benefit plans*

Post-employment benefits relate to retirement benefits given to employees and are non-contributory unfunded retirement benefits schemes for employees who are eligible under labour laws or collective bargaining agreements.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields at the end of the reporting period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

(c) *Share-based compensation*

The Company operates an equity-settled, share-based compensation plan for the Group's employees with a share option plan component and a performance share plan component. The value of the employee services received in exchange for the grant of options on shares or shares is recognised as an expense with a corresponding increase in the share-based payment reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options on shares or share awards on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under the plan which are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under the plan which are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share-based payment reserve over the remaining vesting period.

When the options are exercised or when the shares are issued, the proceeds received (net of transaction costs) and the related balance previously recognised in the share-based payment reserve are credited to share capital account when new ordinary shares are issued to the employees.

(d) *Termination benefits*

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

.....

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Employee compensation (continued)

(e) *Bonus plans*

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when there is a contractual obligation to pay or when there is a past practice that has created a constructive obligation to pay.

(f) *Annual leave entitlement*

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

2.22 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the Company's functional currency.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from net investment in foreign operations are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

When a foreign operation is disposed of, the accumulated foreign currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within "finance expense". All other foreign exchange gains and losses impacting profit or loss are presented in profit or loss within "other gains".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Currency translation (continued)

(c) *Translation of Group entities' financial statements*

The results and balance sheet of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the Chief Executive Officer to make strategic decisions, allocate resources and assess performance.

2.24 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.25 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.26 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of investment properties

Investment properties are stated at fair value based on valuations performed by independent professional valuers. The fair values are based on highest-and-best-use basis and certain judgements are required over the valuation techniques and inputs used. The valuation techniques, key inputs, other assumptions and the carrying amounts at the reporting dates are disclosed in Note 20.

Valuation of inventories

The Group carries out periodic reviews on inventory obsolescence and any decline in the net realisable value below cost will be recorded against inventory balance. Management considers future demand, expected selling prices and ageing analysis of the inventories as part of its inventory obsolescence assessment process to arrive at their best estimate of the net realisable value of inventories. Such evaluation process requires significant judgement and may affect the carrying amount of inventories at the balance sheet date.

4. REVENUE

The Group derives revenue from the transfer of goods and services at a point in time and over time in the following major product lines and geographical regions. Revenue is attributed to countries by location of customers.

(a) Disaggregation of revenue from contracts with customers

	At a point in time \$'000	Over time \$'000	Total \$'000
The Group			
2019			
Consumer food and beverage products			
– Singapore	84,537	–	84,537
– Malaysia	147,633	–	147,633
– Other Asia Pacific countries	92,594	–	92,594
– Europe	10,737	–	10,737
– United States of America	11,204	–	11,204
	346,705	–	346,705
Other products			
– Singapore	11,752	–	11,752
– Malaysia	873	–	873
	12,625	–	12,625
Warehousing services			
– Singapore	–	4,993	4,993
Royalty fees			
– Other Asia Pacific countries	–	26	26
Total	359,330	5,019	364,349

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. REVENUE (CONTINUED)

(a) Disaggregation of revenue from contracts with customers (continued)

	At a point in time \$'000	Over time \$'000	Total \$'000
The Group			
2018			
Consumer food and beverage products			
– Singapore	78,675	–	78,675
– Malaysia	153,054	–	153,054
– Other Asia Pacific countries	82,694	–	82,694
– Europe	7,133	–	7,133
– United States of America	13,088	–	13,088
	334,644	–	334,644
Other products			
– Singapore	7,461	–	7,461
– Malaysia	1,436	–	1,436
	8,897	–	8,897
Warehousing and logistics services			
– Singapore	–	4,868	4,868
Dividend income from financial assets			
– Singapore	5	–	5
– Other Asia Pacific countries	201	–	201
	206	–	206
Royalty fees			
– Other Asia Pacific countries	–	17	17
Total	343,747	4,885	348,632

(b) Contract liabilities

	The Group	
	31 December 2019 \$'000	1 January 2018 \$000
Contract liabilities		
– Consumer food and beverage and other products	1,855	810
	588	

Contract liabilities for consumer food and beverage and other products mainly relate to refund liabilities and prepayments received from customers ahead of the delivery of products and are included under trade and other payables (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. REVENUE (CONTINUED)

(b) Contract liabilities (continued)

Revenue recognised in relation to contract liabilities

	The Group	
	2019	2018
	\$'000	\$'000
Revenue recognised in current period that was included in the contract liabilities balance at the beginning of the period – Consumer food and beverage and other products	640	149

5. OTHER INCOME

	The Group	
	2019	2018
	\$'000	\$'000
Interest income from bank deposits	5,339	3,645
Rental income	3,789	2,513
	9,128	6,158

6. OTHER GAINS

	Note	The Group	
		2019	2018
		\$'000	\$'000
Gains on disposal and fair value gains on financial assets designated as fair value through profit or loss at initial recognition		3,627	963
Fair value gains on investment properties – net	20	2,406	5,501
Gain on disposal of property, plant and equipment – net		13,678	2,773
Gain on disposal of an associated company	17	–	2
Currency translation gain – net		201	450
Gain on disposal of investment properties		293	–
Other miscellaneous income		406	856
		20,611	10,545

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. EXPENSES BY NATURE

	Note	The Group	
		2019 \$'000	2018 \$'000
Fees on audit services paid/payable to			
– Auditors of the Company		309	363
– Other auditors*		361	368
Fees on non-audit services paid/payable to			
– Auditors of the Company		2	2
– Other auditors*		54	13
Amortisation of intangible assets	23	217	–
Amortisation of capitalised letting fees	20	23	–
Depreciation of property, plant and equipment	21	15,446	13,475
Write-down of inventories – net	13	4,044	2,898
Impairment of trade receivables	33(b)	256	213
Employee compensation	8	55,322	55,008
Cost of raw materials and trading goods recognised as expenses (included in cost of sales)		192,698	181,799
Advertising and promotion expenses		28,733	23,984
Transportation expense		16,198	16,370
Rental expense on operating leases		2,135	5,638
Finance expense – interest expense on lease liabilities		723	–
Utilities expense		12,965	13,520
Repairs and maintenance expenses		7,569	8,021

*: Includes the network of member firms of KPMG International.

8. EMPLOYEE COMPENSATION

	Note	The Group	
		2019 \$'000	2018 \$'000
Wages and salaries		45,890	44,943
Employer's contribution to defined contribution plans including Central Provident Fund		4,403	4,594
Share-based payment expense	30(b)(iv)	–	124
Retirement benefits costs	27	196	296
Other short-term employee benefits		4,833	5,051
		55,322	55,008

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

9. INCOME TAXES

(a) Income tax expense

	The Group	
	2019 \$'000	2018 \$'000
Tax expense attributable to profit is made up of:		
Current income tax		
– Singapore	(156)	72
– Foreign	6,204	1,372
	6,048	1,444
Deferred income tax (credit)/expense	(403)	488
	5,645	1,932
Under/(Over) provision in prior financial years		
– Current income tax	289	105
– Deferred income tax	473	(638)
	6,407	1,399

The tax expense on the Group's profit before tax differs from the theoretical amount derived from using the Singapore standard rate of income tax as follows:

	The Group	
	2019 \$'000	2018 \$'000
Profit before income tax	24,097	13,421
Share of profit of associated companies and a joint venture, net of tax	(184)	(292)
Profit before income tax and share of profit of associated companies and a joint venture	23,913	13,129
Tax calculated at tax rate of 17% (2018: 17%)	4,065	2,232
Effects of:		
– Change in foreign tax rate	–	1,119
– Different tax rates in other countries	2,152	1,533
– Income not subject to tax	(2,584)	(2,494)
– Expenses not deductible for tax purposes	1,812	1,586
– Tax incentives	(83)	(163)
– Utilisation/Recognition of previously unrecognised tax benefits	(341)	(2,222)
– Deferred income tax assets not recognised	624	341
– Under/(Over) provision in prior financial years – net	762	(533)
Tax charge	6,407	1,399

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

9. INCOME TAXES (CONTINUED)

(b) Movements in current income tax liabilities net of current income tax recoverable

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Beginning of financial year	(631)	(931)	133	137
Currency translation differences	(56)	(181)	–	–
Income tax paid	(879)	(1,068)	(19)	–
Tax expense/(credit)	6,048	1,444	36	(39)
Under/(Over) provision in prior financial years	289	105	(17)	35
End of financial year	4,771	(631)	133	133
<i>Representing:</i>				
Current income tax recoverable	(1,516)	(1,881)	–	–
Current income tax liabilities	6,287	1,250	133	133
	4,771	(631)	133	133

(c) Income tax credit/(expense) on other comprehensive (losses)/income

The tax credit/(charge) relating to each component of other comprehensive (losses)/income is as follows:

	2019			2018		
	Before tax \$'000	Tax credit \$'000	After tax \$'000	Before tax \$'000	Tax charge \$'000	After Tax \$'000
The Group						
Cash flow hedges						
– Fair value losses	(130)	30	(100)	(194)	40	(154)
– Reclassification	67	(15)	52	620	(126)	494
Currency translation differences arising from consolidation	(1,957)	–	(1,957)	(553)	–	(553)
Remeasurements of defined benefit plans	88	–	88	820	(183)	637
Other comprehensive (losses)/income	(1,932)	15	(1,917)	693	(269)	424

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. EARNINGS PER SHARE

(a) Basic earnings per share

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

	The Group	
	2019	2018
Net profit attributable to equity holders of the Company (\$'000)	17,690	12,022
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	579,911	579,685
Basic earnings per share (cents per share)	3.05	2.07

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares under a share award plan described in Note 28.

The assumed issue price of the shares under the share grant is the fair value of the shares at grant date for non-cash consideration in the form of services rendered by the grantees (mainly employees) to the Group over the vesting periods of one, two and three years in three equal tranches. It is assumed that the Group receives this consideration progressively from the grant date to the vesting date, over which it builds up a share-based payment reserve while recognising the additional employee compensation expense through an amortisation process. At the balance sheet date, the unamortised amount which represents the services yet to be received is assumed to be the remaining proceeds to be received for the number of shares granted. As the number of shares to be issued under the share grant is greater than the number of shares which would have been issued at fair value (the average market price for the financial year) for the remaining proceeds, the difference is the number of shares issued for no consideration which dilutes the earnings per share. The number of shares issued for no consideration is added to the weighted average number of shares outstanding during the financial year to arrive at a larger number of shares to calculate the diluted earnings per share, with the same net profit.

There is no outstanding ordinary shares under award at the beginning and end of financial year 2019.

	The Group	
	2019	2018
Net profit attributable to equity holders of the Company (\$'000)	17,690	12,022
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	579,911	579,685
Adjustment for share awards ('000)	–	229
	579,911	579,914
Diluted earnings per share (cents per share)	3.05	2.07

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	69,542	39,465	2,329	4,044
Fixed deposits with financial institutions	226,209	243,264	12,548	14,872
	295,751	282,729	14,877	18,916

12. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Trade receivables				
– Non-related parties	62,926	57,503	–	–
– Related parties	57	48	–	–
	62,983	57,551	–	–
Less: Loss allowance for trade receivables				
– Non-related parties	(415)	(258)	–	–
Trade receivables – net	62,568	57,293	–	–
Other receivables				
– Non-related parties	5,443	7,528	331	526
– Subsidiaries	–	–	65,366	65,986
– An associated company	678	342	–	–
– A related party	–	38	–	38
	6,121	7,908	65,697	66,550
Less: Loss allowance for other receivables				
– Subsidiaries	–	–	(1,289)	(1,289)
Other receivables – net	6,121	7,908	64,408	65,261
Staff loans	46	96	–	–
Deposits	5,188	1,408	37	47
Prepayments	2,616	3,481	28	25
	76,539	70,186	64,473	65,333
Non-current	3,744	–	–	–
Current	72,795	70,186	64,473	65,333
	76,539	70,186	64,473	65,333

Other receivables from non-related parties, subsidiaries, an associated company and a related party are unsecured, interest-free and repayable on demand.

Related parties refer to the related companies of the ultimate holding company (Note 34) and companies controlled by the shareholders of the Company's ultimate holding company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. INVENTORIES

	The Group	
	2019 \$'000	2018 \$'000
Raw materials	15,672	13,994
Work-in-progress	102	1,417
Finished/Trading goods	38,942	46,139
	54,716	61,550

The cost of inventories recognised as an expense and included in "cost of sales" amounted to \$240,872,000 (2018: \$227,249,000).

During the financial year, the Group wrote down inventories of \$4,044,000 (2018: \$2,898,000).

14. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE

In 2018, the Group entered into agreements to sell one investment property and one property classified under property, plant and equipment in Malaysia. Accordingly, these properties were classified as non-current assets classified as held-for-sale as at 31 December 2018.

In accordance with SFRS(I) 5, these properties classified as held-for-sale were carried at their carrying amounts prior to reclassifications, which were the lower of carrying amount and fair value less costs to sell. As at 31 December 2018, the carrying amount of the investment property was measured at fair value based on Level 3 valuation technique, namely adjusted sales comparison method.

The sales of these properties were completed in 2019.

15. OTHER FINANCIAL ASSETS

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current				
Financial assets designated at fair value through profit or loss at initial recognition	53	10,457	–	10,326

Other financial assets are analysed as follows:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Listed equity securities – Singapore	53	131	–	–
Listed equity securities – Hong Kong	–	10,176	–	10,176
Unlisted investment	–	150	–	150
	53	10,457	–	10,326

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. LOANS TO SUBSIDIARIES

Loans to subsidiaries are treated as a long-term source of additional capital and financing within the Group. Accordingly, they are managed centrally and represent additions to the Company's net investments in the subsidiaries, except for those that are interest-bearing. Loans to subsidiaries are unsecured, interest-free, repayable on demand but are not expected to be repaid within the next twelve months.

	The Company	
	2019	2018
	\$'000	\$'000
Loans to subsidiaries	41,960	41,960
Less: Loss allowance	(908)	(908)
	41,052	41,052

17. INVESTMENTS IN ASSOCIATED COMPANIES

	The Group	
	2019	2018
	\$'000	\$'000
Beginning of financial year	4,884	4,977
Currency translation differences	(86)	(130)
Share of profit, net of tax	194	379
Less: Dividend receivable	(336)	(342)
End of financial year	4,656	4,884

The Group has interests in a number of individually immaterial associated companies. The summarised financial information of these associated companies, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	The Group	
	2019	2018
	\$'000	\$'000
Assets	41,609	58,638
Liabilities	27,468	43,496
Revenue	160,811	211,583
Net profit and total comprehensive income	735	1,465

The Group has not recognised its share of losses relating to certain associated companies amounting to \$1,000 (2018: \$1,000) during the year because the Group's cumulative share of unrecognised losses exceeds its interest in the entities and the Group has no obligation in respect of those losses. The cumulative unrecognised losses with respect to the entities amount to \$864,000 (2018: \$863,000) at the balance sheet date.

There are no contingent liabilities relating to the Group's interests in the associated companies. Details of significant associated companies are included in Note 39.

In 2018, an immaterial associated company held by the Company was disposed (Note 6).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. INVESTMENT IN A JOINT VENTURE

	The Group	
	2019 \$'000	2018 \$'000
Beginning of financial year	658	746
Currency translation differences	(2)	(1)
Share of loss, net of tax	(10)	(87)
End of financial year	646	658

The Group has interest in an immaterial joint venture. The summarised financial information of this joint venture, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	The Group	
	2019 \$'000	2018 \$'000
Assets	1,311	1,560
Liabilities	20	244
Revenue	47	214
Net loss and total comprehensive loss	(20)	(175)

There are no contingent liabilities relating to the Group's interest in the joint venture.

19. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2019 \$'000	2018 \$'000
Unquoted equity investments at cost less impairment	317,758	317,758

Details of significant subsidiaries are included in Note 39.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. INVESTMENT PROPERTIES

	Note	The Group		The Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Beginning of financial year		59,131	54,081	65,000	69,000
Adoption of SFRS(I) 16	2.1	–	–	15,149	–
Currency translation differences		(689)	(451)	–	–
Additions		535	–	438	12
Disposal		(9,048)	–	(19)	–
Amortisation/Write-down	7	(23)	–	–	–
Net fair value gains/(losses) recognised in profit or loss, under "other gains"	6	2,406	5,501	(685)	(4,012)
End of financial year		52,312	59,131	79,883	65,000

Additions represent capitalised expenditure on the investment properties. Amortisation or write-down includes capitalised letting fees and other costs. Certain investment properties are leased to non-related parties under operating leases (Note 32(b)).

The following amounts are recognised in profit or loss:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Rental income	3,544	2,307	3,225	3,041
Direct operating expenses arising from:				
– investment properties that generate rental income	(983)	(657)	(3,068)	(2,872)
– investment properties that do not generate rental income	(238)	(177)	(949)	(889)

Rental income of the Company is primarily derived from its subsidiaries. At the Group level, the investment properties of the Company are owner occupied and are classified as property, plant and equipment (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. INVESTMENT PROPERTIES (CONTINUED)

Details of investment properties of the Group are follows:

Location	Description and existing use	Approximate land area (in sq. metres)	Tenure	Carrying amount	
				2019 \$'000	2018 \$'000
United States of America					
745 Epperson Drive, City of Industry, California 91748	Office and warehouse	3,408	Freehold	— ⁽¹⁾	9,206
The People's Republic of China					
286 & 288 Chigangxi Road, Haizhu District, Guangzhou, Guangdong Province	Office and warehouse	30,873	Leasehold expiring in year 2043	9,418	9,326
242 Chigangxi Road; No. 1 Guitiandongyue Forth Lane; and Unit 702, No. 186 Dunhe Road, Haizhu District, Guangzhou, Guangdong Province	Apartments	1,812	Leasehold expiring in years 2065 to 2068	6,804	6,504
Malaysia					
Leong Sin Nam Farm, Jalan Ampang Tambun, Tambun, Ipoh, Perak, Malaysia	Farming land	1,048,062	16 lots freehold, 6 lots and 1 lot leasehold expiring in year 2045 and 2885 respectively	19,001	19,068
40 1/4 Milepost, Jalan Air Itam – Johor Bahru, Simpang Renggam, Johor, Malaysia	Farming land	420,183	Freehold	12,596	10,704
Lot No.30, Jalan Upper Lanang, Sibu, Sarawak, Malaysia	Office and warehouse	6,107	Leasehold expiring in year 2039	852	759
Lot 4183, Jalan Kuching, Taman Tunku Industrial Area, Miri, Sarawak, Malaysia	Office and warehouse	8,858	Leasehold expiring in year 2054	1,479	1,394
Lot 71, Sedco Industrial Estate, Phase 2, Jalan Kolombong, Kota Kinabalu, Sabah, Malaysia	Office and warehouse	5,235	Leasehold expiring in year 2034	2,162	2,170
				52,312	59,131

Legend:

(1) Disposed in 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every financial year based on the properties' highest and best use.

Fair value hierarchy

Description	Fair value measurements using significant unobservable inputs (Level 3)	
	2019 \$'000	2018 \$'000
The Group		
Investment properties:		
Office and warehouse – United States of America	–	9,206
Office and warehouse – The People's Republic of China	9,418	9,326
Apartments – The People's Republic of China	6,804	6,504
Offices and warehouses – Malaysia	4,493	4,323
Farming land – Malaysia	31,597	29,772
	52,312	59,131
The Company		
Investment properties:		
Office, factory and warehouses – Singapore	79,883	65,000

Reconciliation of movements in Level 3 fair value measurement

The investment properties of the Group and the Company, including right-of-use assets recognised from the adoption of SFRS(I) 16, are all measured within Level 3 of the fair value hierarchy and there are no transfers into or out of Level 3 during the years ended 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques and inputs used in Level 3 fair value measurement

The valuation techniques and key inputs that were used to determine fair value of investment properties are as follows:

Description	Fair value		Valuation technique
	2019 \$'000	2018 \$'000	
The Group			
Office and warehouse – United States of America	–	9,206	Adjusted sales comparison approach
Office and warehouse – The People's Republic of China	9,418	9,326	Adjusted sales comparison approach, income capitalisation approach and depreciated replacement cost method
Apartments – The People's Republic of China	6,804	6,504	Income capitalisation approach
Offices and warehouses – Malaysia	4,493	4,323	Depreciated replacement cost method
Farming land – Malaysia	31,597	29,772	Adjusted sales comparison approach
The Company			
Office, factory and warehouses – Singapore	79,883	65,000	Adjusted sales comparison approach

There was no change to the valuation technique used to determine the fair value of each investment property.

The main Level 3 valuation techniques and inputs used are as follows:

Adjusted sales comparison approach

The key unobservable input used is the transacted prices per square metre of comparable properties in close proximity based on recent market transactions. These recent transacted prices are subsequently adjusted to consider the size of the Group's and Company's property, the age of the building, the remaining tenure of the property and/or the plot ratio of the land relative to those of the comparable properties sold to derive the fair value of the Group's and Company's property. An increase in transacted prices per square metre would increase the valuation. As the valuation obtained for properties is net of future payments expected to be made, lease liability recognised in respect of these future payments is added to arrive at the carrying amount of the investment properties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques and inputs used in Level 3 fair value measurement (continued)

The main Level 3 valuation techniques and inputs used are as follows: (continued)

Income capitalisation approach

Under this approach, the estimated net income on a fully leased property is capitalised over the remaining term of the lease from the valuation date at an appropriate capitalisation rate. The key unobservable inputs are the estimated market rental rate per square metre and capitalisation rate. Market rental rate is estimated considering the estimated rental value of the property under existing market conditions and if any, existing lease agreements on the property. The market rental rate is adjusted to reflect anticipated operating costs to derive at the estimated net income. The Group's properties which have existing lease agreements and are valued under this approach have a weighted average rental per annum of \$163 (2018: \$71) per square metre. Capitalisation rate, estimated at 2.8% to 9.0% (2018: 3.0% to 9.0%), is the rate of return on the properties considering market conditions on the valuation date and the profile of the properties. An increase in estimated market rental rate per square metre would increase the valuation while an increase in capitalisation rate would lower the valuation.

Depreciated replacement cost method

The key unobservable inputs of this method are construction cost per square metre and where applicable, estimated cost to complete per square metre. Construction cost and estimated cost to complete are estimated by the valuer based on market construction rates for similar properties as at the date of valuation. A depreciation factor is then applied to the total estimated construction costs to reflect the remaining economic life of the property in deriving its fair value. An increase in construction cost or estimated cost to complete per square metre would increase the valuation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold land and buildings \$'000	Leasehold land and buildings \$'000	Plant and machinery, furniture and fittings \$'000	Computer equipment and software costs \$'000	Motor vehicles and trucks \$'000	Construction- in-progress \$'000	Total \$'000
The Group								
2019								
<i>Cost</i>								
Beginning of financial year		43,806	163,890	131,685	11,493	3,653	13,354	367,881
Adoption of SFRS(I) 16	2.1	–	21,979	401	–	5,027	–	27,407
Currency translation differences		484	(843)	(490)	(35)	(36)	(176)	(1,096)
Additions		2,367	1,142	2,095	892	1,803	2,827	11,126
Disposals		(3,335)	(139)	(2,770)	(2,481)	(588)	–	(9,313)
Reclassification/Transfer		–	127	77	192	–	(396)	–
End of financial year		43,322	186,156	130,998	10,061	9,859	15,609	396,005
<i>Accumulated depreciation</i>								
Beginning of financial year		7,100	36,807	76,689	8,867	2,371	–	131,834
Adoption of SFRS(I) 16	2.1	–	8,587	228	–	1,175	–	9,990
Currency translation differences		(53)	(118)	(301)	(37)	(21)	–	(530)
Disposals		(2,848)	(129)	(2,576)	(2,025)	(391)	–	(7,969)
Depreciation charge	7	361	4,650	7,313	1,187	1,935	–	15,446
End of financial year		4,560	49,797	81,353	7,992	5,069	–	148,771
Cost less accumulated depreciation at end of financial year		38,762	136,359	49,645	2,069	4,790	15,609	247,234
<i>Accumulated impairment losses</i>								
Beginning of financial year		89	21,307	2,383	–	–	–	23,779
Currency translation differences		–	(5)	(16)	–	–	–	(21)
Disposals		–	–	(67)	–	–	–	(67)
End of financial year		89	21,302	2,300	–	–	–	23,691
Net book value at end of financial year		38,673	115,057	47,345	2,069	4,790	15,609	223,543

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land and buildings \$'000	Leasehold land and buildings \$'000	Plant and machinery, furniture and fittings \$'000	Computer equipment and software costs \$'000	Motor vehicles and trucks \$'000	Construction- in-progress \$'000	Total \$'000
The Group							
2018							
<i>Cost</i>							
Beginning of financial year	44,670	165,962	134,800	11,816	3,213	11,132	371,593
Currency translation differences	(1,107)	314	(359)	(46)	(7)	1,135	(70)
Additions	190	471	2,479	638	508	3,664	7,950
Disposals	-	(1,823)	(6,810)	(932)	(122)	(93)	(9,780)
Reclassified to non-current assets classified as held-for-sale	14	-	(1,812)	-	-	-	(1,812)
Reclassification/Transfer	53	778	1,575	17	61	(2,484)	-
End of financial year	43,806	163,890	131,685	11,493	3,653	13,354	367,881
<i>Accumulated depreciation</i>							
Beginning of financial year	6,566	36,450	74,646	8,597	2,086	-	128,345
Currency translation differences	40	(72)	(320)	(39)	(8)	-	(399)
Disposals	-	(1,592)	(5,518)	(923)	(119)	-	(8,152)
Reclassified to non-current assets classified as held-for-sale	14	-	(1,435)	-	-	-	(1,435)
Depreciation charge	7	494	3,456	7,881	1,232	412	13,475
End of financial year	7,100	36,807	76,689	8,867	2,371	-	131,834
Cost less accumulated depreciation at end of financial year	36,706	127,083	54,996	2,626	1,282	13,354	236,047
<i>Accumulated impairment losses</i>							
Beginning of financial year	89	21,494	2,456	-	-	-	24,039
Currency translation differences	-	-	(25)	-	-	-	(25)
Disposals	-	(187)	(48)	-	-	-	(235)
End of financial year	89	21,307	2,383	-	-	-	23,779
<i>Net book value at end of financial year</i>	36,617	105,776	52,613	2,626	1,282	13,354	212,268

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant and machinery, furniture and fittings \$'000	Computer equipment and software costs \$'000	Construction- in-progress \$'000	Total \$'000
The Company				
2019				
<i>Cost</i>				
Beginning of financial year	4,941	82	–	5,023
Additions	15	–	30	45
Disposals	(23)	(13)	–	(36)
End of financial year	4,933	69	30	5,032
<i>Accumulated depreciation</i>				
Beginning of financial year	1,569	82	–	1,651
Depreciation charge	560	–	–	560
Disposals	–	(13)	–	(13)
End of financial year	2,129	69	–	2,198
Cost less accumulated depreciation at end of financial year	2,804	–	30	2,834
<i>Accumulated impairment losses</i>				
Beginning of financial year	270	–	–	270
Disposals	(23)	–	–	(23)
End of financial year	247	–	–	247
Net book value at end of financial year	2,557	–	30	2,587

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant and machinery, furniture and fittings \$'000	Computer equipment and software costs \$'000	Construction- in-progress \$'000	Total \$'000
The Company				
2018				
<i>Cost</i>				
Beginning of financial year	4,335	83	41	4,459
Additions	606	–	–	606
Disposals	–	(1)	(41)	(42)
End of financial year	4,941	82	–	5,023
<i>Accumulated depreciation</i>				
Beginning of financial year	1,022	83	–	1,105
Depreciation charge	547	–	–	547
Disposals	–	(1)	–	(1)
End of financial year	1,569	82	–	1,651
Cost less accumulated depreciation at end of financial year	3,372	–	–	3,372
<i>Accumulated impairment losses</i>				
Beginning and end of financial year	270	–	–	270
<i>Net book value at end of financial year</i>	3,102	–	–	3,102

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 22(a).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Details of major properties of the Group under property, plant and equipment are as follows:

Location	Description and existing use	Approximate land area (in sq. metres)	Tenure	Carrying amount	
				2019 \$'000	2018 \$'000
Singapore					
3 Senoko Way	Office, factory and warehouses	27,638	30 years leasehold with effect from April 1994 with an option to renew for a further 30 years	55,625	46,525
Cambodia					
No. 385, Tachet, Beung Thom, Posenchey, Phnom Penh, Cambodia	Office, factory and warehouse	92,769	50 years leasehold with effect from March 2014 with an option to renew for a further 50 years	31,802	32,698
Indonesia					
Suryacipta City of Industry, Jalan Surya Utama, Kav I-65D1-D10 Karawang, Jawa Barat 41363, Indonesia	Industrial land for factory use	147,286	30 years lease perpetually renewable at a nominal cost	26,420	23,544
United States of America					
755 Epperson Drive, City of Industry, California 91748	Office and warehouse	4,068	Freehold	– ⁽¹⁾	493
The People's Republic of China					
1 Southwest Street, Sanshui District, Foshan, Guangdong	Factory and trading depot	25,333	Leasehold expiring in year 2060	7,861	8,234
Malaysia					
Lot No. 66134 & 154475, Jalan Jelapang, Jelapang Industrial Area, Ipoh, Perak, Malaysia	Factory and trading depot	29,428	Leasehold expiring in year 2033 and 2048 respectively	104	114
Lot No. 65644, Jalan Jelapang, Jelapang Industrial Area, Ipoh, Perak, Malaysia	Factory and trading depot	20,334	Leasehold expiring in year 2033	1,180	1,230
Lot No. 154474, Jalan Jelapang, Jelapang Industrial Area, Ipoh, Perak, Malaysia	Factory and trading depot	6,101	Leasehold expiring in year 2048		
Lot No. 1427, Jalan Jelapang, Jelapang Industrial Area, Ipoh, Perak, Malaysia	Factory and trading depot	5,299	Leasehold expiring in year 2894		

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Details of major properties of the Group under property, plant and equipment are as follows: (continued)

Location	Description and existing use	Approximate land area (in sq. metres)	Tenure	Carrying amount	
				2019 \$'000	2018 \$'000
Malaysia (continued)					
No. 7 Jalan Tandang, Petaling Jaya, Selangor, Malaysia	Office, factory and trading depot	11,635	Leasehold expiring in year 2058	1,291	1,650
No. 121 & 191, Jalan Utas, Shah Alam, Selangor, Malaysia	Factory and trading depot	39,775	Leasehold expiring in year 2073 and 2074 respectively	7,238	7,514
Lot PTD 90047, 6th Miles, Jalan Kota Tinggi, Pandan, Johor Bahru, Johor, Malaysia	Office, warehouse, factory and trading depot	27,757	Freehold	1,637	1,650
PLO 247, Jalan Gangsa, Pasir Gudang Industrial Estate, Johor, Malaysia	Industrial building and land	24,232	Leasehold expiring in year 2050	4,509	4,740
Lot 764, Mukim Bukit Raja, Shah Tempad Padang Jawa, Daerah Petaling, Malaysia	Office and warehouse	17,052	Freehold	10,616	10,930
No. 986 Jalan Perusahaan and No. 988-990, Solok Perusahaan Tiga, Kawasan MIEL Prai Industrial Estate Prai, Pulau Pinang, Malaysia	Office and warehouse	7,980	Leasehold expiring in year 2071	2,918	3,071
				151,201	142,393

Legend:

(1) Disposed in 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. LEASES

Nature of the Group's leasing activities – The Group as a lessee

Leasehold land and buildings

The Group has made upfront payments to secure the right-of-use of leasehold land for its manufacturing and warehousing operations. The Group leases office space and warehouses for the purpose of back office operations and warehouse operations respectively. These leasehold land and buildings, and leases are recognised within property, plant and equipment (Note 21).

The Group and the Company also makes annual lease payments for a leasehold land and the leasehold property is rented out to certain subsidiaries and regarded as owner-occupied by the Group. The leasehold property is classified as property, plant and equipment (Note 21) and investment properties (Note 20) by the Group and the Company respectively.

There are no externally imposed covenants on these lease arrangements.

Equipment and vehicles

The Group leases equipment for use in its back office operations and vehicles for its delivery and logistics operations.

(a) Carrying amounts

ROU assets classified within property, plant and equipment

	The Group	
	31 December	1 January
	2019	2019
	\$'000	\$'000
Leasehold land and buildings	115,057	119,168
Plant and machinery, furniture and fittings	138	173
Motor vehicles and trucks	3,853	3,852
	119,048	123,193

ROU assets classified within investment properties

The right-of-use assets of the Group and the Company relating to the leasehold land presented under investment properties (Note 20) of the Group and the Company are stated at fair value and have carrying amounts at balance sheet date of \$34,887,000 and \$79,883,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. LEASES (CONTINUED)

Nature of the Group's leasing activities – The Group as a lessee (continued)

(b) Depreciation charge during the year

	The Group 2019 \$'000
Leasehold land and buildings	4,650
Plant and machinery, furniture and fittings	86
Motor vehicles and trucks	1,547
Total	<u>6,283</u>

(c) Interest expense

	The Group 2019 \$'000
Interest expense on lease liabilities	<u>723</u>

(d) Lease expense not capitalised in lease liabilities

	The Group 2019 \$'000
Lease expense – short-term leases	1,025
Lease expense – low-value leases	1,110
Total (Note 7)	<u>2,135</u>

(e) Total cash outflow of the Group for all the leases in 2019 was \$3,469,000.

(f) Addition of ROU assets of the Group during the financial year 2019 was \$3,458,000.

(g) Future cash outflow which are not capitalised in lease liabilities:

Extension options

The leases for certain equipment and motor vehicles contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. LEASES (CONTINUED)

Nature of the Group's leasing activities – The Group as a lessor

The Group has leased out investment properties to non-related parties for monthly lease payments. These leases are classified as operating leases because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from investment properties are disclosed in Note 20.

Nature of the Group's leasing activities – The Group as an intermediate lessor

Subleases – classified as operating leases

The Group acts as an intermediate lessor under arrangements in which it subleases offices, warehouses and apartments for monthly lease payments. The sublease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the subleases are classified as operating leases.

Income from subleasing the offices, warehouses and apartments recognised during 2019 was \$3,692,000 (2018: \$2,030,000).

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	The Group	
	31 December 2019 \$'000	1 January 2019 \$'000
Not later than one year	4,463	1,193
One to not later than two years	4,224	–
Two to not later than three years	4,604	–
Three to not later than four years	4,834	–
Four to not later than five years	5,074	–
Later than five years	14,040	–
Total undiscounted lease payments	37,239	1,193

23. INTANGIBLE ASSETS

	Note	The Group	
		2019 \$'000	2018 \$'000
Composition:			
Goodwill	(a)	–	–
Trademark licence and bottling right	(b)	3,933	–
Computer software licences	(c)	1,313	–
		5,246	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill arising on consolidation

	The Group	
	2019 \$'000	2018 \$'000
<i>Cost</i>		
Beginning and end of financial year	5,361	5,361
<i>Accumulated impairment losses</i>		
Beginning and end of financial year	(5,361)	(5,361)
Net book value	–	–

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified within the consumer food and beverage products business segment in the People's Republic of China.

The goodwill in the CGUs was fully impaired in 2008.

(b) Trademark licence and bottling right

	The Group	
	2019 \$'000	2018 \$'000
<i>Cost</i>		
Beginning of financial year	–	–
Additions	4,122	–
End of financial year	4,122	–
<i>Accumulated amortisation</i>		
Beginning of financial year	–	–
Amortisation charge	(189)	–
End of financial year	(189)	–
Net book value	3,933	–

(c) Computer software licences

	The Group	
	2019 \$'000	2018 \$'000
<i>Cost</i>		
Beginning of financial year	–	–
Additions	1,341	–
End of financial year	1,341	–
<i>Accumulated amortisation</i>		
Beginning of financial year	–	–
Amortisation charge	(28)	–
End of financial year	(28)	–
Net book value	1,313	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. INTANGIBLE ASSETS (CONTINUED)

(d) Amortisation expense on intangible assets included in the consolidated statement of comprehensive income is analysed as follows:

	The Group	
	2019 \$'000	2018 \$'000
Cost of sales	189	–
Administrative expenses	28	–
Total (Note 7)	217	–

24. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities, and when the deferred income taxes relate to the same fiscal authority.

The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deferred income tax assets	(2,592)	(3,856)	–	–
Deferred income tax liabilities	10,122	12,253	617	572
Net deferred income tax liabilities	7,530	8,397	617	572

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation \$'000	Fair value gains-net \$'000	Total \$'000
The Group			
2019			
Beginning of financial year	8,223	5,859	14,082
Currency translation differences	(20)	(57)	(77)
Charged/(Credited) to profit or loss	804	(1,964)	(1,160)
Credited to other comprehensive income	–	(15)	(15)
End of financial year	9,007	3,823	12,830
2018			
Beginning of financial year	8,066	3,951	12,017
Currency translation differences	(20)	(23)	(43)
Effect of change in foreign tax rate	–	1,119	1,119
Charged to profit or loss	177	726	903
Charged to other comprehensive income	–	86	86
End of financial year	8,223	5,859	14,082

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. DEFERRED INCOME TAXES (CONTINUED)

Deferred income tax assets

	Unutilised capital allowances and tax losses \$'000	Provisions \$'000	Lease liabilities \$'000	Total \$'000
The Group				
2019				
Beginning of financial year	(3,467)	(2,218)	–	(5,685)
Adoption of SFRS(I) 16	–	–	(883)	(883)
Currency translation differences	11	26	1	38
Charged/(Credited) to profit or loss	1,054	201	(25)	1,230
End of financial year	(2,402)	(1,991)	(907)	(5,300)
2018				
Beginning of financial year	(2,380)	(1,342)	–	(3,722)
Currency translation differences	(1)	27	–	26
Credited to profit or loss	(1,086)	(1,086)	–	(2,172)
Charged to other comprehensive income	–	183	–	183
End of financial year	(3,467)	(2,218)	–	(5,685)

In 2018, the Malaysia government announced the increase in real property gains tax from 5% to 10% for disposals of real properties after five years of holdings with effect from 1 January 2019. Consequently, deferred income tax liabilities recognised in relation to fair value gains on investment properties in Malaysia are measured at 10%.

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of \$13,891,000 (2018: \$10,940,000) and unrecognised capital allowances of \$309,000 (2018: \$282,000) at the balance sheet date with varying expiry dates which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. \$11,240,000 tax losses will expire between 2020 and 2024 (2018: \$8,123,000 tax losses will expire between 2019 and 2023) and \$2,651,000 (2018: \$2,817,000) tax losses do not have expiry date.

Deferred income tax liabilities of \$6,724,000 (2018: \$3,380,000) have not been recognised for the withholding and other taxes that will be payable on the earnings of overseas subsidiaries when remitted to the holding company. These unremitted earnings are permanently reinvested and amount to \$22,414,000 (2018: \$11,267,000) at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. DEFERRED INCOME TAXES (CONTINUED)

Deferred income tax liabilities

	Accelerated tax depreciation \$'000
The Company	
2019	
Beginning of financial year	572
Debited to profit or loss	45
End of financial year	<u>617</u>
2018	
Beginning of financial year	696
Credited to profit or loss	(124)
End of financial year	<u>572</u>

25. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade payables				
– Non-related parties	30,229	25,703	–	–
Other payables				
– Non-related parties	11,550	11,768	469	244
– Subsidiaries	–	–	53,741	43,436
	11,550	11,768	54,210	43,680
Accruals for operating expenses	20,207	22,496	1,513	1,958
	<u>61,986</u>	<u>59,967</u>	<u>55,723</u>	<u>45,638</u>

Other payables to non-related parties and subsidiaries are unsecured, interest-free and repayable on demand.

26. LEASE LIABILITIES

Lease liabilities were recognised on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.1.

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current	2,576	–	268	–
Non-current	19,161	–	14,615	–
	<u>21,737</u>	<u>–</u>	<u>14,883</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26. LEASE LIABILITIES (CONTINUED)

The exposure of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Not later than one year	2,576	–	268	–
Between one to five years	5,620	–	1,074	–
Later than five years	13,541	–	13,541	–
	21,737	–	14,883	–

Reconciliation of lease liabilities arising from financing activities:

	The Group Lease liabilities \$'000
Balance as at 1 January 2019	–
Financing cash flows	
Principal payment of lease liabilities	(2,746)
Interest paid	(723)
Total financing cash flows	(3,469)
Non-cash changes	
Adoption of SFRS(I) 16	22,513
Additions during the year	2,190
Disposal during the year	(197)
Interest expense	723
Currency translation differences	(23)
Total non-cash changes	25,206
Balance as at 31 December 2019	21,737

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

The amount recognised in the Group's balance sheet for defined benefit plans is analysed as follows:

	The Group	
	2019 \$'000	2018 \$'000
Present value of unfunded obligations/Liabilities recognised in the balance sheet	1,741	1,836

The retirement benefit plans are not funded. There are no plan assets or actual returns on plan assets.

As of 31 December 2019, the provision for retirement benefits consists of non-contributory unfunded retirement benefits schemes for employees in Malaysia and Indonesia who are eligible under labour laws or collective bargaining agreements.

Movements in provision for retirement benefits are as follows:

	The Group	
	2019 \$'000	2018 \$'000
Beginning of financial year	1,836	2,561
Currency translation differences	–	(22)
Charged to profit or loss (Note 8):		
– Current service cost	109	197
– Past service credit and gains and loss on settlement	–	(24)
– Interest cost	87	123
	196	296
Credited to other comprehensive income:		
Actuarial gain arising from remeasurements:		
– Demographic assumptions	(86)	(433)
– Financial assumptions	10	(26)
– Experience adjustment	(12)	(361)
	(88)	(820)
Benefits paid	(203)	(179)
End of financial year	1,741	1,836

The significant weighted actuarial assumptions used were as follows:

	2019	2018
	%	%
Discount rate	5.2	5.4
Salary growth rate	5.0	5.0

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (CONTINUED)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	The Group (Decrease)/Increase in defined benefit obligations	
	2019 \$'000	2018 \$'000
Discount rate		
– Increase by 1%	(106)	(116)
– Decrease by 1%	113	124
Salary growth rate		
– Increase by 1%	120	133
– Decrease by 1%	(114)	(124)

The above sensitivity analysis are based on a change in assumption while holding all other assumptions constant. The methods and types of assumptions used in preparing the sensitivity analysis did not change when compared to previous period.

The weighted average duration of the defined benefit obligation is 8 years (2018: 8 years) and expected maturity analysis of undiscounted retirement benefits is as follows:

	The Group	
	2019 \$'000	2018 \$'000
Less than one year	196	166
Between one and five years	981	950
More than five years	627	786
	1,804	1,902

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28. SHARE CAPITAL

	Number of ordinary shares for issued share capital '000	Amount of share capital \$'000
31 December 2019		
Beginning and end of financial year	579,911	228,245
31 December 2018		
Beginning of financial year	579,393	227,563
Shares issued	518	682
End of financial year	579,911	228,245

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

YHS Share Incentive Plan

The YHS Share Incentive Plan (the "Plan") is an omnibus share incentive scheme which amalgamates a share option plan component and a performance share plan component. Participants will be selected at the sole discretion of the Remuneration Committee from eligible categories of persons comprising (i) employees and directors of the Group, (ii) employees and directors of associated companies, and (iii) associates (being employees of companies within the Far East Organization) who spend more than half of their time performing services out-sourced by the Company to the associates' employer. Persons who are the Company's controlling shareholders or their associates (as those terms are defined in the Listing Manual of the Singapore Exchange Securities Trading Limited) will not be eligible to participate in the Plan. The aggregate number of new shares which may be issued pursuant to options and/or awards granted under the Plan on any date, when added to the number of new shares issued and issuable in respect of all options and awards granted under the Plan, shall not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company. Unless earlier terminated or extended with the approval of the members of the Company, the Plan will continue in force, at the discretion of the Committee, for a maximum period of 10 years commencing on the date of its adoption on 26 April 2010.

Under the share option plan component, an option granted pursuant to the Plan represents a right to acquire ordinary shares in the Company at the acquisition price per share applicable to the option. The acquisition price per share is fixed at the time of the grant of the option and may be set at the market price, or at a discount to the market price, or at the market price subject to adjustment with a discount if prescribed performance conditions are met, or at a premium to the market price. Any discount given must not exceed 20% of the market price of a share.

Under the performance share plan component, an award granted represents a contingent right to receive fully paid ordinary shares in the Company, their equivalent cash value or combinations thereof, free of charge, provided that prescribed performance targets (if any) are met and upon expiry of the prescribed vesting periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28. SHARE CAPITAL (CONTINUED)

YHS Share Incentive Plan (continued)

Subject to the Plan size and the individual and collective limits applicable to associates under the Plan, the number of shares that will be comprised in an option or award, and the terms thereof, including any vesting or other conditions, will be determined by the Committee at its sole discretion having regard to various factors such as (but not limited to) the participant's capability, responsibilities, skill sets, and the objective desired to be achieved through the grant.

The person to whom the awards have been granted has no right to participate by virtue of the award in share issue of any other company.

There was no grant of awards made pursuant to the Plan in 2019. The following table sets out the movements in awards granted pursuant to the Plan and their weighted average fair values at grant date.

Number of ordinary shares under award	2019	2018
Beginning of financial year	–	525,525
Shares issued during the year	–	(518,525)
Forfeited during the year	–	(7,000)
End of financial year	–	–
Weighted average fair value per award based on market price per share at grant date	–	–
Weighted average remaining contractual life (days)	–	–

No share option has been granted under the Plan.

29. CAPITAL RESERVE

Capital reserve of the Group arises from the consolidation of a subsidiary.

30. OTHER RESERVES

(a) Composition:

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Property revaluation reserve	3,268	6,669	–	–
Foreign currency translation reserve	(11,129)	(9,172)	–	–
General reserve	(38,384)	(38,335)	–	–
Share-based payment reserve	–	–	–	–
Hedging reserve	(48)	–	–	–
	(46,293)	(40,838)	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

30. OTHER RESERVES (CONTINUED)

(b) Movements:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
(i) <i>Property revaluation reserve</i>				
Beginning of financial year	6,669	6,697	-	-
Transfer to retained profits on realisation	(3,401)	(28)	-	-
End of financial year	3,268	6,669	-	-
(ii) <i>Foreign currency translation reserve</i>				
Beginning of financial year	(9,172)	(8,619)	-	-
Net currency translation differences of financial statements of foreign subsidiaries, associated companies and a joint venture	(1,957)	(553)	-	-
End of financial year	(11,129)	(9,172)	-	-
(iii) <i>General reserve</i>				
Beginning of financial year	(38,335)	(38,315)	-	-
Transfer to retained profits on realisation	(49)	(20)	-	-
End of financial year	(38,384)	(38,335)	-	-
(iv) <i>Share-based payment reserve</i>				
Beginning of financial year	-	558	-	558
Employee share-based compensation scheme				
– Value of employee services (Note 8)	-	124	-	124
– Issue of new shares	-	(682)	-	(682)
End of financial year	-	-	-	-
(v) <i>Hedging reserve – foreign exchange risk</i>				
Beginning of financial year	-	(340)	-	-
Fair value losses	(130)	(194)	-	-
Tax on fair value losses	30	40	-	-
	(100)	(154)	-	-
Reclassification to inventories	67	620	-	-
Tax on reclassification adjustments	(15)	(126)	-	-
	52	494	-	-
End of financial year	(48)	-	-	-

Other reserves are non-distributable. General reserve primarily arose from the acquisition of non-controlling interests in a subsidiary in 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. DIVIDENDS

	The Group	
	2019	2018
	\$'000	\$'000
<i>Ordinary dividends paid</i>		
Final dividend paid in respect of the previous financial year of 2 cents (2018: 2 cents) per share, tax exempt (1-tier)	11,598	11,588
Special dividend paid in 2019		
– in respect of the previous financial year of 2 cents per share, tax exempted (1-tier)	11,598	–
– in respect of the current financial year of 1 cent per share, tax exempt (1-tier)	5,799	–
	28,995	11,588

The directors have proposed a final dividend of 2 cents per ordinary share and a one-time special dividend of 1 cent per ordinary share, tax exempt (1-tier) amounting to \$17,397,000 for approval by shareholders at the forthcoming annual general meeting to be convened for the financial year ended 31 December 2019.

These financial statements do not reflect the proposed final dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2020.

32. COMMITMENTS

(a) Operating lease commitments – where the Group is a lessee

The Group leases land, warehouses, plant and machinery, vehicles and office equipment mainly from non-related parties under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

As at 31 December 2018, the future minimum lease payments payable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group	The Company
	2018	2018
	\$'000	\$'000
Not later than one year	3,486	638
Between one and five years	5,348	2,552
Later than five years	159	159
	8,993	3,349

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low-value leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

32. COMMITMENTS (CONTINUED)

(b) Operating lease commitments – where the Group is a lessor

The Group leases out land, office spaces, apartments and warehouses to non-related parties under non-cancellable operating leases.

As at 31 December 2018, future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	The Group	The Company
	2018	2018
	\$'000	\$'000
Not later than one year	1,267	123

On 1 January 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 is disclosed in Note 22.

(c) Capital commitments

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

	The Group		The Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Capital commitments in respect of purchase and construction of property, plant and equipment approved and contracted for	11,452	1,713	–	–

33. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as currency forwards and foreign currency borrowings to manage certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

(i) Currency risk

The Group operates in a number of countries with dominant operations in Singapore, Malaysia, Cambodia, Indonesia and the People's Republic of China. Sale and purchase transactions between the companies in the Group are mainly denominated in Singapore Dollar and United States Dollar.

Whenever possible, in their respective dealings with non-related parties, the companies in the Group would use their respective functional currencies, to minimise foreign currency risk.

Currently, the Group will try to manage its currency exposures by having natural hedges between its foreign currency receivables and payables; and/or entering into currency forwards with banks.

The Group's currency exposures are as follows:

	← SGD equivalent →								Total \$'000
	SGD \$'000	USD \$'000	HKD \$'000	RMB \$'000	RM \$'000	IDR \$'000	EUR \$'000	Other ^{^^^} \$'000	
At 31 December 2019									
Financial assets									
Cash and cash equivalents	232,614	39,436	713	8,824	13,354	775	–	35	295,751
Trade and other receivables [^]	17,646	14,289	531	433	31,177	5,962	–	141	70,179
Intra-group balances	190,204	87,586	–	7,278	54,334	5,708	–	2	345,112
	<u>440,464</u>	<u>141,311</u>	<u>1,244</u>	<u>16,535</u>	<u>98,865</u>	<u>12,445</u>	<u>–</u>	<u>178</u>	<u>711,042</u>
Financial liabilities									
Intra-group balances	(190,204)	(87,586)	–	(7,278)	(54,334)	(5,708)	–	(2)	(345,112)
Lease liabilities	(16,840)	(195)	(137)	–	(4,561)	–	–	(4)	(21,737)
Trade and other payables ^{^^}	(18,787)	(7,544)	(405)	(3,274)	(28,138)	(1,129)	(26)	(187)	(59,490)
	<u>(225,831)</u>	<u>(95,325)</u>	<u>(542)</u>	<u>(10,552)</u>	<u>(87,033)</u>	<u>(6,837)</u>	<u>(26)</u>	<u>(193)</u>	<u>(426,339)</u>
Net financial assets/ (liabilities)	214,633	45,986	702	5,983	11,832	5,608	(26)	(15)	284,703
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(220,176)	(40,810)	(1,370)	(5,983)	(12,090)	(5,608)	–	2	
Less: Net financial asset designated as hedges for highly probable forecast transactions in foreign currencies	–	(6,098)	–	–	–	–	–	–	
Currency exposure	(5,543)	(922)	(668)	–	(258)	–	(26)	(13)	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposures are as follows: (continued)

	← SGD equivalent →							Total \$'000	
	SGD \$'000	USD \$'000	HKD \$'000	RMB \$'000	RM \$'000	IDR \$'000	EUR \$'000		Other ^{^^^} \$'000
At 31 December 2018									
Financial assets									
Cash and cash equivalents	250,976	19,025	1,019	3,775	7,066	862	–	6	282,729
Trade and other receivables [^]	18,196	8,787	795	335	28,966	9,487	–	139	66,705
Intra-group balances	180,148	74,990	4	7,225	49,974	4,929	–	–	317,270
	<u>449,320</u>	<u>102,802</u>	<u>1,818</u>	<u>11,335</u>	<u>86,006</u>	<u>15,278</u>	<u>–</u>	<u>145</u>	<u>666,704</u>
Financial liabilities									
Intra-group balances	(180,148)	(74,990)	(4)	(7,225)	(49,974)	(4,929)	–	–	(317,270)
Trade and other payables ^{^^}	(19,561)	(5,615)	(480)	(3,582)	(27,795)	(1,927)	(44)	(153)	(59,157)
	<u>(199,709)</u>	<u>(80,605)</u>	<u>(484)</u>	<u>(10,807)</u>	<u>(77,769)</u>	<u>(6,856)</u>	<u>(44)</u>	<u>(153)</u>	<u>(376,427)</u>
Net financial assets/ (liabilities)	249,611	22,197	1,334	528	8,237	8,422	(44)	(8)	290,277
Less: Net financial assets denominated in the respective entities' functional currencies									
	(255,376)	(18,929)	(1,340)	(528)	(8,591)	(8,439)	–	–	
Currency exposure	(5,765)	3,268	(6)	–	(354)	(17)	(44)	(8)	

The Company's currency exposures are as follows:

	← SGD equivalent →	
	USD \$'000	HKD \$'000
At 31 December 2019		
Financial assets		
Other receivables [^]	3	–
Financial liabilities		
Trade and other payables	–	(9)
Currency exposure	3	(9)
At 31 December 2018		
Financial assets		
Other receivables [^]	6	–
Currency exposure	6	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

Legend:

SGD	– Singapore Dollar
USD	– United States Dollar
HKD	– Hong Kong Dollar
RMB	– Chinese Renminbi
RM	– Malaysian Ringgit
IDR	– Indonesian Rupiah
EUR	– Euro
^	– Exclude prepayments and deposits for property, plant and equipment
^^	– Exclude contract liabilities
^^^	– Other currencies are individually insignificant

If the USD, HKD and RM had changed against the SGD by 1% (2018: 1%), 1% (2018: 1%) and 1% (2018: 0.02%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position that are exposed to currency risk would have been as follows:

	Increase/(Decrease) in net profit	
	2019 \$'000	2018 \$'000
The Group		
USD against SGD		
– strengthened	(8)	27
– weakened	8	(27)
HKD against SGD		
– strengthened	(6)	–*
– weakened	6	–*
RM against SGD		
– strengthened	(2)	–*
– weakened	2	–*

*: Amount is less than \$1,000.

The currency risk analysis for RMB, IDR and EUR is insignificant to the Group as the net financial assets/(liabilities) in these currencies are mainly recorded in the respective entities' functional currencies, resulting in minimal currency exposures. The currency risk analysis for USD and HKD is insignificant to the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(ii) Price risk

As at 31 December 2019, the Group is exposed to insignificant securities price risk. As at 31 December 2018, the Group was exposed to securities price risk arising from other financial assets listed in Singapore and Hong Kong. If prices of the Group's securities listed in Singapore and Hong Kong had changed by 14.5% and 0.8% respectively with all other variables including tax rate being held constant, the effects on net profit would have been:

	Increase/(Decrease)	
	in net profit	
	2019	2018
	\$'000	\$'000
The Group		
Listed in Singapore		
– increased by	–**	19
– decreased by	–**	(19)
Listed in Hong Kong		
– increased by	–	85
– decreased by	–	(85)

	Increase/(Decrease)	
	in net profit	
	2019	2018
	\$'000	\$'000
The Company		
Listed in Hong Kong		
– increased by	–	85
– decreased by	–	(85)

** : Exposure is insignificant.

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

The Group places cash in excess of operating requirements mainly in SGD fixed deposits with financial institutions. If SGD interest rates had increased/decreased by 0.06% (2018: 0.01%) with other variables including tax rate being held constant, the effects on net profit would have been as follows:

	Increase/(Decrease) in net profit	
	2019 \$'000	2018 \$'000
The Group		
SGD interest rate		
– strengthened	109	20
– weakened	(109)	(20)
The Company		
SGD interest rate		
– strengthened	6	1
– weakened	(6)	(1)

There were no outstanding borrowings in 2019 and 2018.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

To minimise credit risk for trade receivables, management ensures that proper credit evaluation is done on potential customers, and that proper approvals have been obtained for the determination of credit limits. Management monitors the status of outstanding debts and ensures that follow-up action is taken to recover the overdue amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

As the Group obtains bankers' guarantees and cash deposits from certain customers, the maximum exposure to credit risk for each class of financial instruments for the Group and the Company is the carrying amount of that class of financial instruments presented on the balance sheet except for trade receivables of the Group as follows:

	The Group	
	2019	2018
	\$'000	\$'000
By geographical areas		
Singapore	13,652	11,604
Malaysia	28,898	28,561
Cambodia and Vietnam	8,958	5,391
China and Hong Kong	497	859
North America	3,383	2,868
Indonesia	4,563	6,205
Europe	911	687
Other countries	1,706	1,118
Trade receivables – net (Note 12)	62,568	57,293
Less: Amounts covered by bankers' guarantees and cash deposits	(16,730)	(13,175)
Maximum exposure to credit risk for trade receivables	45,838	44,118
By types of customers		
<u>Consumer food and beverage products</u>		
Related parties	57	48
Non-related parties:		
– Supermarkets, minimart chains, provision shops and gas stations	17,237	14,039
– Hotels, bars/pubs, restaurants, food courts and coffee shops	2,488	3,137
– Wholesalers and distributors	38,769	36,326
– Vending sales	371	431
– Other	3,646	3,312
	62,568	57,293

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Movements in credit loss allowance on trade receivables:

	The Group	
	2019	2018
	\$'000	\$'000
Beginning of financial year	258	186
– Currency translation differences	(4)	(1)
Loss allowance recognised in profit or loss during the year on:		
– Assets originated	509	426
– Reversal of unutilised amounts	(253)	(213)
	256	213
– Allowance utilised	(95)	(140)
End of financial year	415	258

Cash and cash equivalents, other receivables (net of loss allowance), deposits and staff loans of the Group and the Company are subject to immaterial credit loss.

(i) Trade receivables

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics. In calculating the expected credit loss rates, the Group considers historical loss rates for each geographic region of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the sector default risk rate of the countries in which it sells goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates if there are significant changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as doubtful if the counterparty fails to make contractual payments within 90 days when they fall due, and provides full credit loss allowance for the financial asset when a debtor fails to make contractual payments greater than 120 days past due if there are no strong indicators of recoverability. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Trade receivables (continued)

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 are set out in the provision matrix as follows:

	Weighted average loss rate %	The Group Net carrying amount* \$'000	Credit loss allowance \$'000
31 December 2019			
By geographical areas			
Singapore	0.5%	13,652	64
Malaysia	1.2%	21,364	267
Cambodia and Vietnam	–	2,331	–
China and Hong Kong	–	491	–
North America	0.9%	3,383	31
Indonesia	2.7%	2,000	53
Europe	–	911	–
Other countries	–	1,706	–
		45,838	415
31 December 2018			
By geographical areas			
Singapore	0.6%	11,604	68
Malaysia	0.7%	21,064	147
Cambodia and Vietnam	–	2,175	–
China and Hong Kong	0.4%	853	3
North America	1.2%	2,868	35
Indonesia	0.1%	3,749	5
Europe	–	687	–
Other countries	–	1,118	–
		44,118	258

* Excluding trade receivables covered by collaterals.

There is no concentration of customers' credit risk for the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Cash and cash equivalents

Cash and cash equivalents are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies and are subject to immaterial credit loss.

(c) Liquidity risk

The Group manages the liquidity risk by maintaining sufficient cash and cash equivalents to finance the Group's operations. In addition to funds generated from its operations, the Group also relies on adequate amount of committed credit facilities for its working capital requirements.

The table below analyses the maturity profile of financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than one year \$'000	Between one and five years \$'000	More than five years \$'000	Total \$'000
The Group				
At 31 December 2019				
Trade and other payables [^]	(59,490)	–	–	(59,490)
Lease liabilities	(2,576)	(5,620)	(13,541)	(21,737)
	(62,066)	(5,620)	(13,541)	(81,227)
At 31 December 2018				
Trade and other payables [^]	(59,157)	–	–	(59,157)
The Company				
At 31 December 2019				
Other payables	(55,723)	–	–	(55,723)
Lease liabilities	(268)	(1,074)	(13,541)	(14,883)
	(55,991)	(1,074)	(13,541)	(70,606)
At 31 December 2018				
Other payables	(45,638)	–	–	(45,638)

[^] Excluding contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Where cash holding exceeds net debt, net debt is considered zero and hence no gearing. Total capital employed is calculated as equity plus net debt. There were no changes in the Group's approach to capital management during the year.

The gearing ratios as at 31 December 2019 and 31 December 2018 are as follows:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Net debt	–	–	55,729	26,722
Total equity	615,697	633,132	449,274	475,144
Total capital employed	615,697	633,132	505,003	501,866
Gearing ratio	Nil	Nil	11%	5%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Following the adoption of SFRS(I) 16, there were no changes in the net debt to equity ratio of the Group between 31 December 2018 and 1 January 2019 as the Group has maintained substantial cash and cash equivalents in excess of trade and other payables and borrowings.

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (continued)

	Level 1 \$'000	Level 2 \$'000	Total \$'000
The Group			
31 December 2019			
Assets			
Financial assets at fair value through profit or loss	53	–	53
31 December 2018			
Assets			
Financial assets at fair value through profit or loss	10,307	150	10,457
The Company			
31 December 2019			
Assets			
Financial assets at fair value through profit or loss	–	–	–
31 December 2018			
Assets			
Financial assets at fair value through profit or loss	10,176	150	10,326

The fair values of financial assets traded in active markets are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These investments are included in Level 1.

The fair value of financial assets that are not traded in an active market is determined using observable market data. These investments are included in Level 2.

There were no transfers between Levels 1 and 2 during the years ended 31 December 2019 and 2018.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 15, except for the following:

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial assets at amortised cost	365,930	349,434	120,374	125,276
Financial liabilities at amortised cost	81,227	59,157	70,606	45,638

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company's immediate and ultimate holding company is Far East Organization Pte. Ltd., incorporated in Singapore.

35. RELATED PARTY TRANSACTIONS

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

(a) Sales and purchases of goods and services

	The Group	
	2019 \$'000	2018 \$'000
Amount billed by Far East Orchard Limited Group:		
– Purchases of services	(2)	(2)
– Rental expense	(30)	(30)
Amount billed to/(by) Sino Land Company Limited Group:		
– Sales of goods	133	132
– Rental expense	(115)	(107)
– Purchases of services	(2)	–
Amount billed to/(by) other related parties:		
– Sales of goods	299	258
– Consultancy services	(12)	–
Amount billed to/(by) TM Foods Sdn. Bhd.:		
– Sales of goods	50	33
– Purchases of goods	(2,592)	(2,702)
Amount billed to/(by) Healthy Yum Beverage Sdn. Bhd.:		
– Sales of goods	47	188
– Purchases of goods	(49)	(214)
Operating lease commitment payable to:		
– Far East Orchard Limited Group	–	(31)
– Sino Land Company Limited Group	(136)	(24)

Far East Orchard Limited is a fellow subsidiary of the Company.

Sino Land Company Limited is a shareholder of the Company.

TM Foods Sdn. Bhd. is an associated company of the Group.

Healthy Yum Beverage Sdn. Bhd. is a joint venture of the Group.

Other related parties comprise companies that are controlled or significantly influenced by the Group's key management personnel or the shareholders of the Company's ultimate holding company.

Outstanding balances at 31 December 2019, arising from sales/purchases of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 25 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	The Group	
	2019 \$'000	2018 \$'000
Wages and salaries	4,267	4,412
Directors' fees	1,115	1,078
Employer's contribution to defined contribution plans including Central Provident Fund	69	118
Other short-term employee benefits	356	265
Share-based payment expense	–	83
	5,807	5,956

36. SEGMENT INFORMATION

Management has determined the operating segments based on the reports that are used to make strategic decisions, allocate resources and assess performance by the Chief Executive Officer ("CEO").

Based on segment information reported to the CEO, the Group is organised into two main business segments:

- Consumer food and beverage products
- Others

The consumer food and beverages products segment is the main business of the Group which is principally in the business of manufacture, sale and distribution of beverages and food products. Revenue of the segment is primarily derived from sales of beverages and food products and also includes sales of non-food items the Group carries on the distribution network as well as service fees from extending warehousing and logistics services to non-related parties. The consumer food and beverage products segment operates across various markets and the CEO assesses performance and makes decisions about resources to be allocated on an overall segment basis.

Others segment of the Group mainly comprise investment property holding, equity investment holding and property development.

Revenue from major products, services and others are disclosed in Note 4.

Inter-segment transactions are recorded at their transacted price which is generally at arm's length. Segment assets consist primarily of property, plant and equipment, investment properties, intangible assets, other financial assets, inventories, receivables and operating cash, and exclude current income tax recoverable, deferred income tax assets and investments in associated companies and a joint venture. Segment liabilities comprise operating liabilities and exclude items such as current income tax liabilities and deferred income tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CEO for the reportable segments is as follows:

	Consumer food and beverage products \$'000	Others \$'000	Elimination \$'000	The Group \$'000
Year ended 31 December 2019				
Revenue				
– External sales	364,323	26	–	364,349
– Inter-segment sales	–	5,551	(5,551)	–
	364,323	5,577	(5,551)	364,349
Profit from operation	3,107	21,529	–	24,636
Share of profit of associated companies and a joint venture	184	–	–	184
Segment profit	3,291	21,529	–	24,820
Finance expense				(723)
Profit before income tax				24,097
Income tax expense				(6,407)
Net profit				17,690
Segment assets	476,307	357,955	(126,102)	708,160
Associated companies and a joint venture	5,302	–	–	5,302
Unallocated assets				4,108
Consolidated total assets				717,570
Segment liabilities	203,211	11,116	(128,863)	85,464
Unallocated liabilities				16,409
Consolidated total liabilities				101,873
Other segment items				
Additions to property, plant and equipment	11,126	–	–	11,126
Gains on disposal and fair value gains on financial assets designated as fair value through profit or loss at initial recognition	–	(3,627)	–	(3,627)
Gain on disposal of property, plant and equipment	(4,462)	(9,216)	–	(13,678)
Gain on disposal of investment properties	–	(293)	–	(293)
Interest income	(748)	(4,591)	–	(5,339)
Depreciation	15,446	–	–	15,446
Amortisation of intangible assets	217	–	–	217
Amortisation of capitalised letting fees	–	23	–	23
Fair value gains on investment properties – net	–	(2,406)	–	(2,406)
Currency translation gain – net	(184)	(17)	–	(201)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the CEO for the reportable segments is as follows: (continued)

	Consumer food and beverage products \$'000	Others \$'000	Elimination \$'000	The Group \$'000
Year ended 31 December 2018				
Revenue				
– External sales	348,409	223	–	348,632
– Inter-segment sales	–	5,334	(5,334)	–
	348,409	5,557	(5,334)	348,632
Profit from operation	2,859	10,270	–	13,129
Share of profit of associated companies and a joint venture	292	–	–	292
Segment profit	3,151	10,270	–	13,421
Finance expense				–
Profit before income tax				13,421
Income tax expense				(1,399)
Net profit				12,022
Segment assets	445,668	368,654	(117,163)	697,159
Associated companies and a joint venture	5,542	–	–	5,542
Unallocated assets				5,737
Consolidated total assets				708,438
Segment liabilities	166,636	7,749	(112,582)	61,803
Unallocated liabilities				13,503
Consolidated total liabilities				75,306
Other segment items				
Additions to property, plant and equipment	7,943	7	–	7,950
Gain on disposal and fair value gains on financial assets designated as fair value through profit or loss at initial recognition	–	(963)	–	(963)
Gain on disposal of an associated company	–	(2)	–	(2)
Gain on disposal of property, plant and equipment	(2,773)	–	–	(2,773)
Interest income	(471)	(3,174)	–	(3,645)
Depreciation	13,475	–	–	13,475
Fair value gains on investment properties – net	–	(5,501)	–	(5,501)
Currency translation loss/(gain) – net	31	(481)	–	(450)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's main business segments operate in three main geographical areas:

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally investment holding; manufacture, sale, distribution and export of beverages, food and other products; and provision of vending and warehousing and logistics services.
- Malaysia – the operations in this area are principally production, marketing, sale and distribution of beverages and food products.
- Cambodia – the operations in this area are principally marketing, sale and distribution of beverages and food products.
- Other countries – the operations include manufacturing; sale and distribution of beverages and food products; and investment holding.

With the exception of Singapore and Malaysia, no other individual country contributed more than 10% of consolidated sales. Sales are based on the country in which the customer is located. Non-current assets, comprising investments in associated companies, investment in a joint venture, investment properties, property, plant and equipment, intangible assets and non-current trade and other receivables, are shown by the geographical area where the assets are located.

	Revenue		Non-current assets	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Singapore	101,282	91,009	81,452	63,499
Malaysia	148,506	154,490	108,254	106,889
Other countries	114,561	103,133	100,441	106,553
	364,349	348,632	290,147	276,941

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. SEGMENT INFORMATION (CONTINUED)

Changes in accounting policy

- (i) The adoption of the new leasing standard described in Note 2.1 had the following impact on the profit from operations in the current year.

	Profit from operation before adoption of SFRS(I) 16 \$'000	Rental expense under SFRS(I) 1-17, when the Group is a lessee \$'000	Depreciation under SFRS(I) 16, when the Group is a lessee \$'000	Profit from operation after adoption of SFRS(I) 16 \$'000
Consumer food and beverage products	2,505	3,469	(2,867)	3,107
Others	21,529	–	–	21,529
	24,034	3,469	(2,867)	24,636

- (ii) The adoption of the new leasing standard resulted in the recognition of ROU assets and lease liabilities, which increased segment assets and liabilities as at 31 December 2019 as follows:

	Segment assets \$'000	Segment liabilities \$'000
Consumer food and beverage products	16,517	21,737

- (iii) The recognition of ROU assets and lease liabilities on the balance sheet resulted in an increase in depreciation and finance expenses in the consolidated statement of comprehensive income in the current year as follows:

	Depreciation \$'000	Finance expenses \$'000
Consumer food and beverage products	2,867	723

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items above is not entirely comparable to the information disclosed for the prior year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Amendments to SFRS(I) 3 *Business Combination* (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

38. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Yeo Hiap Seng Limited on 27 February 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

39. LISTING OF SIGNIFICANT COMPANIES IN THE GROUP

Name of company/ Country of incorporation	Principal activities	Country of business	Equity holding	
			2019 %	2018 %
<i>Significant subsidiaries held by the Company</i>				
YHS (Singapore) Pte Ltd (Singapore) ⁽¹⁾	Investment holding, manufacture, sale, distribution and export of beverages, sauces, canned food and provision of vending, warehousing and logistics services	Singapore	100	100
YHS International Pte Ltd (Singapore) ⁽¹⁾	Distribution of food and beverages	Singapore	100	100
YHS Investment Pte Ltd (Singapore) ⁽¹⁾	Investment holding	Singapore	100	100
<i>Significant subsidiaries held by subsidiaries</i>				
Yeo Hiap Seng (Guangzhou) Food & Beverages Ltd (People's Republic of China) ⁽²⁾	Distribution of beverages	The People's Republic of China	100	100
Yeo Hiap Seng (Guangdong) Food & Beverages Ltd (People's Republic of China) ⁽²⁾	Manufacture and distribution of beverages	The People's Republic of China	100	100
YHS (Cambodia) Food & Beverage Pte Ltd (Cambodia) ⁽²⁾	Manufacture of food and beverages	Cambodia	100	100
YHS Hong Kong (2000) Pte Limited (Hong Kong) ⁽²⁾	Distribution of beverages and canned food	Hong Kong	100	100
YHS Trading (USA) Inc. (USA) ⁽³⁾	Distribution of beverages and canned food	USA	100	100
YHS (USA) Inc. (USA) ⁽³⁾	Investment holding	USA	100	100
Yeo Hiap Seng (Malaysia) Berhad (Malaysia) ⁽²⁾	Production, marketing and sale of beverages and food products	Malaysia	100	100
Bestcan Food Technological Industrial Sdn Bhd (Malaysia) ⁽²⁾	Production of instant noodles	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

39. LISTING OF SIGNIFICANT COMPANIES IN THE GROUP (CONTINUED)

Name of company/ Country of incorporation	Principal activities	Country of business	Equity holding	
			2019 %	2018 %
<i>Significant subsidiaries held by subsidiaries</i> (continued)				
Yeo Hiap Seng (Sarawak) Sdn Bhd (Malaysia) ⁽²⁾	Dormant and property holding	Malaysia	100	100
Yeo Hiap Seng Trading Sdn Bhd (Malaysia) ⁽²⁾	Distribution of food and beverages	Malaysia	100	100
PT YHS Indonesia (Indonesia) ⁽²⁾	Distribution of food and beverages	Indonesia	100	100
PT Botani Beverage Indonesia (Indonesia) ⁽²⁾	Manufacture of food and beverages (currently inactive)	Indonesia	100	100
<i>Significant associated companies held by subsidiaries</i>				
Langfang Yili Dairy Products Co., Ltd (People's Republic of China) ⁽³⁾	Manufacture and sale of packaged dairy milk and other related products	The People's Republic of China	25	25
TM Foods Sdn. Bhd. (Malaysia) ⁽³⁾	Manufacturing and trading of canned food	Malaysia	30	30

Legend:

- (1) Audited by KPMG LLP, Singapore.
 (2) Audited by other member firms of KPMG International.
 (3) Audited by other firms of auditors. The names of the audit firms are as follows:

Companies	Name of audit firm
YHS Trading (USA) Inc. YHS (USA) Inc.	MOSS-ADAMS LLP Certified Public Accountants, a member of Moores Rowland International, a professional association of independent accounting firm
Langfang Yili Dairy Products Co., Ltd	Da Hua Certified Public Accountants, a member of Moore Global Network Limited
TM Foods Sdn. Bhd	Lim Chong & Co

STATISTICS OF SHAREHOLDINGS

As at 6 March 2020

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Issued and Fully Paid-up Capital	:	\$228,244,695.915
No. of Shares Issued	:	579,911,041
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share
Treasury Shares and Subsidiary Holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 – 99	530	9.68	14,340	0.00
100 – 1,000	1,606	29.34	850,343	0.15
1,001 – 10,000	2,714	49.58	9,529,321	1.64
10,001 – 1,000,000	610	11.14	25,252,286	4.36
1,000,001 and above	14	0.26	544,264,751	93.85
Total	5,474	100.00	579,911,041	100.00

TWENTY LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shares	% of Shares
Far East Organization Pte Ltd	309,973,933	53.45
Far East Spring Pte Ltd	63,888,889	11.02
Transurban Properties Pte Ltd	56,342,854	9.72
Citibank Nominees Singapore Pte Ltd	31,020,431	5.35
Sino Land Company Limited	24,661,978	4.25
OCBC Securities Private Ltd	16,083,247	2.77
DBS Nominees Pte Ltd	12,352,173	2.13
HSBC (Singapore) Nominees Pte Ltd	8,247,692	1.42
Bank of East Asia Nominees Pte Ltd	6,337,158	1.09
BNP Paribas Nominees Singapore Pte Ltd	4,858,113	0.84
Raffles Nominees (Pte) Limited	4,185,146	0.72
Morph Investments Ltd	3,794,100	0.65
Teo Tzai Win Melvin	1,314,203	0.23
United Overseas Bank Nominees Pte Ltd	1,204,834	0.21
OCBC Nominees Singapore Pte Ltd	943,289	0.16
Maybank Kim Eng Securities Pte. Ltd	631,535	0.11
Chong Yean Fong	600,000	0.11
Lim and Tan Securities Pte Ltd	599,763	0.10
UOB Kay Hian Pte Ltd	570,458	0.10
Phillip Securities Pte Ltd	504,056	0.09
Total	548,113,852	94.52

STATISTICS OF SHAREHOLDINGS

As at 6 March 2020

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest No. of Shares	% of Total Issued Shares	Deemed Interest No. of Shares	% of Total Issued Shares
1. Far East Organization Pte. Ltd. ("FEO")	309,973,933	53.45	–	–
2. Far East Spring Pte. Ltd. ("FES")	63,888,889	11.02	–	–
3. Transurban Properties Pte. Ltd. ("TPPL")	56,342,854	9.72	–	–
4. Philip Ng Chee Tat ("PN") ⁽¹⁾	–	–	454,867,654	78.44
5. The Estate of Mr. Ng Teng Fong (Deceased) (the "Estate") ⁽²⁾	–	–	390,978,765	67.42
6. Ng Chee Siong ("RN") ⁽³⁾	–	–	390,978,765	67.42
7. Madam Tan Kim Choo @ Teng Kim Chow ("Madam Tan") ⁽⁴⁾	49,618	0.01	373,862,822	64.47
8. Glory Realty Co. Private Ltd. ("Glory") ⁽⁵⁾	–	–	56,342,854	9.72

Notes:

- (1) PN, in his capacity as a beneficiary of the Estate, is deemed to have an interest in shares in the Company in which the Estate is deemed to have an interest and, through his interest in FES, is deemed to be interested in FES' shareholding in the Company.
- (2) The Estate's deemed interest in shares in the Company include its interests through FEO, Glory and Sino Land Company Limited.
- (3) RN, in his capacity as a beneficiary of the Estate, is deemed to have an interest in shares in the Company in which the Estate is deemed to have an interest.
- (4) Madam Tan's deemed interest in shares in the Company arises through her interests in FEO and FES.
- (5) Glory, through its interest in TPPL, is deemed to have an interest in TPPL's shareholding in the Company.

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on information available to the Company as at 6 March 2020, approximately 21.34% of the issued ordinary shares of the Company is held in the hands of public, and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN that the Sixty-fourth Annual General Meeting of the Company will be held at Antica I & II, Orchard Rendezvous Hotel Singapore, 1 Tanglin Road, Singapore 247905 on Friday, 17 April 2020, at 3.00 p.m. to transact the following business:

ORDINARY BUSINESS

- | | |
|--|------------------------------|
| 1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2019 and the report of the Auditors. | Ordinary Resolution 1 |
| 2. To declare a final tax exempt dividend of \$0.02 per ordinary share and a tax exempt special dividend of \$0.01 per ordinary share for the financial year ended 31 December 2019. | Ordinary Resolution 2 |
| 3. To approve the payment of \$1,054,692 as Directors' fees for the financial year ended 31 December 2019. (2018:\$1,018,000) | Ordinary Resolution 3 |
| 4. (i) To re-elect Ms. Luo Dan, a Director who retires by rotation pursuant to articles 94 and 95 of the Constitution of the Company. | Ordinary Resolution 4 |
| (ii) To re-elect the following Directors, each of whom retires pursuant to article 100 of the Constitution of the Company: | |
| (a) Dr. Lim Su Lin | Ordinary Resolution 5 |
| (b) Mr. Sitoh Yih Pin | Ordinary Resolution 6 |
| (c) Ms. Goi Lang Ling Laureen | Ordinary Resolution 7 |
| 5. To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. | Ordinary Resolution 8 |

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

- | | |
|---|------------------------------|
| 6. That authority be and is hereby given to the Directors of the Company to: | Ordinary Resolution 9 |
| (a) (i) issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/or | |
| (ii) make or grant offers, agreements or options (collectively, "Instruments") 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 or exchangeable into shares, | |

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50 per cent. of the total number of issued shares, excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed 20 per cent. of the total number of issued shares, excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares, excluding treasury shares and subsidiary holdings, shall be calculated based on the total number of issued shares, excluding treasury shares and subsidiary holdings, at the time that this Resolution is passed, after adjusting for:
- (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which were issued and are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of shares,

and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) (unless revoked or varied by the Company in General Meeting) the 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.

NOTICE OF ANNUAL GENERAL MEETING

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7. That:

Ordinary Resolution 10

(a) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50 (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares of the Company ("Shares") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

- (i) market purchase(s) on the Singapore Exchange Securities Trading Limited ("SGX-ST") and/or any other stock exchange on which the Shares may for the time being be listed and quoted ("Other Exchange"); and/or
- (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(b) unless varied or revoked by the Company in General Meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

- (i) the date on which the next Annual General Meeting of the Company is held;
- (ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and
- (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"Maximum Limit" means that number of Shares representing 10% of the issued Shares (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST)) as at the date of the passing of this Resolution;

NOTICE OF ANNUAL GENERAL MEETING

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“Maximum Price” in relation to a Share to be purchased, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a market purchase of a Share, 105% of the Average Closing Price; and
- (ii) in the case of an off-market purchase of a Share, 120% of the Average Closing Price,

where:

“Average Closing Price” means the average of the closing market prices of the Shares over the last five Market Days on which the Shares were transacted on the SGX-ST or, as the case may be, Other Exchange, before the date of the market purchase or, as the case may be, the date of the making of the offer pursuant to an off-market purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five-day period and the date of the market purchase or, as the case may be, the date of the making of the offer pursuant to an off-market purchase;

“date of the making of the offer” means the date on which the Company makes an offer for the purchase or acquisition of Shares from shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase; and

“Market Day” means a day on which the SGX-ST (or, as the case may be, Other Exchange) is open for trading in securities; and

- (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

8. That pursuant to Section 161 of the Companies Act, Cap. 50, authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of shares in the Company as may be required to be allotted and issued pursuant to the Yeo Hiap Seng Limited Scrip Dividend Scheme.

Ordinary Resolution 11

BY ORDER OF THE BOARD

Winston Paul Wong Chi Huang
Company Secretary

Singapore, 24 March 2020

NOTICE OF ANNUAL GENERAL MEETING

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Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 3 Senoko Way, Singapore 758057 not less than 72 hours before the Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (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 or service providers), 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 or service providers) 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.

Notice of Books Closure:

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on 12 May 2020 for the purposes of determining shareholders' entitlements to the proposed final dividend and special dividend.

Duly completed and stamped transfers of the ordinary shares of the Company ("Shares") received by the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00 ASO Building, Singapore 048544 up to 5.00 p.m. on 11 May 2020 will be registered before shareholders' entitlements to the final dividend and special dividend are determined.

Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with Shares as at 5.00 p.m. on 11 May 2020 will rank for the proposed final dividend and special dividend.

Subject to shareholders' approval at the Sixty-fourth Annual General Meeting to be held on 17 April 2020, the payment of the final dividend of \$0.02 per Share and special dividend of \$0.01 per Share will be made on 20 May 2020.

NOTICE OF ANNUAL GENERAL MEETING

Additional information relating to items of Ordinary and Special Business:

Item 4(i) – Dato' Mohamed Nizam bin Abdul Razak, who is an Independent and Non-executive Director, also retires by rotation pursuant to articles 94 and 95 of the Constitution and, although eligible, has indicated that he is not offering himself for re-election. Dato' Nizam's retirement from the Board will take effect upon the conclusion of the Annual General Meeting. Upon retirement, he will cease to be a member of the Audit & Risk Committee and a member of the Nominating Committee.

Ordinary Resolution 4 – Subject to her re-election, Ms. Luo Dan, who is an Independent and Non-executive Director, will continue to serve as a member of the Remuneration Committee. Please refer to the sections on "Profile of the Board of Directors", "Corporate Governance Report" and "Supplemental Information on Director Seeking Re-election" in the Annual Report 2019 for more information on Ms. Luo Dan.

Ordinary Resolution 5 – Dr. Lim Su Lin, who was appointed as a Director on 1 May 2019, holds office until this Annual General Meeting under article 100 of the Constitution of the Company and is eligible for re-election. Subject to her re-election, Dr. Lim Su Lin, who is an Independent and Non-executive Director, will continue to serve as a member of the Nominating Committee. Please refer to the sections on "Profile of the Board of Directors", "Corporate Governance Report" and "Supplemental Information on New Directors" in the Annual Report 2019 for more information on Dr. Lim Su Lin.

Ordinary Resolution 6 – Mr. Sitoh Yih Pin, who was appointed as a Director on 1 October 2019, holds office until this Annual General Meeting under article 100 of the Constitution of the Company and is eligible for re-election. Subject to his re-election, Mr. Sitoh Yih Pin, who is an Independent and Non-executive Director, will continue to serve as Chairman of the Remuneration Committee and a member of the Audit & Risk Committee. Please refer to the sections on "Profile of the Board of Directors", "Corporate Governance Report" and "Supplemental Information on New Directors" in the Annual Report 2019 for more information on Mr. Sitoh Yih Pin.

Ordinary Resolution 7 – Ms. Goi Lang Ling Laureen, who was appointed as a Director on 1 October 2019, holds office until this Annual General Meeting under article 100 of the Constitution of the Company and is eligible for re-election. Subject to her re-election, Ms. Goi Lang Ling Laureen, who is an Independent and Non-executive Director, will continue to serve as a member of the Remuneration Committee. Please refer to the sections on "Profile of the Board of Directors", "Corporate Governance Report" and "Supplemental Information on New Directors" in the Annual Report 2019 for more information on Ms. Goi Lang Ling Laureen.

Ordinary Resolution 9 – If passed, will authorise the Directors from the date of this Annual General Meeting up to the next Annual General Meeting, to issue shares in the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, for such purposes as they consider would be in the interests of the Company, up to a number not exceeding 50 per cent. of the issued shares (excluding treasury shares and subsidiary holdings), of which up to 20 per cent. may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time that the Ordinary Resolution is passed, after adjusting for the conversion or exercise of any convertible securities and share options or vesting of share awards that have been issued or granted (provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual) and which are outstanding or subsisting at the time that the Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares. As at 6 March 2020, the Company did not have treasury shares or subsidiary holdings.

NOTICE OF ANNUAL GENERAL MEETING

Ordinary Resolution 10 – If passed, will empower the Directors to exercise the power of the Company to purchase or acquire its issued ordinary shares, until the date of the next Annual General Meeting. The Company intends to use internal sources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance purchases or acquisitions of its shares. The amount of financing required for the Company to purchase or acquire its shares, and the impact on the Company’s financial position, cannot be ascertained as at the date of this Notice as these will depend on, *inter alia*, whether the shares are purchased or acquired out of capital and/or profits of the Company, the aggregate number of shares purchased or acquired, and the consideration paid at the relevant time. Purely for illustrative purposes only, the financial effects of an assumed purchase or acquisition by the Company of 57,991,104 shares on 6 March 2020 representing approximately 10% of the issued shares (excluding treasury shares and subsidiary holdings) as at that date, at a purchase price equivalent to the Maximum Price per share, in the case of a market purchase and an off-market purchase respectively, based on the audited financial statements of the Group and the Company for the financial year ended 31 December 2019 and certain assumptions, are set out in Paragraph 2.7 of the Company’s Letter to Shareholders dated 24 March 2020.

Ordinary Resolution 11 – If passed, will authorise the Directors to issue shares in the Company pursuant to the Yeo Hiap Seng Limited Scrip Dividend Scheme to participating shareholders who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

The Company’s Annual Report 2019 and Letter to Shareholders dated 24 March 2020 may be accessed at the URL <http://www.yeos.com.sg/investor-relations/annual-reports/>.

SUPPLEMENTAL INFORMATION ON DIRECTOR SEEKING RE-ELECTION (PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1)

Name of Director	Luo Dan
Date of appointment	1 January 2017
Date of last re-appointment (if applicable)	26 April 2017
Age	51
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered the recommendation of the Nominating Committee and assessment of Ms. Luo Dan's qualification and experience and is satisfied that she will continue to contribute to the Board in view of her experience in the food and beverage industry.
Whether appointment is executive, and if so, the area of responsibility	Non-executive
Job Title (eg. Lead ID, AC Chairman, AC Member etc.)	<ul style="list-style-type: none"> • Independent & Non-executive Director • Member of Remuneration Committee
Professional qualifications	<ul style="list-style-type: none"> • Bachelor of Computer Science, Software from Wuhan University • MBA from IMD, Switzerland
Working experience and occupation(s) during the past 10 years	Ms. Luo Dan currently acts as an independent consultant mostly for fast moving consumer goods companies. She was formerly the Managing Director of Lego Singapore, a subsidiary of The Lego Group. Prior to that, she has spent more than a decade with the Heinz Group of companies and has extensive experience in commercial operations and financial analysis in the fast moving consumer goods industry.
Shareholding interest in the listed issuer and its subsidiaries	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other principal commitments including directorships: Past (for the last 5 years)	Nil
Present	<ul style="list-style-type: none"> • Pickering Pacific Private Limited • Ms. Luo Dan currently acts as an independent consultant mostly for fast moving consumer goods companies.

SUPPLEMENTAL INFORMATION ON DIRECTOR SEEKING RE-ELECTION (PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1)

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Name of Director		Luo Dan
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c)	Whether there is any unsatisfied judgment against him?	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No

SUPPLEMENTAL INFORMATION ON DIRECTOR SEEKING RE-ELECTION (PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1)

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Name of Director		Luo Dan
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:	
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No
	(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No
	(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No
	(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

SUPPLEMENTAL INFORMATION ON NEW DIRECTORS (PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1)

Name of Director	Lim Su Lin	Sitoh Yih Pin	Goi Lang Ling Laureen
Date of appointment	1 May 2019	1 October 2019	1 October 2019
Date of last re-appointment (if applicable)	N/A	N/A	N/A
Age	50	56	49
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Upon the recommendation of the Nominating Committee ("NC") and having reviewed the qualifications and experience of Dr. Lim Su Lin, the Board has approved the appointment of Dr. Lim as an Independent, Non-executive Director in view of her competency and suitability. Dr. Lim's expertise in the field of dietetics will lend valuable perspective to the Group's food and beverage businesses, particularly in the development of healthy food and drinks.	Upon the recommendation of the NC and having reviewed the qualifications and experience of Mr. Sitoh Yih Pin, the Board has approved the appointment of Mr. Sitoh as an Independent & Non-executive Director in view of his wide-ranging and in-depth experience dealing with companies of diverse backgrounds and industries. Mr. Sitoh is a chartered accountant by profession and has more than 20 years of experience as an independent director of public listed companies. He is also a Member of Parliament, a person of good social standing and with wide business contacts.	Upon the recommendation of the NC and having reviewed the qualifications and experience of Ms. Goi Lang Ling Laureen, the Board has approved the appointment of Ms. Goi as an Independent & Non-executive Director in view of her broad experience in the fast-moving consumer goods business in the areas of sales and marketing, general operations and new product development and she will be able to provide valuable insights to the Company's food and beverage business.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive	Non-executive
Job Title (eg. Lead ID, AC Chairman, AC Member etc.)	<ul style="list-style-type: none"> • Independent & Non-executive Director • Member of Nominating Committee 	<ul style="list-style-type: none"> • Independent & Non-executive Director • Chairman of Remuneration Committee • Member of Audit & Risk Committee 	<ul style="list-style-type: none"> • Independent & Non-executive Director • Member of the Remuneration Committee
Professional qualifications	(1) PhD (2) BSc in Dietetics (Honours)	Chartered Accountant	Master in Business & Technology (University of New South Wales, Australia)

SUPPLEMENTAL INFORMATION ON NEW DIRECTORS (PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1)

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Name of Director	Lim Su Lin	Sitoh Yih Pin	Goi Lang Ling Lauren
Working experience and occupation(s) during the past 10 years	<ul style="list-style-type: none"> • Chief Dietitian at the National University Hospital in Singapore • Head of dietetics (including financial management, P&L, human resource planning, recruitment, management and balance score card) • Extensive experience as a clinical dietitian especially in chronic disease prevention and management, such as diabetes, pre-diabetes, heart disease, fatty liver and kidney disease • Conceptualised and led in multiple quality improvement projects, clinical research; and development of nutrition screening and lifestyle intervention tools and processes 	<p>1993 to date – Practising Accountant</p> <p>1987 to 1993 – KPMG (Singapore & Melbourne)</p>	<p>2008 to current – General Manager, Tee Yih Jia Food Manufacturing Pte Ltd</p> <p>2011 to current – Executive Committee, T&T Cuisine Pte Ltd</p> <p>1995 to 2007 – Market Development Manager, Tee Yih Jia Food Manufacturing Pte Ltd</p> <p>1999 to 2000 – Market Development Manager, Tee Yih Jia (UK) Ltd</p> <p>July 1993 to 1994 – Sales & Marketing Executive, Tee Yih Jia Food Manufacturing Pte Ltd</p> <p>June 1992 to 1993 – Brand Management, Summer Managerial Internship, Procter & Gamble (USA) Ltd</p>
Shareholding interest in the listed issuer and its subsidiaries	No	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

SUPPLEMENTAL INFORMATION ON NEW DIRECTORS (PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1)

Name of Director	Lim Su Lin	Sitoh Yih Pin	Goi Lang Ling Lauren
Other principal commitments including directorships: Past (for the last 5 years)	Nil	<ul style="list-style-type: none"> • Lian Beng Group Ltd • Allied Technologies Limited • United Food Holdings Limited 	Nil
Present	Chief Dietitian at the National University Hospital	<p><u>Directorships in companies within Mr. Sitoh's own accounting practice</u></p> <ol style="list-style-type: none"> (1) Nexia TS Pte Ltd (2) TSA Capital Pte Ltd (3) TSA Recruitment Consultants Pte Ltd (4) NTS Asia Advisory Pte Ltd (5) Nexia China Pte Ltd (6) Nexia TS Public Accounting Corporation (7) Nexia TS Risk Advisory Pte Ltd (8) Nexia TS Tax Services Pte Ltd (9) Nexia TS Technology Pte Ltd (10) Nexia TS Advisory Pte Ltd (11) NTS Asia Advisory Sdn Bhd (12) NTS Myanmar Company Limited <p><u>Other Directorships and appointments</u></p> <ol style="list-style-type: none"> (1) Potong Pasir Grassroots Organisations – Advisor (2) PAP Community Foundation – Director (3) Jalan Besar Town Council – Vice Chairman (4) Central Community Development Council – Council Member (5) People's Action Party – Member of Central Executive Committee (6) China Taiping Insurance (Singapore) Pte. Ltd. – Director (7) Government Parliamentary Committee for Ministry of Transport – Chairman (8) Government Parliamentary Committee for Ministries of Law and Home Affairs – Member <p><u>Directorships in public listed companies</u></p> <ol style="list-style-type: none"> (1) Talkmed Group Limited (2) ISEC Healthcare Ltd 	<ol style="list-style-type: none"> (1) Tee Yih Jia Food Manufacturing Pte Ltd (2) Yamada Green Resources Limited (3) TYJ International Pte Ltd (4) Maker Food Manufacturing Pte Ltd (5) Twin Investment Pte Ltd (6) Taste United Pte. Ltd. (7) Ee Hoe Food Marketing Sdn. Bhd.

SUPPLEMENTAL INFORMATION ON NEW DIRECTORS (PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1)

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Name of Director	Lim Su Lin	Sitoh Yih Pin	Goi Lang Ling Laureen
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

SUPPLEMENTAL INFORMATION ON NEW DIRECTORS (PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1)

.....

Name of Director	Lim Su Lin	Sitoh Yih Pin	Goi Lang Ling Lauren
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

SUPPLEMENTAL INFORMATION ON NEW DIRECTORS (PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1)

.....

Name of Director	Lim Su Lin	Sitoh Yih Pin	Goi Lang Ling Lauren
<p>(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:</p> <p>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p> <p>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	<p>No</p> <p>No</p> <p>No</p> <p>No</p>	<p>No</p> <p>No</p> <p>No</p> <p>No</p>	<p>No</p> <p>No</p> <p>No</p> <p>No</p>
<p>(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	<p>No</p>	<p>No</p>	<p>No</p>

**PROXY FORM
ANNUAL GENERAL MEETING**

YEO HIAP SENG LIMITED

(Registration No: 195500138Z)
(Incorporated in Singapore)

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50, may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Yeo Hiap Seng Limited shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

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 24 March 2020.

I/We (Name) _____ (NRIC/Passport No./UEN) _____

of (Address) _____

being a member/members of Yeo Hiap Seng Limited (the "Company") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%
and/or (delete as appropriate)				

or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Sixty-fourth Annual General Meeting of the Company to be held at Antica I & II, Orchard Rendezvous Hotel Singapore, 1 Tanglin Road, Singapore 247905 on Friday, 17 April 2020 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against, or to abstain from voting on, the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

Ordinary Business		For*	Against*	Abstain*
Ordinary Resolution 1	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report			
Ordinary Resolution 2	Declaration of final dividend and special dividend			
Ordinary Resolution 3	Approval of Directors' fees			
Ordinary Resolution 4	Re-election of Ms. Luo Dan as Director			
Ordinary Resolution 5	Re-election of Dr. Lim Su Lin as Director			
Ordinary Resolution 6	Re-election of Mr. Sitoh Yih Pin as Director			
Ordinary Resolution 7	Re-election of Ms. Goi Lang Ling Laureen as Director			
Ordinary Resolution 8	Re-appointment of KPMG LLP as Auditors and authority for the Directors to fix their remuneration			
Special Business				
Ordinary Resolution 9	Approval of Share Issue Mandate			
Ordinary Resolution 10	Approval of Renewal of Share Purchase Mandate			
Ordinary Resolution 11	Approval of Issue of Shares pursuant to the Yeo Hiap Seng Limited Scrip Dividend Scheme			

* Voting will be conducted by poll. If you wish your proxy to cast all your votes "For" or "Against" a resolution, please tick (✓) in the "For" or "Against" box provided. Alternatively, please indicate the number of votes as appropriate. If you wish your proxy to abstain from voting on a resolution, please tick (✓) in the "Abstain" box provided. Alternatively, please indicate the number of shares that your proxy is directed to abstain from voting.

Dated this _____ day of _____ 2020.

Total number of Shares held	
------------------------------------	--

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF



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**BUSINESS REPLY SERVICE
PERMIT NO. 09180**



**THE COMPANY SECRETARY
YEO HIAP SENG LIMITED**
3 SENOKO WAY
SINGAPORE 758057

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Notes to Proxy Form:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
 - (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
- "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.
2. A proxy need not be a member of the Company.
 3. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.
 4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares

- registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 3 Senoko Way, Singapore 758057 not less than 72 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of 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 common seal or under the hand of its attorney or its duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy or proxies, failing which the instrument may be treated as invalid.

General

The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Yeo Hiap Seng Limited

(Company Registration No.: 195500138Z)

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