



HANWELL
HOLDINGS 恒威

ANNUAL REPORT 2015

**MAKING DREAMS
BUILDING FUTURE**



VISION

To be a multi-faceted consumer essentials company
with strategic investments in the region

MISSION

Building strong partnerships, growing new markets

Fostering an open and creative culture, attracting and
nurturing talents

Providing innovative products, portfolio building, meeting
stakeholders' needs

Achieving operational excellence

Building strong financial capabilities

CONTENTS

Vision and Mission	01	Corporate Information	20
Executive Chairman's Statement	02	Corporate Governance Statement	21
Board of Directors	04	Financial Statements	49
Senior Management	08	Supplementary Information	142
Group Financial Summary	10	Shareholding Statistics	146
Operational Review	12	Notice of Annual General Meeting	148
Corporate Social Responsibility	19		

EXECUTIVE CHAIRMAN'S STATEMENT



The Group is pleased to announce that net profit after tax surged by 81.3% to S\$11.4 million for the financial year ended 31 December 2015 (FY2015) despite facing headwinds from the uncertain global economy.

DEAR SHAREHOLDERS,

As the global economy faces headwinds, the Group is pleased to announce we managed to keep our revenue constant for the financial year ended 31 December 2015 ("FY2015"). The Group's revenue in FY2015 was down marginally by 0.9% to S\$414.5 million due to discontinuation of agencies and lower sales volume on its products for the distribution segment of the Consumer Business.

Revenue contributed by our Consumer Business was down by S\$12.2 million or 6.3% to S\$181.5 million as a result of lower revenue generated from distribution business in Singapore, which was partially off-set by higher revenue from its distribution business of new products in Malaysia. On the other hand, our Packaging Business, which constitutes Tat Seng Group, reported higher revenue of 3.1% to S\$231.4 million for the financial year. The increase was largely due to the strengthening of Renminbi ("RMB") against Singapore Dollar ("SGD") by 6.9% as compared to the previous year.

The Group's gross profit for FY2015 hiked by 5.8% to S\$90.2 million due to higher margin achieved by the Packaging Business. The reduction of \$0.3 million in warehouse and delivery income for consumer business in Singapore attributed to other income dip from S\$3.9 million in the previous year to S\$3.6 million in FY2015. Lower gain on disposal of property, plant and equipment by S\$0.1 million as compared to the previous year was another contributing factor for the dip in figures. However, this was partially balanced by an increase in rental income of S\$0.2 million for the year.

Overall, the Group recorded higher profit before tax of S\$16.1 million in FY2015, which translated to a year-on-year gain of 43.9%. Consequently, the Group's net profit after tax for FY2015 surged by 81.3% to S\$11.4 million from S\$6.3 million in FY2014.

Where segmental profits were concerned, the Consumer Business reported a loss of S\$0.5 million in FY2015 against a loss of S\$0.4 million in FY2014. This was largely the result of impairment loss on property, plant and equipment of S\$0.7 million.

Concurrently, our Packaging Business continued to deliver a higher profit of 14.8% to S\$17.6 million from S\$15.3 million, as driven by higher sales and reduction of factory overhead costs of its Singapore operations.

As at 31 December 2015, our cash and cash equivalents position stood positive and strong at S\$152.7 million, up from S\$116.4 million from the previous year.

SIGNIFICANT MILESTONES/PROGRESS IN FY2015

As part of our ongoing commitment towards service excellence, we have implemented a series of initiatives during the year to boost our business. In addition to the brands that we are distributing, we will be focusing on building more of our own house brands via new product developments to cater to the new millennials. We will also be exploring more agency partnerships that offer viable margins as part of our strategy to remain competitive in the increasingly challenging consumer market.

EXECUTIVE CHAIRMAN'S STATEMENT

In line with our principle to constantly stay abreast in the industry with our products and services, we have made plans to upgrade and expand the existing premise. This will allow us to gain access to better production facilities, thereby increasing our efficiency and product quality, as well as strengthen our ability to expand our product offerings.

Concurrently, we also embarked on planning and initiating a 2-phased Enterprise Resource Planning (ERP) project to improve efficiency of internal working processes. This initiative will complement the Company's overall efforts to expand and upgrade the hardware and software of the Company's growing operations and we expect to gradually implement this over the next few years.

MOVING AHEAD

In line with our strategy to increase our competitive edge in the FMCG market, we will continue to focus on strengthening our presence in the market by expanding our range of home brand products as we work to enhance our existing house brands like Sobe, Fortune, Golden Circle and Beautex. In FY2015, we secured a new distributorship for "Greenfields" range of products, which commenced in March 2016. This new distributorship will further consolidate our Consumer business and operations.

However, we foresee that weaker demand in the manufacturing sector, coupled with higher raw material costs due to strengthening of the US dollar against the Singapore dollar, will add pressure on our Packaging Business in Singapore.

With the slowdown in the China economy, we anticipate that its corrugated packaging industries will remain challenging as over-capacity aggravates the market weakness and labour shortage will further increase labour costs in our China operations.

To compete more effectively and overcome these challenges, the management will continue to explore new sales avenues to drive earnings, invest in machinery upgrades to implement automation and provide staff training to improve productivity and efficiency.

IN APPRECIATION AND ACKNOWLEDGEMENT

I would like to thank the Board of Directors for their invaluable insights and guidance towards the development of Hanwell. We have progressed well over the years and I believe we can continue to attain greater achievements in the years ahead. Separately, I would also like to extend my gratitude towards our management, staff and business associates for their staunch faith and commitment that has kept Hanwell going and progressing to where it is today.

I would also like to express my appreciation to our valued shareholders for their unwavering support. We will continue to explore new opportunities and enhance our existing business to deliver greater shareholder value for everyone.

Last but not least, I would like to take this opportunity to thank Mr Chee Teck Kwong, Patrick, who will retire from the Board, for his dedication and valuable contribution to the Group over the years.

DR ALLAN YAP

Executive Chairman

BOARD OF **DIRECTORS****DR ALLAN YAP, 60**
Executive Chairman

Dr Allan Yap was first appointed to the Board of Hanwell Holdings Limited (the “Company”) on 10 May 2002 as Director, and was last re-elected to the Board at the Company’s AGM held on 25 April 2014. He is currently the Executive Chairman of the Company. He has drawn over 30 years of experience in finance, investment and banking.

Dr Yap is also the Executive Chairman of Tat Seng Packaging Group Ltd, a company listed on the Singapore Exchange Securities Trading Limited. He also serves as the Chairman and Executive Director of Hanny Holdings Limited, Rosedale Hotel Holdings Limited and Meike International Holdings Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited.

He is also the Chairman and Chief Executive Officer of China Enterprises Limited whose shares are traded on the OTC Securities Market in the United States of America and Burcon NutraScience Corporation, a company listed on the Toronto Stock Exchange in Canada, NASDAQ Stock Exchange in the United States of America and the Frankfurt Stock Exchange in Germany.

Dr Yap is the spouse of Dr Tang Cheuk Chee, the Executive Director of the Company.

Dr Yap holds an Honorary Degree of Doctor of Laws from the University of Victoria, Canada.

DR JOHN CHEN SEOW PHUN, 62
*Deputy Chairman/
Non-Executive Director*

Dr John Chen was first appointed to the Board of the Company on 9 June 2003 as Director and was last re-elected to the Board at the Company’s AGM held on 26 April 2013. He is currently the Deputy Chairman of the Company and a member of the Audit, Nominating and Remuneration Committees of the Company.

Dr Chen was a Member of Parliament from 1988 to 2006 and served as the Assistant Secretary General of the National Trades Union Congress from 1991 to 1997. He was a Minister of State for Communications from 1997 to 1999. From 1999 to 2001, he was the Minister of State for Communications & Information Technology and Minister of State for National Development.

Dr Chen has been a Board member of the Economic Development Board, the Housing & Development Board, the Port of Singapore Authority and Singapore Power Ltd respectively. He taught at the National University of Singapore from 1983 to 1991.

Dr Chen is presently the Deputy Chairman, Non-Executive and Independent Director of Tat Seng Packaging Group Ltd, Executive Chairman of Pavillon Holdings Ltd and sits on the Board of a number of public listed companies in Singapore. He is also the Chairman of SAC Capital Pte Ltd.

Dr Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada.

BOARD OF DIRECTORS

**DR TANG
CHEUK CHEE, 44**
Executive Director



Dr Tang was first appointed to the Board of the Company on 1 August 2011 as Director and was last re-elected to the Board at the Company's AGM held on 24 April 2015. She has a wealth of management experience and is well versed in marketing, business development and investments in property and securities.

Dr Tang is also an Executive Director of Tat Seng Packaging Group Ltd, a company listed on the Singapore Exchange Securities Trading Limited and serves as a Board member of Richstream Pte Ltd and SingExpress Travel Pte Ltd. Dr Tang is currently a member of Risk Management Committee of the Company.

Dr Tang is the spouse of Dr Allan Yap, the Executive Chairman of the Company.

Dr Tang holds an Honorary Doctorate of Management from Lincoln University, United States and awarded Fellowship from the Asian College of Knowledge Management.

**MR CHEE TECK
KWONG PATRICK, 62**
*Non-Executive Director/
Independent Director*



Mr Patrick Chee, PBM, was first appointed to the Board of the Company on 1 August 1990 as Director and was last re-elected to the Board at the Company's AGM held on 26 April 2013. He is currently the Chairman of the Audit Committee and is a member of the Nominating and Remuneration Committees of the Company.

Mr Chee is a Senior Legal Consultant with KhattarWong LLP and a Notary Public and Commissioner for Oaths. He is also a member of Singapore Institute of Arbitrators and Singapore Institute of Directors.

Mr Chee sits on the Board of several public listed companies in Singapore, namely Tat Seng Packaging Group Ltd, Hai Leck Holdings Limited, China International Holdings Limited, Ramba Energy Limited, and is the Chairman of CSC Holdings Limited. He is also an Honorary Legal Adviser to Hospitality Purchasing Association Singapore, and several big clans and trade associations in Singapore.

Mr Chee is the recipient of the National Day Awards 2003 – The Public Service Medal (Pingat Bakti Masyarakat) from the President of Republic of Singapore.

Mr Chee holds a Bachelor of Law (Hons) degree from the University of Singapore. He has been admitted as a Solicitor of the Senior Courts of England and Wales. Since 1980, he has been an Advocate and Solicitor of the Supreme Court of the Republic of Singapore.

BOARD OF DIRECTORS

MR LIEN**KAIT LONG, 68***Non-Executive Director/
Independent Director*

Mr Lien was first appointed to the Board of the Company on 1 June 2005 as Director and was last re-elected to the Board at the Company's AGM held on 24 April 2015. He is currently the Chairman of the Nominating Committee and Risk Management Committee and is a member of the Audit Committee of the Company. He has more than 40 years' experience in accounting and finance, corporate management and business investment.

Mr Lien sits on the Board of several Singapore and Chinese companies listed on the Singapore Exchange Securities Trading Limited namely 8Telecom International Holdings Co., Ltd, China Jishan Holdings Limited, Renewable Energy Asia Group Limited, Falcon Energy Group Limited, Tat Seng Packaging Group Ltd, Viking Offshore and Marine Ltd, IPC Corporation Limited and Pacific Healthcare Holdings Ltd. He is also a Director of China Enterprises Limited, a company listed on the OTC Securities Market in the United States of America.

Mr Lien holds a degree in Bachelor of Commerce from Nanyang University, Singapore. He is a fellow of the Institute of Singapore Chartered Accountants and Institute of Certified Public Accountants of Australia since July 2004 and May 2004 respectively.

MR TAO**YEOH CHI, 64***Non-Executive Director/
Independent Director*

Mr Tao was first appointed to the Board of the Company on 13 November 1997 as Director and was last re-elected to the Board at the Company's AGM held on 25 April 2014. He is currently the Chairman of the Remuneration Committee and is a member of Audit Committee of the Company.

Mr Tao started his career in 1976 in the Administrative Service of the Government of Singapore where he worked in the Ministry of Defence, Ministry of Education, Public Service Commission, and Ministry of Finance, Ministry of Communications and Information and Prime Minister's Office holding various senior positions. He was subsequently seconded to Temasek Holdings where he held the position of General Manager in its Hong Kong wholly-owned subsidiary. From 1988 to 1999, Mr. Tao worked for large Singapore multinational companies such as Times Publishing Ltd, Singapore Technologies Pte Ltd, CapitaLand, and Media Corporation of Singapore. Mr. Tao has a strong background in human resource management and has accumulated over 21 years of experience in the print and broadcast media as well as in the high-end manufacturing sector.

Mr Tao is currently a member of Singapore Institute of Directors. He is an Independent Director of Singapore eDevelopment Ltd and Sapphire Corporation Limited. Both companies are listed on the Singapore Stock Exchange.

Mr Tao holds a degree in Bachelor of Arts (Economics) and Bachelor of Engineering (Mechanical) with First Class Honours in 1975 from University of Newcastle, Australia under the Colombo Plan Scholarship. He was also awarded the INSEAD Executive Program Scholarship and completed the INSEAD Executive Program in 1983.

BOARD OF DIRECTORS

**MR GOI KOK MING
(WEI GUOMING), 42**
Non-Executive Director



Mr Goi was first appointed to the Board of the Company on 10 August 2012 as Director and was last re-elected to the Board at the Company's AGM held on 24 April 2015. Mr Goi is currently the Executive Director of GSH Corporation Limited, a Singapore listed company and Acelink Logistics Pte Ltd, a supply chain company with distribution networks in Singapore, Malaysia, Thailand, Hong Kong and China.

Mr. Goi is also a Director of Tee Yih Jia Food Group, a global food and beverage group with operations in Singapore, Malaysia, USA, Europe, China, and Mandarin Food Manufacturing Pte. Ltd., a trading company with a network that spans across Australia and South East Asia.

Mr Goi is active in community service and is a member of the Community Development District Council, South East Region.

Mr Goi holds a Bachelor Degree in Computer Information System from California State University, Pomona.

**MR CHAN SEK NIN
JACKEY, 59**
Non-Executive Director



Mr Chan was first appointed to the Board of the Company on 5 July 2007 as Director and was last re-elected to the Board at the Company's AGM held on 25 April 2014.

Mr Chan has accumulated more than 20 years of solid experience in sales and marketing in connection with the media industry by holding senior positions in Television Broadcasts Limited, a company listed on the Stock Exchange of Hong Kong Limited and draws extensive experience in property development, project management and strategic alliance management through senior positions held in other private and public listed companies in Hong Kong.

Mr Chan is also a Director of Eastern Spark Development Limited and Guangzhou JiangNan Property Co., Ltd.

Mr Chan holds a Diploma in Economics from Lingnan University in Hong Kong.

**MR LEE PO ON
MARK, 60**
Non-Executive Director



Mr Lee Po On was first appointed to the Board of the Company on 10 August 2012 as Director and was last re-elected to the Board at the Company's AGM held on 26 April 2013.

Mr Lee is the Executive Director and Group CEO of Television Broadcasts Limited ("TVB"), a company listed on the Stock Exchange of Hong Kong Limited and holds directorships in a number of the subsidiaries of TVB.

Before joining TVB and during the period from late 1987 to early 2007, Mr. Lee worked as an Executive Director of a listed consortium engaged in real estate, hotel, media, entertainment and retail business in Hong Kong and overseas. During 1992 to 1996, Mr. Lee also took up the position of Executive Director and CEO of Asia Television Limited which was a former affiliate of the consortium.

During the period from 1977 to 1987, Mr. Lee worked with KPMG, an international accounting firm, in various offices including Hong Kong, Los Angeles and Shanghai. Mr Lee is a member of the Institute of Chartered Accountants in England and Wales and also the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

MS CHANG WAI LENG
Hanwell Holdings Limited
Group Financial Controller

Ms Chang has more than 30 years of experience in finance and accounting. She has held senior and management positions with multi-national corporations in the FMCG, food-related and trading industries, before becoming the Group Financial Controller of Hanwell Holdings Limited. Ms Chang is a fellow member of the Association of Chartered Certified Accountants (UK).

**MR YEO SEE LIANG
EUGENE**
Hanwell Holdings Limited
Senior Vice President
Socma Trading (M)
Sendirian Berhad
Executive Director

Mr Yeo is very well versed with FMCG operations, having accumulated more than 33 years of experience in diverse industries, including beverage, household, confectionery and groceries. He holds a degree in Business Studies from Middlesex University, United Kingdom.

**MS WONG YUEN MAY
SANDY**
Hanwell Holdings Limited
Vice President – Operations

Ms Wong has more than 20 years of experience in the FMCG industry. She held significant positions in business development, general management and finance, before becoming Hanwell Holdings Limited's Vice President – Operations. She holds a degree in Accounting from Charles Sturt University, Australia.

**MS TONG YING LING
DENISE**
Topseller Pte Ltd
Vice President

Ms Tong is an established professional with more than 21 years of experience in the FMCG industry. She held senior roles in finance and general management with US MNC before joining Topseller Pte Ltd. She holds a Bachelor of Accountancy degree from National University of Singapore.

**MR SIM SEE HIANG
RICHARD**
Tipex Pte. Ltd.
Vice President

Mr Sim has more than 15 years of experience in paper product manufacturing and distribution across the Asia Pacific region. He holds a Bachelor of Engineering Degree, majoring in Mechanical & Production Engineering from Nanyang Technological University, Singapore.

SENIOR MANAGEMENT

**MR TANG CHI MING
DANNY**

*Fortune Food
Manufacturing Pte Ltd
Assistant Vice President*

Mr Tang's experience is wide ranging and spans FMCG business operations, information technology consulting and development, as well as property and securities investments. He became Assistant Vice President in 2012. Mr Tang holds a Bachelor of Science Degree in Business Administration from Salem International University in the United States of America.

MR LONG HOI SAN

*Hanwell Holdings Limited
Legal Counsel – Legal &
Corporate Secretarial*

Mr Long has more than 12 years of post-qualification experience both in house and in private practice. He has extensive experience in litigation, conveyancing and corporate and commercial matters. Prior to joining Hanwell Holdings Limited, he worked in several reputable public-listed companies in Malaysia and Hong Kong. He holds a LL.B Bachelor of Laws Degree, University of London, and was admitted as an Advocate and Solicitor to the High Court of Malaya.

MR LOH SEE MOON

*Tat Seng Packaging
Group Ltd
Managing Director /
Chief Executive Officer*

Mr Loh has more than 42 years of experience in the corrugated packaging industry. He holds a Bachelor of Science Degree from Nanyang University, Singapore.

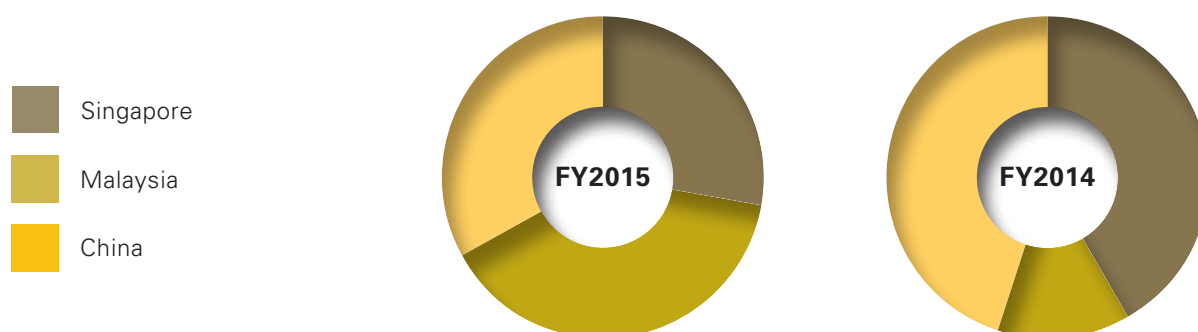
MDM CHEONG POH HUA

*Tat Seng Packaging
Group Ltd
Executive Director*

Madam Cheong has over 35 years of experience in the corrugated packaging industry. She joined Tat Seng Packaging Group Ltd in 1981 and became its Executive Director in 2002. She holds a Bachelor of Commerce Degree in Accountancy from Nanyang University, Singapore. She is a member of the Institute of Singapore Chartered Accountants.

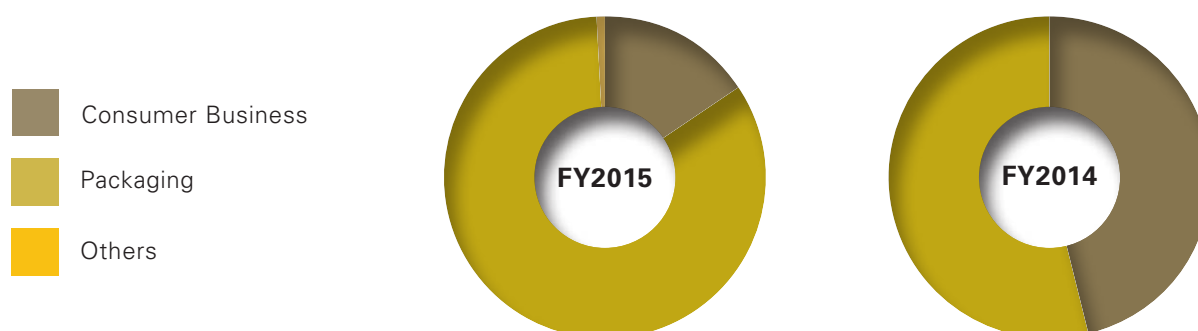
GROUP FINANCIAL SUMMARY

TURNOVER BY GEOGRAPHICAL SEGMENTS (\$ MILLION)



	2015		2014	
Singapore	\$164.2	(39.6%)	\$174.6	(41.7%)
Malaysia	\$56.0	(13.5%)	\$56.1	(13.4%)
China	\$194.3	(46.9%)	\$187.7	(44.9%)

TURNOVER BY BUSINESS SEGMENTS (\$ MILLION)

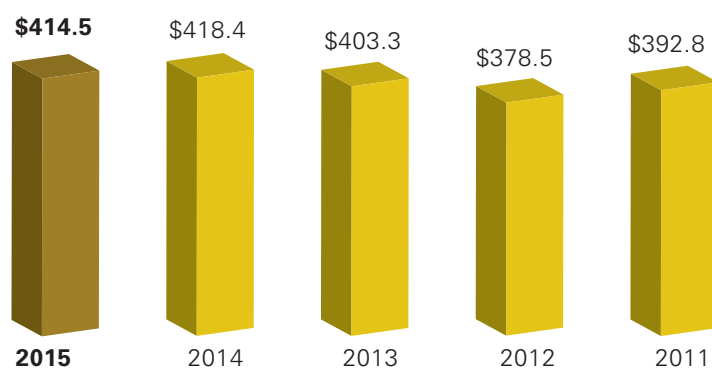


	2015		2014	
Consumer Business	\$181.5	(43.8%)	\$193.7	(46.3%)
Packaging	\$231.4	(55.8%)	\$224.5	(53.7%)
Others	\$1.6	(0.4%)	\$0.2*	(-%)

* Restatement made on Health Solutions to Others for FY2014 as contribution by Health Solutions is insignificant to disclose as separate segment

GROUP FINANCIAL SUMMARY

TURNOVER (\$ MILLION)



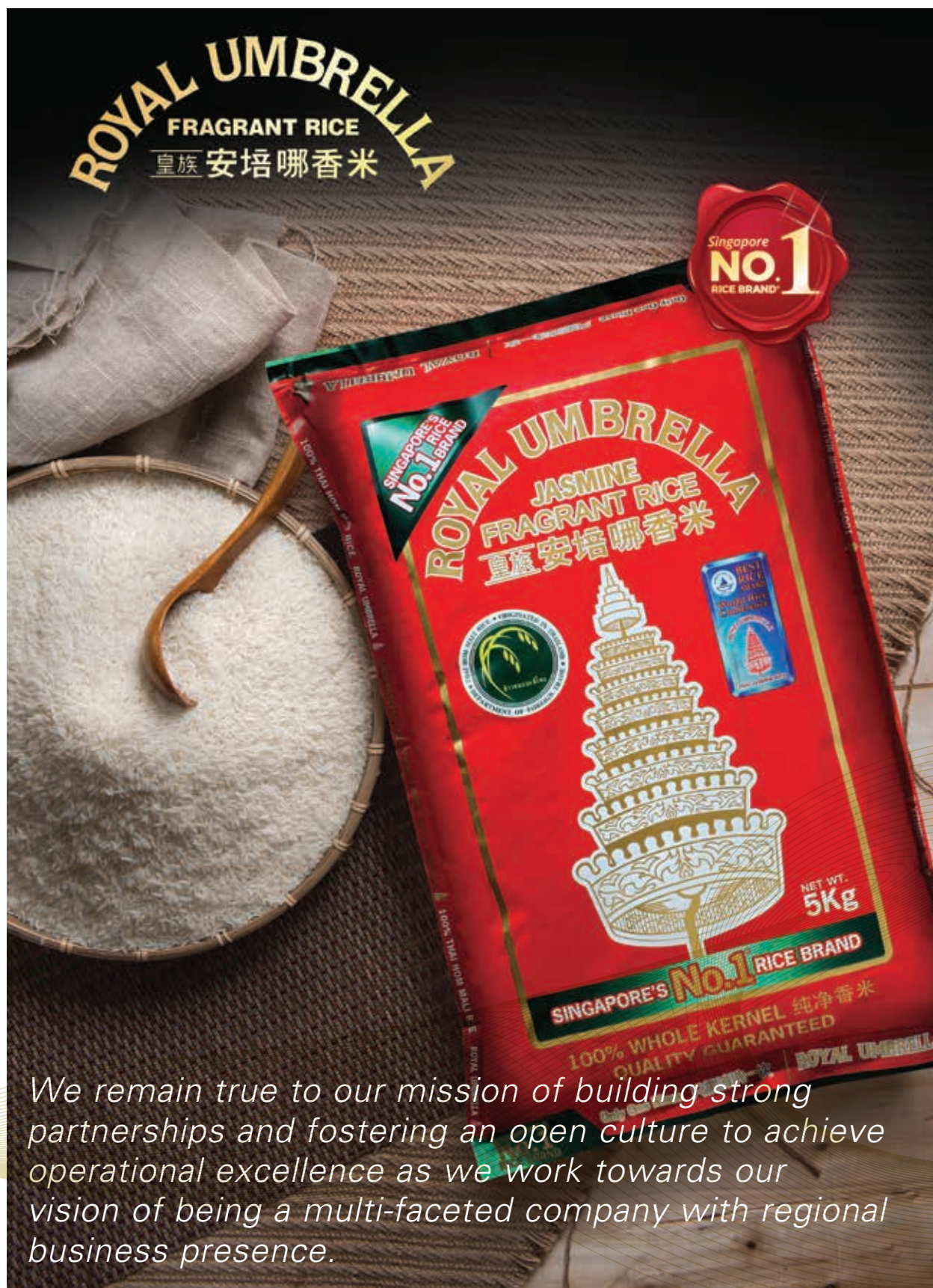
BASIC EARNINGS PER SHARE (CENTS)



NAV PER SHARE (CENTS)



OPERATIONAL REVIEW



We remain true to our mission of building strong partnerships and fostering an open culture to achieve operational excellence as we work towards our vision of being a multi-faceted company with regional business presence.

OPERATIONAL REVIEW

HANWELL HOLDINGS LIMITED

– iEcon and Go2Mart

Hanwell Holdings Limited (“**Hanwell**”) maintains its position as one of the major player in Singapore’s grocery franchising sector, namely *iEcon* and *Go2Mart*.

iEcon

iEcon has been a part of the Singapore heartland household retail scene since 1982. With outlets widely located in strategic heartland areas around the island, it provides friendly customised service and comprehensively well-stocked products to meet the needs of the residents in the neighbourhood. Working with franchisees who hail from homegrown traditional grocery backgrounds helps ensure that we are in touch with the changing needs of the consumers to launch relevant product mix and marketing promotions to attract more business.

As part of our commitment to the community, we have been working closely with our franchisees to assist them in maintaining their competitive edge in the business. Tapping on technological capabilities, our enhanced point-of-sale systems have helped increase in-store efficiency, leading to a reduction in waiting time and better customer experience.

We also explored the viability of converting or extending the existing franchisees’ business model to include more convenient and functional services to enhance our profit margins.

During the year, we continue to launch festive promotions in specific seasons. Complementing our marketing efforts, these promotions are featured in our monthly newsletters which also provide readers with other useful production information, recipes, household tips and activities to boost consumer engagement.

In line with our image as a one-stop mini-mart, we are constantly building our product offerings to give our consumers an enjoyable shopping experience. As consumers become exposed to more shopping venue options and price offerings, we strive to explore new ways to refine our retail concept to explore new ways to maintain our competitive edge.

Go2Mart

Go2Mart is an alternative retail concept store that integrates the essence of a convenience store with a minimart. Since its inception in 2014, *Go2Mart* has expanded to five (5) outlets island-wide, located at block 406 and 164 in Tampines, block 532 in Ang Mo Kio, Eight Courtyards at 8 Canberra Drive and block 501A Wellington Circle. These are run by our appointed franchisees.



Boasting of a trendy in-store ambience with products that cater to our customers’ lifestyle preferences, every *Go2Mart* is a unique retail experience in itself. Laundry services and pick-up hot spots for local online purchases are also available.

We have maintained a two-prong strategy in operating this business, which includes increasing the number of outlets, as well as expanding the range of products and services available. With increasing affluence, customers’ needs make it necessary for us to deliver not just quantity but also a quality product range. To maintain our competitive edge, we will continue to provide quality offerings to our customers at reasonable prices.

TOPSELLER PTE LTD

Established in 1977, Topseller Pte Ltd (“**Topseller**”) is a wholly-owned subsidiary of Hanwell. It has established itself as a reputable local developer and distributor of popular brands of household and grocery products. As one of the major suppliers of rice and tofu in Singapore, Topseller distributes and markets its own propriety brands, including Royal Umbrella Rice, Golden Peony Rice, Gitangkim Rice, Okome Rice, Golden Circle Edible Oil, Soyelite Oil, the whole range of Fortune soy-based products and noodles, and Sobe soymilk. Through the years, we have also forged strong working relationships with global household brands like *GSK*, *PAULS* and *Lion*. The established subsidiary is a sales and marketing arm for both ambient and chilled businesses.

Over the past two (2) years, we have been consolidating our efforts and redirecting our focus to drive our own propriety brands. As a result of our realignment, we were heartened to experience positive growth in FY2015 contributed by our propriety brands in the rice and oil categories as driven by strategic advertising and promotion activities that were targeted at boosting consumer demand in both modern and general trade segments.

OPERATIONAL REVIEW



Concurrently, our food service channel gained traction as well as we expanded our distribution base by working closely with the Health Promotion Board to promote Healthier Choice Oil to our customers.

However, we experienced softer performance in our chilled soy-based products as competition in the market stiffened. As such, we implemented aggressive price promotions and more in-store activities as part of our business strategy to regain market share.

Other marketing activities include Royal Umbrella Rice embarking on massive radio and outdoor media promotions for our Chinese New Year campaign, as well as Golden Circle Oil launching Healthier Blended Oil jointly with the Health Promotion Board for food operators to promote healthier living and eating amongst diners.

Simultaneously, Fortune brand attempted to increase brand awareness amongst consumers by rolling out a series of print advertisements in newspapers and magazines, featuring Fortune tofu and Sobe soymilk. We also organised in-store cooking demonstrations and served as the main sponsor for the prominent

Shin Min Culinary Event, where all Fortune products were featured and cooked for diners by Chef Rayner.

Where corporate social responsibility is concerned, we continue to keep up with our efforts in contributing back to the society. One of our house brands, Royal Umbrella Rice saw strong activities in this area throughout the year where we embarked on a joint effort with Exxon Mobil by donating 2000 kg of Royal Umbrella Rice. We also participated in the Shin Min Heartland Talent Challenge where we awarded winners an opportunity to visit Thailand to understand more about the process of rice-planting. Additionally, we also launched a special promotion for our senior citizens as part of our "Remembering our Pioneer Citizens" initiative.

Moving forward, we signed distributorship for Greenfields range of products which commenced in March 2016, thereby further riveting our chilled business operations. In the year ahead, we look to continue our business growth through driving our propriety brands sales and forging strategic distributorships.

OPERATIONAL REVIEW

**SOCMA TRADING (M) SENDIRIAN BERHAD**

Established in 1989, Socma Trading (M) Sendirian Berhad ("**Socma**") serves as the marketing and distribution arm of Hanwell in Malaysia. The subsidiary distributes an assorted mix of products that includes confectionery, snacks, grocery and beverage, even toiletries. Apart from third party brands, Socma also has its own house brands targetting at the Muslim community specifically.

Confectionery

Mentos from PVM (Perfetti Van Melle) remains one of our most popular products. Following the launch of Mentos Incredible Chew in 2015, we have received positive response from both customers and retailers. This is to satisfy our customers' demand for variety and quality products.

Snacks

The Snacks category is largely supported by the strong demand for our Tao Kae Noi seaweed snack consisting of crispy seaweed, Big Bang and Big Roll range. New variants are continuously being formulated to meet the consumers' demand and expectations.

Nature's Wonders baked range by Tai Sun is gaining fast acceptance among the health conscious snacking consumers. The premium nuts and fruits are the perfect blend of wholesome and natural flavors for healthy living with a delightful taste.

Grocery

We have stepped up marketing and promotion efforts for Harmuni Coconut Milk and Harmuni Soya Sauce and have been searching and looking for a local celebrity for our products' endorsement starting in 2016 to add further support to our print and radio advertisement.

Beverage

Halal-certified and naturally-brewed herbal tea, Jia Duo Bao remains a popular beverage for its cooling properties. We have continuously rolled out various promotional campaigns to raise the awareness of the brand name amongst more consumers.

Toiletries

As part of Socma's growth strategy, we are always looking to working with new partners and agencies to expand our product portfolio. We successfully created a new Toiletries category for the Group when we collaborated with Sweetyet Development Limited to launch a new range of men's toiletries in 2014.

Moving forward, we are cautiously optimistic as we operate in this challenging environment. We remain committed to grow our business, expand our distribution networks and explore new avenues to bring in new products that can enhance our portfolio.

OPERATIONAL REVIEW



FORTUNE FOOD MANUFACTURING PTE LTD

Fortune Food Manufacturing ("Fortune Food") is a wholly-owned subsidiary of Hanwell. This facility produces soya bean-based food products, including tofu, tau kwa and soya milk under the brand name of Fortune and Sobe. In fact, it is the first company to launch pasteurised soya milk in the local market. Other popular brands and products owned by the Subsidiary include Fortune Tofu, Fortune Noodle, Fortune Tau Kwa, Hosei Japanese Udon and Sweet Spot Chin Chow desserts. It is also involved in providing OEM services for third party house brands.

Our products have always been in great demand and highly regarded. Having one of the strongest chilled distribution network in Singapore, we are able to deliver our products fresh to both retail and food service outlets for the enjoyment of consumers.

We are committed to producing high quality and safe products for our consumers. Being a HACCP certified manufacturer, we continue to uphold these standards and is also a choice OEM for third party House Brands. In 2015, we have successfully signed a new OEM contract.

Our R&D team continues to research and introduce new products to the market and we launched Fortune Douhua during the year. We also work closely with the Health Promotion Board to manufacture healthier choice products.

TIPEX PTE. LTD.

Tipex Pte. Ltd. ("Tipex") is known as one of the major distributors of consumer tissue paper products in Singapore. Established in 1984, this Hanwell subsidiary boasts of a wide range of tissue paper brands, such as Beautex, Mood, Hibis, Comfy and Parity.

Other than paper products, we also distribute other washroom hygiene products comprising cleaning agents and dispensers, baby and adult diapers, household and automobile cleaning items, under the brand names of PetPet, Fitti, Certainty and MR CLEAN.

Riding on our success in securing MR CLEAN, the reputable Australian brand of automobile cleaning products in FY2014, we experienced significant year-on-year sales growth of 267% for the brand in FY2015

OPERATIONAL REVIEW



as a result of product range expansion and distribution points increment.

FY2015 was also a year when Tipex made headlines by entering the Singapore Book of Records for setting a new Singapore record of the largest "SG50" stage backdrop made of tissue boxes on 7 June 2015 at Causeway Point.

Other achievements during the year include launching three new house brand products, namely Mood Japanese doll box tissues, Beautex soft pack tissues and Beautex long box tissues for petrol kiosk. We have also made three new products available for our customers in the form of MR CLEAN automobile cleaning product, PetPet night tape and Certainty day pants.

In line with our annual marketing efforts to improve brand awareness of our products, we have launched three marketing campaigns during the year. Of these, two were the annual "Win With Beautex Lucky Draw Campaign" held during two separate periods of April to July 2015 and September 2015 to February 2016. We also initiated our inaugural "Spring Cleaning Campaign" in January 2015.

Where our corporate social responsibility efforts were concerned, we held the seventh Life's Beautiful art competition and raised proceeds of more than S\$28,800 through printing six winning children's artworks on limited edition Beautex tissue boxes, while Tipex donated 20 cents for every five-box pack sold. These were all donated to The Straits Times School Pocket Money Fund.

Additionally, as part of our fund-raising programme in conjunction with the Singapore Rainbow Centre, we featured artworks by the Centre's children on limited edition Beautex tissue boxes from November 2014 to June 2015 and employed the same donation mechanism as Life's Beautiful art competition. Rainbow Centre is a charity organisation that reaches out to children with special needs. During our collaboration period with the Centre, we raised over S\$20,900, which was used to fund the Centre children's education and training.

During the year, Tipex continued to work closely with its Malaysian tissue paper manufacturer counterpart, Tips Industry (M) Sdn. Bhd. ("**Tips**"). Tips is an organisation that is certified ISO 9001:2008, ISO 14001:2004 and ISO 22000:2005 respectively for quality, environmental and food safety management systems. Additionally, it is an environmentally and socially responsible organisation as demonstrated by its Forest Stewardship Council (FSC) Chain of Custody System certifications.

In support of Singapore Environment Council's movement for companies to procure from sustainable sources that do not contribute to the haze issue that was prevalent in Singapore in October 2015, Tipex signed its declaration form as testament to its reputation as a socially responsible brand.

Moving forward, we will be exploring a new environmental-friendly series of Beautex paper to do our part for the environment, as we continue to expand on our MR CLEAN household product range to further boost our sales.



Cheque presentation to The Straits Times School Pocket Money Fund.

OPERATIONAL REVIEW

TAT SENG PACKAGING GROUP LTD

With a 63.9% stake in Singapore-listed Tat Seng packaging Group Ltd ("**Tat Seng**"), Hanwell gains access to one of the leading manufacturers of corrugated paper packaging products in Singapore. Tat Seng owns one production plant in Singapore and five in China and controls an extensive portfolio of clientele that boasts of multinational corporations and manufacturers in the food and beverage, electronics and electrical, medical, pharmaceutical, chemical, plastic and metal stamping, as well as other exporting-related industries.

In FY2015, Tat Seng reported a 3.1% increase in revenue from S\$224.5 in FY2014 to S\$231.4 million in FY2015. Total revenue of Singapore entities increased by 1% to S\$37.2 million as compared to FY2014 in spite of Singapore's manufacturing sector contracting in FY2015. Separately, Tat Seng's China operations delivered total revenue of S\$194.3 million, which translated to an increase of 3.5% or S\$6.5 million against FY2014 mainly due to the strengthening of the Renminbi ("**RMB**") against the Singapore Dollar ("**SGD**") by 6.9%.

Correspondingly, the Group's gross profit increased by 7.7% to S\$48.9 million in the reporting year due to the increase of Group's revenue coupled with reduction of factory overhead costs of its Singapore operations. In line with the revenue boost, the distribution and selling expenses also hiked by 3.5% to S\$13.7 million.

Additionally, other income increased by S\$0.9 million from the previous year was mainly derived from the gains on disposal of available-for-sale financial assets. Furthermore, general and administrative expenses grew by 5.3% to S\$16.8 million led by higher provision of bonus due to better performance in FY2015.

As at 31 December 2015, cash and cash equivalents, excluding bank balances pledged as security was up by S\$17.8 million to S\$33.4 million primarily due to cashflow generated from operating activities.

SEGMENTAL REVIEW

Singapore Operations

Revenue for the Singapore segment was up marginally by 1% to S\$37.2 million from S\$36.8 million, contributing 16.1% of Tat Seng Group's total FY2015 revenue. For the Singapore segment's results, it has improved by S\$2.0 million, resulting in a profit of S\$0.6 million in FY2015. The achievement of this profit was primarily due to the reduction of factory overhead costs with savings on rental costs and improvement of utility efficiency in our Singapore plants. In addition, gain on disposal of investment securities of S\$0.6 million also contributed to improved results in FY2015.

China Operations

Despite a very challenging business environment, the total revenue of Tat Seng Group's operations in China recorded an increase of 3.5% or S\$6.5 million from S\$187.7 million in FY2014 to S\$194.2 million in FY2015, mainly due to the strengthening RMB against SGD. China's operations contributed about 83.9% of the Tat Seng Group's total FY2015 revenue.

In 2015, Tat Seng Suzhou was honoured and grateful at being selected by Suzhou Municipal Science and Technology Bureau, China to represent Singapore as one of the co-organisers for the "2015 Suzhou International Science and Technology Exchange Activities" (2015苏州国际科技合作交流日对接活动).

On 13 November 2015, Tat Seng Suzhou successfully hosted the "2015 Suzhou-Singapore International Packaging Technology Exchange Day" (苏州—新加坡包装科技合作交流日) at our Suzhou plant. This further demonstrates our commitment to deliver high quality and provide customised packaging solutions to best suit our customers requirements with our experience, strengths and capabilities in research and development, and advance packaging technology.

To combat the continual increase in China's average wages, China operations succeeded in softening the increase of total staff costs by adopting measures to reduce its total headcount through rationalising our workflow and investing in automation.

OUTLOOK

As the China economy continues to slow down, we expect the corrugated packaging industries in China to remain extremely challenging. We anticipate that an over-capacity environment in the industry will add pressure on selling prices on the back of labour shortage that will drive labour costs to increase.

Where the Singapore market is concerned, the local operating environment is expected to remain sluggish as manufacturing sector demand weakens. Additionally, the increase in raw material costs due to a higher US dollar exchange rate will further compound the challenging situation.

In view of the current situation, the management will deepen its efforts in exploring new sales possibilities and invest in machinery upgrade, so as to automate the production process and improve efficiency. We will also continue to train our staff consistently to raise our productivity.

CORPORATE SOCIAL RESPONSIBILITY



Tipex entered the Singapore Book of Records with the largest "SG50" stage backdrop made of tissue boxes.

It has always been our corporate goal to involve the less fortunate in our business development plan. Hanwell believes that as much as driving growth is important, it is equally important to give back to society, so that everyone can experience some positivity in their lives. Whether it is the needy families, elderly or other less privileged group, we are always committed to contributing to these communities that we serve for the better of humankind.

LIFE'S BEAUTIFUL

Tipex organised its annual trademark Life's Beautiful art competition for the seventh year running. Through encouraging school-going children to create artworks of self-expression, the event met with overwhelming response from children and their families. Six winning children's artworks were chosen and printed on

limited edition Beautex tissue boxes. For every five-box pack sold, Tipex donated 20 cents to The Straits Times School Pocket Money Fund.

**RAINBOW CENTRE
FUND-RAISING PROGRAMME**

Riding on our Life's Beautiful art competition donation mechanism, we went on to feature artworks by the Rainbow Centre's children on limited edition Beautex tissue boxes for an eight-month period from November 2014 to June 2015 as part of our collaboration with the charity organisation that helps children with special needs. Tipex donated 20 cents to the centre for every five-box pack sold. During this period, we helped the centre raise over S\$20,900, which was used to fund the children's education and training.

**ROYAL UMBRELLA RICE
CAMPAIGNS**

One of our house brands, Royal Umbrella Rice embarked on a series of activities for charitable causes during the year. We partnered Exxon Mobil in donating 2000 kg of Royal Umbrella Rice to CDAC, and participated in the Shin Min Heartland Talent Challenge where winners were given an opportunity to visit Thailand to understand more about the process of rice-planting. Where the elderly is concerned, we launched a special promotion for our senior citizens as part of our "Remembering our Pioneer Citizens" initiative.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr Allan Yap

Executive Chairman

Dr John Chen Seow Phun

Deputy Chairman / Non-Executive Director

Dr Tang Cheuk Chee

Executive Director

Mr Chee Teck Kwong Patrick

Non-Executive Director / Independent Director

Mr Lien Kait Long

Non-Executive Director / Independent Director

Mr Tao Yeoh Chi

Non-Executive Director / Independent Director

Mr Chan Sek Nin Jackey

Non-Executive Director

Mr Lee Po On Mark

Non-Executive Director

Mr Goi Kok Ming (Wei Guoming)

Non-Executive Director

COMPANY SECRETARY

Mr Chew Kok Liang

AUDIT COMMITTEE

Mr Chee Teck Kwong Patrick (Chairman)

Dr John Chen Seow Phun

Mr Lien Kait Long

Mr Tao Yeoh Chi

REMUNERATION COMMITTEE

Mr Tao Yeoh Chi (Chairman)

Mr Chee Teck Kwong Patrick

Dr John Chen Seow Phun

NOMINATING COMMITTEE

Mr Lien Kait Long (Chairman)

Dr John Chen Seow Phun

Mr Chee Teck Kwong Patrick

REGISTERED OFFICE

348 Jalan Boon Lay Singapore 619529

Tel: +65 6268 4822

Fax: +65 6266 2607

Email: corpcomms@hanwell.com.sg

Website: www.hanwell.com.sg

Company Registration Number: 197400888M

SHARE REGISTRAR

M & C Services Private Limited

112 Robinson Road #05-01

Singapore 068902

Tel: +65 6227 6660

Fax: +65 6225 1452

AUDITORS

KPMG LLP

Public Accountants and Chartered Accountants

16 Raffles Quay #22-00

Hong Leong Building

Singapore 048581

(Engagement Partner since financial year ended
31 December 2014: Karen Lee Shu Pei)

PRINCIPAL BANKERS

United Overseas Bank Ltd

DBS Bank Ltd

Standard Chartered Bank

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the “**Board**”) and Management of Hanwell Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) place great importance on high standard of corporate conduct to uphold good corporate governance. This commitment and continuous support of the Code of Corporate Governance which was revised in May 2012 (the “**Code**”) can be seen from the Board and Management efforts to promote and maintain values which emphasize transparency, accountability, integrity and proper conduct at all times in the business operations and dealings of the Group so as to create value for its stakeholders and safeguard the Group’s assets.

This Statement describes the practices the Company has undertaken with respect to each of the principles and guidelines and the extent of its compliance with the Code and should be read as a whole, instead of being read separately under the different principles of the Code.

1 BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

1.1 Role of the Board

The Company is headed by an effective Board, comprising individuals with diversified backgrounds and who collectively brings with them a wide range of experience, to lead and control the Group. The Board is responsible for the overall management and success of the Group.

The primary role of the Board is to oversee the Group’s business performance and affairs, and to protect and enhance long-term shareholder value. To fulfil this, apart from its statutory responsibilities, the Board performs the following roles and functions:

- providing entrepreneurial leadership, sets strategic directions and objectives for the Group;
- approving major funding proposals, investment and divestment proposals of the Company;
- reviewing the performance of management by establishing management’s goals and monitoring the achievement of those goals;
- reviewing and endorsing the framework of remuneration for the Board and key management personnel as may be recommended by the Remuneration Committee;
- supervising executive management, ensures that the Company has the necessary resources to meet its goals and establish a framework of prudent and effective controls to assess and manage risks;
- overseeing the processes of risk management, financial reporting and compliance and evaluates the adequacy of internal controls;
- considering sustainability issues, such as environmental and social factors, as and when necessary, as part of its strategic formulation; and
- assuming the responsibilities for corporate governance.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Company.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.2 Board Processes

The Board has established a number of Board Committees to assist the Board in carrying out more effectively its oversight function. These Board Committees consist of Audit Committee ("AC"), Nominating Committee ("NC"), Remuneration Committee ("RC") and Risk Management Committee ("RMC"). These Board Committees function within clear Board-approved written terms of reference. Such terms of reference will be reviewed by the Board on a regular basis to enhance the effectiveness of these Board Committees. The minutes of all Board and Board Committees meetings, which provide a fair and accurate record of the discussion and key deliberations and decisions taken during the meeting, are circulated and available to the Board and Board Committees. The roles and responsibilities of these Board Committees are provided for in the latter sections of this Statement on Corporate Governance.

The yearly schedule of the Board and Board Committees meetings is usually given to all Directors well in advance. The Board meets at least four (4) times in a year. Besides the scheduled quarterly Board meetings, the Board also meets on an ad-hoc basis as warranted by particular circumstances. Board meetings will be convened when they are deemed necessary, to review the Group's business operations, conduct strategic review of the business affairs and address other specific significant matters that arise.

The Company's Constitution provide for the convening of the Board meetings by way of telephonic, video conferencing or other similar means of communication. The Board also approves transactions through written resolutions which are circulated to the Board together with all relevant information relating to the proposed transaction.

The agenda for meetings is prepared in consultation with the Executive Chairman and the Executive Director. The Agenda and documents are circulated in advance of the scheduled meetings to the members of the Board and Board Committees.

1.3 Directors' Meetings Held in Financial Year 2015

The Board held four (4) meetings during the financial year. The number of meetings attended by each member of the Board during the financial year is as follows:

Name of Director	Number of Board Meeting attended
Allan Yap	2
Tang Cheuk Chee	2
John Chen Seow Phun	4
Chee Teck Kwong Patrick	4
Tao Yeoh Chi	4
Lien Kait Long	4
Chan Sek Nin Jackey	4
Lee Po On Mark	4
Goi Kok Ming (Wei Guoming)	4

The Directors were appointed based on their experience, stature and potential to contribute to the proper guidance of the Group and its businesses. As such, we believe that each individual Director's contributions can be reflected in ways other than the reporting of attendances at Board meetings and/or Board Committee meetings.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.4 Matters Requiring Board Approval

The Directors have identified a few areas for which the Board has direct responsibility for decision making (which are embodied in its internal guidelines) such as the following:

- annual budgets and financial plans of the Group;
- approval of the annual and quarterly results announcements;
- approval of the annual report and accounts;
- declaration of interim dividends and proposal of final dividends;
- convening of shareholders' meetings;
- approval of corporate strategy;
- authorisation of major transactions;
- approval of Board changes and appointments to Board Committees;
- investments and divestments decisions including the Group's capital commitment; and
- commitments to term loans and lines of credit from banks and financial institutions by the Company.

While matters relating in particular to the Company's objectives, strategies and policies require the Board's direction and approval, the Management is responsible for the day to day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

1.5 Board Development

Our Directors are provided with extensive background information about our Group's history, mission, values and business operations. The NC ensures all Directors are equipped with the appropriate skills and relevant industry knowledge to perform their roles on the Board and Board Committees effectively.

The Directors also have the opportunity to visit the Group's operational facilities and meet with the Management for further explanations, briefing or informal discussions on any aspect, to gain a better understanding of the business operations.

The Company has a formal procedure for the issuance of appointment letters setting out directors' duties and obligations. Newly appointed Directors are also briefed on the business and organisational structure of the Group and its strategic directions and are encouraged to visit the sites of the Group's operating units to familiarise themselves with the Group's business practices.

The Board as a whole is updated regularly and periodically on the Code, risk management, the key changes in the relevant regulatory requirements and financial reporting standards, rules and regulations and duties and responsibilities on Directors by the Management and/or the external consultants, so as to enable the Directors to discharge their duties as Board and/or Board Committee members.

New releases or updates issued by the Singapore Exchange Securities Trading Limited ("SGX-ST"), Accounting and Corporate Regulatory Authority ("ACRA") and Singapore Institute of Directors which are relevant to the Directors are circulated to the Board.

The Company Secretary also regularly informs the Directors of any upcoming conferences, training and seminars relevant to their roles as directors of the Company.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.5 Board Development (Continued)

To keep pace with such laws and regulatory changes, the Company provides opportunities for continuous development programmes on Board processes and best practices as well as updates on relevant new and key changes of the laws and regulations. During the financial year, the Company has organised and funded a training session for the Directors and senior officers of the Company, to keep them abreast of the key changes to the Companies Act, Chapter 50 and financial reporting standards.

In addition, the Directors of the Company are encouraged to attend relevant training programmes, courses, conference and seminars on new laws, regulations and updates on commercial areas conducted by relevant professional organisations. The Company will fund the appropriate training and development programmes for the Directors from time to time.

1.6 Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The present Board of the Company consists of nine (9) members comprising the Executive Chairman, one (1) Executive Director, three (3) Independent Directors and four (4) Non-Executive Directors. All Directors exercise independent judgement and make decisions objectively in the best interest of the Company. The assessment criteria in the Chairman's assessment of Directors include intensity of participation at meetings, quality of interventions and special contribution.

Taking into account the Board's diverse expertise and experience in business and management, accounting, finance, human resources and law, the Board considers that its Directors possesses the necessary competencies to lead and guide the Group and to facilitate effective decision making.

As at the date of this report, the Board comprises nine (9) suitably qualified members:

Name of Director	Date of appointment/ Date of last re-election	Functions	Directorships in other listed companies and other principal commitments	Past directorships in other listed companies and other principal commitments over the preceding three (3) years
Allan Yap	10 May 2002/ 25 Apr 2014	Executive Chairman	Chairman and Executive Director of Hanny Holdings Limited, Rosedale Hotel Holdings Limited and Meike International Limited Chairman, CEO and Director of China Enterprises Limited Chairman, CEO and Director of Burcon NutraScience Corporation Executive Chairman of Tat Seng Packaging Group Ltd	Alternate Director of Television Broadcasts Limited

CORPORATE **GOVERNANCE STATEMENT****1 BOARD MATTERS (CONTINUED)****1.6 Board Composition and Guidance (Continued)**

Name of Director	Date of appointment/ Date of last re-election	Functions	Directorships in other listed companies and other principal commitments	Past directorships in other listed companies and other principal commitments over the preceding three (3) years
John Chen Seow Phun	9 Jun 2003/ 26 Apr 2013	Deputy Chairman/ Non-Executive Director Member of Audit, Nominating and Remuneration Committees	Executive Chairman of Pavillon Holdings Ltd Non-Executive Chairman and Independent Director of Matex International Limited and Fu Yu Corporation Limited Deputy Chairman, Non-Executive Director and Independent Director of Tat Seng Packaging Group Ltd Lead Independent Director of OKP Holdings Limited Independent Director of Hiap Seng Engineering Ltd and HLH Group Limited	Independent Director of HLYNX Pte Ltd
Tang Cheuk Chee	1 Aug 2011/ 24 Apr 2015	Executive Director Member of Risk Management Committee	Executive Director of Tat Seng Packaging Group Ltd	Nil
Chee Teck Kwong Patrick	1 Aug 1990/ 26 Apr 2013	Non-Executive Director/ Independent Director Chairman of Audit Committee, Member of Nominating and Remuneration Committees	Independent Non-Executive Chairman of CSC Holdings Limited Independent Director of Ramba Energy Limited, Tat Seng Packaging Group Ltd, China International Holdings Limited and Hai Leck Holdings Limited	Independent Director of Singapore Windsor Holdings Limited and Hengxin Technology Ltd

CORPORATE **GOVERNANCE STATEMENT****1 BOARD MATTERS (CONTINUED)****1.6 Board Composition and Guidance (Continued)**

Name of Director	Date of appointment/ Date of last re-election	Functions	Directorships in other listed companies and other principal commitments	Past directorships in other listed companies and other principal commitments over the preceding three (3) years
Tao Yeoh Chi	13 Nov 1997/ 25 Apr 2014	Non-Executive Director/ Independent Director Chairman of Remuneration Committee and Member of Audit Committee	Independent and Non-Executive Director of Singapore eDevelopment Limited (formerly known as CCM Group Limited), and Sapphire Corporation Limited	Independent Director of Next-Generation Satellite Communications Limited and Eratat Lifestyle Limited (under Judicial Management)
Lien Kait Long	1 Jun 2005/ 24 Apr 2015	Non-Executive Director/ Independent Director Chairman of Nominating and Risk Management Committees and Member of Audit Committee	Director of China Enterprises Limited Lead Independent Director of Tat Seng Packaging Group Ltd, China Jishan Holdings Limited, 8Telecom International Holdings Co., Ltd, and Falcon Energy Group Limited Independent Director of Renewable Energy Asia Group Limited, IPC Corporation Limited, and Viking Offshore and Marine Limited Non-Independent Non-Executive Director of Pacific Healthcare Holdings Ltd	Independent Director of Youyue International Limited

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.6 Board Composition and Guidance (Continued)

Name of Director	Date of appointment/ Date of last re-election	Functions	Directorships in other listed companies and other principal commitments	Past directorships in other listed companies and other principal commitments over the preceding three (3) years
Chan Sek Nin Jackey	5 Jul 2007/ 25 Apr 2014	Non-Executive Director	Director of Eastern Spark Development Limited and Guangzhou Jiang Nan Property Co., Ltd	Independent Non-Executive Director of SMI Corporation Limited Chief Operating Officer of Hanny Holdings Limited
Lee Po On Mark	10 Aug 2012/ 26 Apr 2013	Non-Executive Director	Executive Director and Group Chief Executive Officer of Television Broadcasts Limited	
Goi Kok Ming (Wei Guoming)	10 Aug 2012/ 24 Apr 2015	Non-Executive Director	Executive Director of GSH Corporation Limited Director of Tee Yih Jia Food Manufacturing Pte Ltd, Mandarin Food Manufacturing Pte Ltd, Junhe Investment Pte Ltd, Super Elite Holdings Pte. Ltd., Acelink Logistics Pte Ltd and Desaru Property Development Sdn. Bhd.	

Please also refer to the "Board of Directors" section of the annual report for information relating to the Directors.

The Board regularly examines its size and, with a view to determining the impact of its number upon effectiveness, decides on what it considers an appropriate size for itself taking into account the scope and nature of the Company's operations. The composition of the Board is reviewed on annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience to enable Management to benefit from a diverse perspective of issues that are brought before the Board. The NC is of the view that the Board comprises Directors capable of exercising objective judgment on the corporate affairs of the Company independently of Management are appropriate and that no individual or small group of individuals dominate the Board's decision making process.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.6 Board Composition and Guidance (Continued)

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills and knowledge, the NC, in consultation with the Board, determines the selection criteria for the position based on the skills and knowledge deemed necessary for the Board to best carry out its responsibilities. Candidates may be suggested by Directors or Management or sourced from external sources. The NC will interview the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his responsibilities, good decision making track record, relevant experience and financial literacy. The NC will make a recommendation to the Board on the appointment. The Board then appoints the most suitable candidate who must stand for election at the next AGM of shareholders.

Particulars of interests of Directors who held office at the end of the financial year in shares and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Statement.

1.7 Independent Members of the Board of Directors

The Board has three (3) Independent Directors, representing at least one-third of the Board: Mr Chee Teck Kwong Patrick, Mr Tao Yeoh Chi and Mr Lien Kait Long. The criteria for independence are based on the definition given in the Code, which considers an Independent Director as one who has no relationship with the Company, its related corporations, its ten percent (10%) shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view of the best interest of the Company. The independence of each Director is reviewed annually by the NC. Each Independent Director is required to complete a Director's Independence Checklist annually to confirm his independence based on the guidelines as set out in the Code. For FY2015, the NC has determined that all the three (3) Independent Directors are independent. Although the independent directors of the Company do not make up half of the Board, there is a strong and independent element. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. All major decisions are based on collective decisions without any individual influencing or dominating the decision making process.

Non-Executive and Independent Directors of the Board exercise no management functions but have equal responsibility for the performance of the Group, the role of the Non-Executive and Independent Directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors also help to evaluate proposals on strategy, various policies and review the performance of the Management and the Company in meeting agreed goals and objectives and monitor the reporting performance for example review and establish investments, succession planning and business continuity planning policies of the Company.

The Non-Executive and Independent Directors meet periodically without the presence of the Management to discuss and facilitate a more effective check on the Management.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.8 Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

There is a distinct separation of responsibilities between the Chairman and the Chief Executive Officer ("CEO"), which ensures that there is an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. Dr Allan Yap is the Executive Chairman of the Company. Presently, the Executive Director of the Company is carrying out the duties and responsibilities of the CEO to oversee, plan, direct and control the activities of the Company. The Company will endeavor to source for a suitable candidate to fill the vacancy of the CEO and also appoint a Lead Independent Director.

The Executive Chairman leads the Board and is responsible for the effective working of the Board including:

- with the assistance of the Company Secretary, scheduling of meetings to enable the Board to perform its duties while not interfering with the flow of the Group's operations;
- with the assistance of the Company Secretary, approving the meeting agenda of the Board and ensures adequate time is available for discussion of all agenda items;
- with the assistance of the Company Secretary, ensuring that Board meetings are held when necessary;
- facilitating effective contributions from the Non-Executive Directors and encouraging constructive relationships within the Board and between the Board and the Management;
- exercising control over the quality, quantity and timeliness of information flow from the Management to the Board, promoting effective communication with the Company's shareholders;
- ensuring, fostering constructive and effective communication with shareholders; and
- promoting high standards of corporate governance with full support of the Directors and the Management.

Major proposals and decisions made by the Board are subject to majority approval by the members of the Board and reviewed by the AC, whose members comprise Independent and Non-Executive Directors of the Company. Both performance and appointment to the Board are reviewed periodically by NC and their remuneration packages are reviewed periodically by the RC. Members of the AC, NC and RC are all Independent and/or Non-Executive Directors. The Board believes that there are sufficiently strong and adequate safeguards to ensure an appropriate balance of power and authority within the spirit of good corporate governance. In addition, all Directors take decisions objectively in the interests of the Company.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.9 Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

In appointing Directors, the Board considers the range of skills and experience required in the light of:

- geographical spread and diversity of the Group's businesses;
- the strategic direction and progress of the Group;
- the current composition of the Board; and
- the need for independence.

The Board has delegated to the NC the functions of developing and maintaining a transparent and formal process for the appointment and re-appointment of Directors, making recommendations for Directors who are due for retirement by rotation to seek re-election at a general meeting and determining the independent status of each Director.

The NC comprises three (3) members, the majority of whom (including the Chairman) are independent Mr Lien Kait Long (Chairman/Independent Director), Mr Chee Teck Kwong Patrick (Independent Director) and Dr John Chen Seow Phun (Non-Executive Director). The NC Chairman is also a Director who has no relationship with the Company, its related corporations, its ten percent (10%) shareholders or its officer and is not directly associated⁽¹⁾ with ten percent (10%) shareholders.

The principal responsibilities of the NC are set out in the terms of reference and its key functions include:

- reviewing the Board structure, size and composition having regard to the scope and nature of the operations and the core competencies of the directors as a group;
- reviewing, assessing and recommending nominees or candidates for appointment or election to the Board and the various Board Committees;
- assessing the effectiveness and contributions of the Board as a whole;
- assessing the contribution of each individual Director to the effectiveness of the Board, in particular when a Director has multiple listed company board representations and having regard to the Director's contribution and performance;
- reviewing the independence of the Directors on an annual basis;
- reviewing the performance of the Directors and recommending on the re-election and re-appointments of the Board at the Annual General Meetings;
- conducting a rigorous review and determining whether an Independent Director who has served on the Board for a period exceeding nine (9) years from date of his first appointment, can still consider as independent;
- deciding a Director is able to and has been adequately carrying out his duties as Director of the Company based on internal guidelines such as attendance, contractibility and responsiveness; and
- reviewing the training and development programmes for the Board.

Note:

(1) Under the Code, a Director would be considered to be "directly associated" with a ten percent (10%) shareholder when the Director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the ten percent (10%) shareholder in relation to the corporate affairs of the corporation. A director will not be considered "directly associated" with a ten percent (10%) shareholder by reason only of his or her appointment having been proposed by that ten percent (10%) shareholder.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.9 Board Membership (Continued)

The Company's Constitution provide that, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not greater than one-third) shall retire from office by rotation. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM, and prior to nominating a retiring Director for re-election, the NC will evaluate the Director's contribution and performance taking into consideration factors such as attendance, preparedness, participation, candour and any other factors as may be determined by the NC.

Besides that, the Board and the NC had developed a process of evaluation of performance of the Board and Board Committees and individual Directors through establishment of quantifiable performance criteria.

Despite some of the Directors having multiple Board representations, the NC had reviewed the Directorship of the Directors and is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and other principal commitments of these Directors. The NC and Board agreed that as a guide, the maximum number of the listed company board representation which any Independent Director may hold should not exceed ten (10), and both the NC and the Board will review and determine the maximum number of listed company Board representations as and when they deem appropriate.

The NC is also responsible to determine the independence of Directors annually by taking into account the circumstances set forth in Guidelines 2.3 and 2.4 of the Code and any other salient factors. In considering the independence of an Independent Director who has served on the Board beyond nine (9) years, the NC has taken into consideration the following factors:

- (i) There was a changed of the composition of the Executive Directors and the Management in 2012;
- (ii) The extensive knowledge and experience contributed by the Independent Directors to the Company;
- (iii) The attendance, preparedness, participation and contribution in the meetings of the Board and Board Committees;
- (iv) Provision of continuity and stability to the new Management at the Board level by facilitating smooth communication between old and new Management;
- (v) Provision of reasonable checks and balances for the Management;
- (vi) The Independent Directors have devoted adequate attention and sufficient time to the affairs of the Group; and
- (vii) The Independent Directors provide overall guidance to the Management and acts as safeguard for the protection of Company's assets and shareholders' interests.

Based on the above factors and the rigorous review performed by an independent professional engaged by the Company, the NC is satisfied that each Mr Tao Yeoh Chi, Mr Lien Kait Long and Mr Chee Teck Kwong Patrick being Independent Directors having served on the Board beyond nine (9) years are considered independent. They will abstain from voting on any resolution related to their re-election.

Taking into account, among others, these Directors' participation during and outside the formal Board and Board Committees meetings as well as other contributions, the Board has accepted the NC's nomination of the retiring Directors, who have given their consent for re-election at the forthcoming AGM of the Company. The retiring Directors are Mr Chee Teck Kwong Patrick, Dr John Chen Seow Phun and Mr Lee Po On who will retire pursuant to Regulation 87 of the Constitution of the Company. Mr Chee Teck Kwong Patrick has indicated his intention to retire from the Board and will not seek re-election at the forthcoming AGM of the Company.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.9 Board Membership (Continued)

The NC held one (1) meeting during the financial year. The number of meeting attended by each member of the NC is as follows:

Name of Director	Appointment	Number of meeting attended
Lien Kait Long (Chairman)	Non-Executive/Independent	1
Chee Teck Kwong Patrick	Non-Executive/Independent	1
John Chen Seow Phun	Non-Executive	1

1.10 Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

We believe that Board performance is ultimately reflected in the performance of the Group and the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care in the best interest of the Group and the shareholders. In addition to these fiduciary duties, the Board is charged with two (2) key responsibilities of setting strategic direction and ensuring that the Group is ably led. The Board, through the delegation of its authority to the NC, will review the Board's composition annually to ensure that the Board has the appropriate mix of expertise and experience to lead the Group.

The Board has an annual performance evaluation process, carried out by the NC, to assess the effectiveness of the Board, Board Committees and each Director's contributions. This annual assessment process consists principally of evaluation by and feedback from each Director.

The NC uses an objective performance criteria to conduct Board assessments via the circulation of assessment forms to the Directors annually for their evaluation of various Board issues and processes such as the Board structure, conduct of Board meetings, review of the Company's corporate strategy and planning, ensuring and reviewing the Company's risk management and internal control processes, review of the Company's performance, review of the Board's compensation evaluations and communication with the Company's shareholders.

In line with the Code, the NC had also implemented a process to be carried out by the NC to assess the effectiveness of the Board Committees annually. The NC has recommended that the members of the respective Board Committees complete the evaluation form adopted by the NC. The results of the Board and Board Committees assessments are reviewed and discussed by the NC and, any recommendation and suggestion arising from the evaluation exercise are circulated to the Board for consideration of the appropriate measures to be taken.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.10 Board Performance (Continued)

The individual Director's assessments implemented by the NC are based on the Director's self-assessment which is evaluated annually and informally on a continual basis by the NC and the Chairman. The criteria taken into consideration by the NC and the Chairman include contribution and performance based on factors such as attendance, preparedness and participation. The evaluations are discussed by the NC and any appropriate action taken. Such assessments by the Directors are useful and constructive and this collective process has provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board and has helped Directors to be more focused on their duties, responsibilities and contributions to the effectiveness of the Board.

Selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes.

The financial indicators set out in the Code for the evaluation of Directors are in our opinion more of a measure of the Management's performance and hence, less applicable to Directors. Moreover, the financial indicators provide snapshots of the Group's performance and do not reflect a complete measure of long-term creation of shareholders' wealth.

1.11 Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors receive a regular supply of information from the Management about the Group so that they are equipped to play as full a part as possible in the meetings. As a general rule, comprehensive Board papers prepared for each meeting are normally circulated in advance to all Directors prior to the scheduled meetings. This is to give Directors sufficient time to review and consider the matters to be discussed so that discussion can be more meaningful and productive.

The Board papers provided include background or explanatory information relating to matters to be brought before the Board. A presentation is made to the Directors at the Board meeting on budgets, forecasts and variances from the budget disclosed. In respect of budgets, any material variance between the projections and actual results would be disclosed and explained during the meeting. Directors are also informed of any significant developments or events relating to the Group. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board. The Board and Board Committees have unfettered access to information which the Company is in possession of or has access to, for the purpose of carrying out their responsibilities.

The Directors have separate and independent access to the advice and services of the Company Secretary and the key management personnel at all times. In addition, the Directors are entitled to request from Management such additional information as needed to make informed decisions. Management ensures that any additional information requested for is provided to the directors in a timely manner. Where necessary, the Company will, upon the request of Directors (whether as a group or individually) provide them with independent professional advice, to enable them to discharge their duties. The cost of such professional advice will be borne by the Company.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.11 Access to Information (Continued)

The Company Secretary or at least one of his representative attends the Board and Board Committees meetings and assists the Chairman of the Board and Board Committees meetings in ensuring that the appropriate procedures are followed and that applicable rules and regulations are complied with as well as ensuring good information flow within the Board and its committees, between the Management and the Non-Executive Directors, facilitating orientation and assisting with professional development as required. The Company Secretary and the Management also facilitate the orientation of new Directors and professional development of Directors as required. The appointment and removal of the Company Secretary is a matter which is approved by the Board.

Each Director has the right, at the Company's expense, to seek independent legal and other professional advice concerning any aspect of the Group's operations or undertakings when necessary in order to discharge their duties and responsibilities, as Directors.

2 REMUNERATION MATTERS

2.1 Procedure for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate Directors and key management personnel.

The RC comprises solely of Non-Executive Directors, the majority of whom, including the Chairman, are independent, the three (3) members of RC are namely, Mr Tao Yeoh Chi (Chairman/Independent Director), Mr Chee Teck Kwong Patrick (Independent Director) and Dr John Chen Seow Phun (Non-Executive Director).

The principal responsibilities of the RC are set out in the terms of reference and its key functions include:

- reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel (including the CEO and other persons having authority and responsibility for planning, directing and controlling activities of the Company and Group), and the specific remuneration packages and terms of employment (where applicable) for each Director as well as key management personnel. The RC's recommendations should covers all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind;
- functioning as the committee to administer Hanwell Executive' Share Option Schemes or any long term incentive schemes which may be set up from time to time;
- carrying out its duties in the manner that it deem expedient. Subject always to any regulations or restriction that may be imposed upon the RC by the Board from time to time;

CORPORATE GOVERNANCE STATEMENT

2 REMUNERATION MATTERS (CONTINUED)

2.1 Procedure for Developing Remuneration Policies (Continued)

- ensuring that all aspects of remuneration are covered, taking into consideration Principle 8 of the Code. The remuneration packages of employees related to Executive Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and are commensurate with their respective job scopes and levels of responsibility; and
- reviewing and recommending to the Board, the terms of renewal of service agreements of Directors and/or key management personnel and ensuring the service agreements contain fair and reasonable termination clauses which are not overly generous in the event of termination.

The RC members are knowledgeable in the field of executive compensation and also have access to independent expert advice from external consultants, where necessary.

The RC meets at least once each year and at other times as required. During the financial year, the RC held one (1) meeting. The number of meeting attended by each member during the financial year is as follows:

Name of Director	Appointment	Number of meeting attended
Tao Yeoh Chi (Chairman)	Non-Executive/Independent	1
Chee Teck Kwong Patrick	Non-Executive/Independent	1
John Chen Seow Phun	Non-Executive	1

The RC is responsible for recommending to the Board a framework of remuneration for the Directors and key management personnel which is submitted to the whole Board for endorsement. The RC reviews and approves recommendations on remuneration policies and packages for Directors and key management personnel in the interests of improved corporate performance.

The RC's review of remuneration packages takes into consideration the long term interests of the Group and ensures that the interests of the Directors align with that of the shareholders. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, profit sharing (where applicable) and benefits-in-kind.

In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's relative performance and the performance of the individual Directors and key management personnel. The RC, in considering the remuneration package of Directors, may seek independent human resource consultants' advice.

The RC's recommendations are submitted to the entire Board. Each member of the RC shall abstain from voting on any resolution concerning his own remuneration.

The Directors' fees to be paid for any one (1) year are submitted for shareholders' approval at the AGM.

CORPORATE GOVERNANCE STATEMENT

2 REMUNERATION MATTERS (CONTINUED)

2.2 Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The remuneration packages of the Executive Directors are determined based on the framework recommended by the RC. In doing so, the RC reviews the length of the fixed appointment period, the notice period for termination and the terms of the compensation package in the event of the termination of any Executive Directors' service agreements to ensure that the terms of such clauses are not onerous to the Company. The Executive Directors' framework of remuneration includes a fixed element as well as a variable element in the form of a bonus and a profit sharing incentive which is linked to the Company's performance. In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individuals.

All Non-Executive Directors and Independent Directors are paid Directors' fees, with additional fees paid for serving as the Chairman or members of Board Committees as well as attendance at Board and Board Committees meetings. These fees are recommended by the RC and submitted to the Board for endorsement. Directors' fees are recommended by the Board for approval at the Company's Annual General Meeting. The remuneration of Non-Executive Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised and no Director is involved in deciding his own remuneration.

The Executive Directors do not receive Directors' fees. The remuneration packages of the Executive Directors and the key management personnel comprise primarily a basic salary component and a variable component which is the bonuses and other benefits. The service agreements entered into with the two (2) Executive Directors, namely Dr Allan Yap and Dr Tang Cheuk Chee are for a period of three (3) years. These service agreements are subject to review by the RC and provide for termination by either party giving to other not less than six (6) months' prior written notice.

The RC is of the view that the variable component of the remuneration packages of the Executive Directors and key management personnel are moderate. At present, there is no necessity for the Company to institute contractual provisions in the service agreements or employment agreements to reclaim incentive components of remuneration paid in prior years from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

The existing Hanwell Executives' Share Option Scheme ("**Scheme**") adopted on 8 July 2003 has expired on 8 July 2013. However, the expiry of the Scheme will not affect any options granted and duly accepted but not exercised or vested, whether in whole or in part by the Directors or the employees of the Group. The share options previously granted will expire on 21 January 2019. The RC will explore a suitable incentive plan/scheme as and when it deems necessary.

CORPORATE GOVERNANCE STATEMENT

2 REMUNERATION MATTERS (CONTINUED)

2.3 Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Summary compensation table of the Directors receiving remuneration from the Group for the financial year ended 31 December 2015 is set out below:

Directors	Base Salary (%)	Bonus (%)	Profit Sharing (%)	Director's Fee ⁽³⁾ (%)	Allowance ⁽²⁾ (%)	Share Options (%)	TOTAL (\$)
Range \$1,250,001 to \$1,500,000							
Allan Yap	60.81	7.90	29.91	–	1.38	–	1,342,000
Range \$500,001 to \$750,000							
Tang Cheuk Chee	64.99	9.16	21.31	–	4.54	–	667,000
Range \$250,000 and below							
John Chen Seow Phun	–	–	–	100.00 ⁽¹⁾	–	–	143,000
Chee Teck Kwong Patrick	–	–	–	100.00 ⁽¹⁾	–	–	134,000
Tao Yeoh Chi	–	–	–	100.00	–	–	70,000
Lien Kait Long	–	–	–	100.00 ⁽¹⁾	–	–	126,000
Chan Sek Nin Jackey	–	–	–	100.00	–	–	40,000
Lee Po On Mark	–	–	–	100.00	–	–	39,000
Goi Kok Ming (Wei Guoming)	–	–	–	100.00	–	–	40,000

⁽¹⁾ Director's Fee from the Group.

⁽²⁾ Employer's CPF contribution and other compensation are included here.

⁽³⁾ Director's Fee is subject to the approval of the shareholders at the forthcoming AGM.

CORPORATE **GOVERNANCE STATEMENT****2 REMUNERATION MATTERS (CONTINUED)****2.4 Remuneration of Employees Related to Directors**

As at 31 December 2015, there is an employee who is related to Dr Tang Cheuk Chee, the Executive Director of the Company. The said employee is the Assistant Vice President of a subsidiary of the Company and his remuneration is reviewed by the RC. Dr Tang Cheuk Chee abstained from all matters relating to the remuneration of this employee. The basis of determining the remuneration of this related employee is the same as the basis of determining the remuneration of other unrelated employees.

Summary compensation table of the employee who is related to the Directors for the financial year ended 31 December 2015 is set out below:

Remuneration Band	Base Salary (%)	Bonus (%)	Profit Sharing (%)	Director's Fees (%)	Allowance ⁽¹⁾ (%)	Share Options (%)	TOTAL (%)
Range \$150,001 to \$200,000							
Tang Chi Ming Danny (Brother of Dr Tang Cheuk Chee, the Executive Director and brother-in-law of Dr Allan Yap, the Executive Chairman)	80.86	7.63	–	–	11.51	–	100.00

⁽¹⁾ Employer's CPF contribution and other compensation are included here.

CORPORATE GOVERNANCE STATEMENT

2 REMUNERATION MATTERS (CONTINUED)**2.5 Remuneration of Top Five (5) Key Management Personnel**

Disclosure of the top five (5) key management personnel remuneration (who are not directors or CEO) in bands of \$250,000 (based on gross remuneration received) is set out below:

Key Management Personnel	Base Salary (%)	Bonus (%)	Profit Sharing (%)	Director's Fees (%)	Allowance ⁽²⁾ (%)	Share Options (%)	TOTAL (%)
Range \$250,001 to \$500,000							
Yeo See Liang Eugene	52.50 ⁽³⁾	12.21	20.03	0.92 ⁽¹⁾	14.34	–	100.00
Range \$250,000 and below							
Chang Wai Leng Connie	85.03	7.96	–	–	7.01	–	100.00
Sim See Hiang Richard	65.60 ⁽³⁾	5.47	13.05	–	15.88	–	100.00
Tong Ying Ling Denise	80.08 ⁽³⁾	7.56	–	–	12.36	–	100.00
Wong Yuen May Sandy	81.46	7.69	–	–	10.85	–	100.00
Tang Chi Ming Danny	80.86 ⁽³⁾	7.63	–	–	11.51	–	100.00

The aggregate total remuneration paid to the top five (5) key management personnel (who are not Directors or the CEO) for the year ended 31 December 2015 is approximately S\$1,276,000.

⁽¹⁾ Director's Fee from the Group.

⁽²⁾ Employer's CPF contribution and other compensation are included here.

⁽³⁾ Remuneration from a subsidiary.

The Company adopts a remuneration policy for staff comprising both a fixed and variable component. The fixed component is in the form of a base salary and allowances. The variable component is in the form of a variable bonus that is linked to the Company and each individual's performance.

CORPORATE **GOVERNANCE STATEMENT**

3 **ACCOUNTABILITY AND AUDIT**

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board aims to provide the shareholders with a balanced and understandable assessment of the Company's and the Group's performance, position and prospects.

In line with the Listing Manual of SGX-ST, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the Executive Chairman, Executive Director and Group Financial Controller have provided assurance to the Board on the integrity of the Group's financial statements.

All the Directors and executive officers of the Company also signed undertakings letter pursuant to the amended Rule 720(1) of the Listing Manual of SGX-ST.

The Board reviews and approves the financial results as well as any announcements before its release. In presenting the annual financial statements and quarterly announcements to shareholders, the Board aims to provide to the shareholders with analysis and a balanced and understanding assessment of the Company's performance, position and prospects.

Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET, press release and/or posted on the Company's website. The Company's Annual Report is sent to all shareholders and accessible on the Company's website.

The Board is updated with significant events that have occurred or material to the Group during the year. The Management provides the Board with financial updates on the performance and position of the Group to keep Board members informed and updated on a monthly basis in order that it may effectively discharge their duties.

3.1 **Risk Management and Internal Controls**

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises that it is responsible for the overall risk management and internal control framework, but acknowledges that no cost effective risk management and internal control system will preclude all errors and irregularities, as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE STATEMENT

3 ACCOUNTABILITY AND AUDIT (CONTINUED)

3.1 Risk Management and Internal Controls (Continued)

The AC will:

- satisfy itself that adequate measures are in place to identify and mitigate any material business risks associated with the Group;
- ensure that a review of the effectiveness of the Group's material internal controls, including financial, operating and compliance controls and risk management, is conducted at least annually. Such reviews can be carried out by internal auditors/external auditors;
- ensure that the internal control recommendations made by internal and external auditors have been implemented by the Management; and
- ensure the Board is in a position to comment on the adequacy of the risk management and internal controls of the Group.

Risk assessment and evaluation has become an essential part of business planning and monitoring process. The Management having identified the risks to the achievement of the Group's strategic objectives, each business unit is required to document the mitigating actions in place and/or proposed in respect of each significant risk. Risk awareness and ownership of risk treatments are also continuously fostered across the organization.

The Group has in place a RMC which is chaired by an Independent Director and members comprising an Executive Director and Management to assist the Board in its oversight of risk governance, risk management framework and policies of the Group. The Group has various policies in place namely (i) Business Continuity Policy, (ii) Succession Planning Policy and (iii) Investment Policies in relation to the Financial Assets Investments and Strategic Investment as these policies are essential part of the business planning and monitoring process.

The RMC is regulated by its terms of reference. The meetings of the RMC are attended by Management of the Group's business divisions, and serve as a forum to review and discuss material risks and exposures of the Group's business and the strategy to mitigate risks in general.

An Enterprise Risk Management ("ERM") programme has been implemented to identify, prioritise, assess, manage and monitor key risks. The risk management process in place covers, *inter alia*, financial, operational and compliance risks faced by the Group. The Management will report to the RMC on a quarterly basis or such other period as may be determined by RMC any updates on the identified risks. The RMC reviews the adequacy and effectiveness of the ERM programme against leading industry practices and significant risks vis-a-vis changes in the operating environment.

Complementing the ERM programme is a Group-wide system of internal controls, which includes the Code of Conduct, documented policies and procedures, proper segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business processes.

CORPORATE **GOVERNANCE STATEMENT**

3 ACCOUNTABILITY AND AUDIT (CONTINUED)

3.1 Risk Management and Internal Controls (Continued)

To ensure that risk management and internal controls processes are adequate and effective, the AC has access to independent professional consultants. With the assistance of the RMC, internal and external auditors, AC has carried out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve the internal controls were regularly reported to AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal and external auditors.

For FY2015, the Board has received assurances from the Executive Chairman, the Executive Director and the Group Financial Controller of the Company that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are effective and sufficient.

Material associates and joint ventures which the Company does not control are not dealt with for the purpose of this statement.

Based on the internal control weaknesses noted during the course of audit by the internal and external auditors and their recommendation, the various management controls put in place and the reports from the internal and external auditors, the Board, with the concurrence of the AC is of the opinion that the Group's system of internal controls and risk management procedures in addressing financial, operational, compliance and information technology controls and risk management systems maintained by the Group during the year are adequate and effective as at 31 December 2015.

The Board will also continue to enhance and improve the existing internal control framework to identify and mitigate these risks from time to time.

3.2 Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises four (4) members, all of whom are Non-Executive Directors and the majority of whom, including the Chairman, are independent. The AC's members are namely, Mr Chee Teck Kwong Patrick (Chairman/Independent Director), Mr Tao Yeoh Chi (Independent Director), Dr John Chen Seow Phun (Non-Executive Director) and Mr Lien Kait Long (Independent Director). At least two (2) members have the relevant accounting or financial management expertise and/or experience.

The AC's main objective is to assist the Board in fulfilling its fiduciary responsibilities relating to internal controls, overseeing the external audit process, reviewing the financial information to be disclosed to the public and ensuring that arrangements are in place for the independent investigation and follow up of reports by staff of improprieties in financial reporting and other matters. To achieve this, the AC ensures that its members have the appropriate qualifications to provide independent, objective and effective oversight.

CORPORATE GOVERNANCE STATEMENT

3 ACCOUNTABILITY AND AUDIT (CONTINUED)

3.2 Audit Committee (Continued)

The principal responsibilities of the AC are set out in the terms of reference and its key functions include:

- (a) reviewing the audit plans of the external and internal auditors;
- (b) reviewing the external and internal auditors' reports;
- (c) reviewing the co-operation given by the Company's officers to the external and internal auditors;
- (d) reviewing the adequacy of the internal audit function;
- (e) evaluating the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls, information technology controls, and risk management, by reviewing written reports from internal and external auditors, and Management responses and actions to correct any deficiencies;
- (f) reviewing the financial statements of the Company and the Group before their submission to the Board;
- (g) reviewing non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors;
- (h) nominating external auditors for appointment or re-appointment and approve the remuneration and terms of engagement of the external auditor;
- (i) reviewing the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual of SGX-ST, and by such other amendments made thereto from time to time;
- (j) reviewing interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST) to ensure that they are on normal commercial terms and arms' length basis and not prejudicial to the interests of the Company or its shareholders in any way; and
- (k) reviewing whistleblowing policy and arrangements.

Apart from the duties listed above, the AC may commission and review the findings of internal investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore or other applicable law, rule or regulation which has or is likely to have material impact on the Company's or Group's operating results and/or financial position.

The AC meets from time to time with the Group's external and internal auditors and the Management to review accounting, auditing and financial reporting matters so as to provide the necessary checks and balances to ensure that an effective control environment is maintained in the Group.

The AC also studies proposed changes in accounting policies, examines the internal audit functions and discusses the accounting implications of major transactions. Furthermore, the AC advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its interim and annual reports. Based on the information provided to the AC, nothing has come to the AC's attention indicating that the system of internal controls and risk management is inadequate.

CORPORATE **GOVERNANCE STATEMENT**

3 ACCOUNTABILITY AND AUDIT (CONTINUED)

3.2 Audit Committee (Continued)

The AC has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation of Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC meets annually with the internal auditors and the external auditors, without the presence of the Company's Management to review the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audits, and the independence and objectivity of the internal and external auditors. The AC has recommended the re-appointment of KPMG LLP as external auditors at the forthcoming AGM of the Company.

The AC had reviewed all the non-audit services carried out by the external auditors to the Group and confirmed that such services would not, in its opinion prejudice the independence and objectivity of the external auditors. The fees that are charged to the Group by the external auditors for audit and non-audit services were approximately S\$375,200 and S\$42,183 respectively for the financial year ended 31 December 2015.

The AC is satisfied that KPMG LLP is able to meet the audit requirements and statutory obligation of the Company. In view of their requisite qualification and independence status, the AC is satisfied that the Company is complied with Rule 712 of the Listing Manual of SGX-ST in relation to the appointment of its external auditors. Accordingly, KPMG LLP is recommended for re-appointment at the forthcoming AGM.

The AC has also noted that in appointing the audit firms for the Company, its subsidiaries and significant associates, the AC is satisfied that the appointment of auditors did not compromise the standard and effectiveness of the audit of the Group. Therefore, the Company has complied with the Rule 715 of the Listing Manual of the SGX-ST.

In October 2008, the Audit Committee Guidance Committee issued the Guidebook for Audit Committees in Singapore. SGX-ST has distributed the said Guidebook to all members of the Board. Where appropriate, the AC will adopt relevant best practices set out in the said Guidebook including any of its amendments thereto from time to time, which will be used as references to assist the AC in performing its functions.

In July 2010, SGX-ST and ACRA launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group.

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the external auditors in their meetings with the AC. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

CORPORATE GOVERNANCE STATEMENT

3 ACCOUNTABILITY AND AUDIT (CONTINUED)

3.2 Audit Committee (Continued)

During the financial year, the AC held four (4) meetings. The number of meetings attended by each member during the financial year are as follows:

Name of Director	Appointment	Number of meeting attended
Chee Teck Kwong Patrick (Chairman)	Non-Executive/Independent	4
Tao Yeoh Chi	Non-Executive/Independent	4
John Chen Seow Phun	Non-Executive	4
Lien Kait Long	Non-Executive/Independent	4

3.3 Whistle-Blowing Policy

The Group has adopted a constructive whistle-blowing policy and guideline in order to detect and deter any fraud or deliberate error in the preparation, evaluation, review or audit of any financial statements, financial reports and records of the Company.

Demonstrating its pledge to good corporate governance, the Group provides an avenue for employees to raise their concerns to report any possible improprieties in matters of financial reporting or other matters that they may encounter to the AC or any other committees established by the AC for such purpose without fear of reprisal. The establishment of the whistle-blowing structure also augments the Group's ability to detect potential fraud, providing another level of comfort and assurance to investors.

There were no reported incidents pertaining to whistle-blowing for FY 2015.

3.4 Internal Audit

Principle 13: The Company should establish an internal audit function that is adequately resourced and independent of the activities it audits.

The Group has an in-house internal audit function ("Internal Audit") that is independent of the activities it audits. The Internal Audit serves to provide the Board and Management with an independent appraisal of the reliability, adequacy and effectiveness of the internal controls established by Management. Its aim is to promote internal control in the Group and to monitor the performance and the effective application of internal audit procedures. It supports the Directors in assessing key internal controls through a structured review programmed. The Internal Audit has unfettered access to the Board, the AC and Management, where necessary, and has the right to seek information and explanations. It is staffed by executives with the relevant qualifications and experience.

The Internal Audit reports functionally to the Chairman of the AC. The AC ensures that the Internal Audit has adequate resources and has appropriate standing within the Group. The AC, on an annual basis, assesses the effectiveness of the internal auditors by examining:

- the scope of the internal auditors' work;
- the quality of the reports;
- the relationship with the external auditors; and
- the independence of the areas reviewed.

CORPORATE GOVERNANCE STATEMENT

3 ACCOUNTABILITY AND AUDIT (CONTINUED)

3.4 Internal Audit (Continued)

During the year, the Internal Audit's summary of key audit findings, recommendations and Management's related responses were discussed in the AC meetings. The AC ensures that procedures are in place to follow up on the recommendations by Internal Audit in a timely manner and to monitor any outstanding issues. The AC has reviewed the annual internal audit plan FY2015 and is satisfied that the Internal Audit has been adequately carried out.

4 SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

In line with the continuous disclosure obligations of the Company pursuant to the Listing Manual of SGX-ST, the Company is committed that all shareholders should be equally informed of all major developments of the Group which would be likely to materially affect the price or value of the Company's shares. Further, the Company has in place a Corporate Communications department which facilitates effective communication with the Company shareholders, analysts, fund managers and the press.

The Company does not practice selective disclosure as all material and price-sensitive information is released through SGXNET and the Company recognises that regular, effective, timely and fair communication with shareholders is essential to enable its shareholders to make informed decisions about the Company.

The information is disseminated to shareholders of the Company on a timely basis through:

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Singapore Companies Act and Singapore Financial Reporting Standards;
- quarterly announcements containing a summary of the financial information and affairs of the Group for that period;
- notices of and explanatory memoranda for AGMs and Extraordinary General Meetings;
- press releases on major developments of the Company and the Group;
- disclosure to the SGX-ST; and
- the Company's website at <http://www.hanwell.com.sg> at which our shareholders can access information on the Group.

Principle 15: Companies should actively engage their shareholders and put in place an investor relation policy to promote regular, effective and fair communication with shareholders.

The Company recognises the important of actively engaging with stakeholders to promote effective and fair communication.

The Board also acknowledges its obligation to furnish timely information to shareholders and ensure that full disclosure of material information to comply with statutory requirements and the Listing Manual of the SGX-ST is made. Any price sensitive information will be publicly released on SGXNET first before being announced to any group of investors or analysts.

CORPORATE GOVERNANCE STATEMENT

4 SHAREHOLDER RIGHTS AND RESPONSIBILITIES (CONTINUED)

SHAREHOLDER RIGHTS (CONTINUED)

To keep all stakeholders of the Company updated on the latest announcements, press releases, and stock details of the Company, stakeholders have twenty-four (24) hour access to the Company's website (<http://www.hanwell.com.sg>). Further, the Company has in place a Corporate Communications department which facilitates effective communication with the Company shareholders, analysts, fund managers and the press.

The Company does not have a fixed policy on payment of dividends at present. The frequency, form, and amount of dividends to be declared depend on the Company's profit, cash flow, capital requirements for investment and growth, general business conditions and other factors as the Board deems appropriate.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Our shareholders are encouraged to attend the general meetings of shareholders to ensure a high level of accountability and for them to be updated on the Company's strategies and goals.

The notice of the AGM is sent to our shareholders, together with explanatory notes, appendices or a circular on items of special business, at least fourteen (14) days before the meeting. The Chairmen of the AC, NC, RC and RMC are normally present and available to address questions relating to the work of their respective committees at general meetings. Furthermore, the external auditors are also invited to attend the AGM and are available to assist the Board in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of the auditor's report.

The Company's Constitution allows corporations and members of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A Relevant Intermediary⁽²⁾ may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Every matter requiring shareholders' approval is proposed as a separate resolution at the general meeting to address each distinct issue and all the resolutions to vote by poll. The Company has implemented the system of voting by poll at its upcoming AGM. Results of each resolution put to vote at the AGM will be announced with the detailed voting results, including the total number and/or percentage of votes cast for or against each resolution tabled in the AGM, were announced immediately at the AGMs and via SGXNET.

Note:

(2) A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

CORPORATE **GOVERNANCE STATEMENT**

4 SHAREHOLDER RIGHTS AND RESPONSIBILITIES (Continued)

SHAREHOLDER RIGHTS (CONTINUED)

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes are available to shareholders upon their request.

5 DEALINGS IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Company has adopted its own internal Code of Conduct to provide guidance to all officers of the Company and its subsidiaries with regard to dealings in the Company's securities.

The Directors and key management personnel of the Company and of the Group are advised, and periodically reminded, not to deal in the Company's shares for the period commencing one (1) month before the Company's announcement of financial results for the year and for the period of two (2) weeks before the announcement of the Company's quarterly results during the year ("**close window period**"). The Company will notify Directors and employees of the commencement date for each close window period.

The Company has also issued a policy on Insider Trading to all employees which sets out the principles of relevant laws relating to insider trading which are applicable at all times.

Directors, key management personnel and connected persons are expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period and they are not to deal in the Company's securities on short-term considerations.

6 INTERESTED PERSON TRANSACTIONS

The Company is required to comply with the requisite rules under Chapter 9 of the Listing Manual of the SGX-ST for interested person transactions. To ensure compliance with Chapter 9, the AC meets quarterly to review if the Company will be entering into an interested person transaction in order to ensure that the interested person transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the shareholders. There were no interested person transactions entered into by the Group during the year under review.

When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

7 MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling shareholders subsisting at the end of the FY2015.

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2015.

In our opinion:

- (a) the financial statements set out on pages 55 to 141 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Allan Yap
Tang Cheuk Chee
Chee Teck Kwong Patrick
Tao Yeoh Chi
John Chen Seow Phun
Lien Kait Long
Chan Sek Nin Jackey
Goi Kok Ming (Wei Guoming)
Lee Po On Mark

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "**Act**"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

DIRECTORS' STATEMENT

	Holdings at beginning of the year	Holdings at end of the year
Name of director and corporation in which interests are held		
Allan Yap		
The Company		
– ordinary shares	98,947,500*	98,947,500*
– options to subscribe for ordinary shares between 22/01/2010 and 21/01/2019	10,000,000	10,000,000
Tang Cheuk Chee		
The Company		
– ordinary shares	98,947,500**	98,947,500**
Lien Kait Long		
The Company		
– ordinary shares	5,530	5,530

* Allan Yap has a direct and deemed interest of 1,000,000 and 97,947,500 shares held by his spouse, Tang Cheuk Chee in the capital of the Company respectively.

** Tang Cheuk Chee has a direct and deemed interest of 49,449,500 and 48,498,000 shares collectively held by Sino Diamond International Co. Ltd and Widelead International Limited and 1,000,000 shares held by her spouse, Allan Yap in the capital of the Company respectively.

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2016.

Except as disclosed under the “**Share options**” section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

Share options

The Hanwell Executives' Share Option Scheme (the “**Scheme**”) of the Company was approved and adopted by its members at an Extraordinary General Meeting (“**EGM**”) held on 8 July 2003. The Scheme is administered by the Company's Remuneration Committee, comprising three directors, Tao Yeoh Chi (Chairman), Chee Teck Kwong Patrick and John Chen Seow Phun.

The Scheme has expired on 8 July 2013 and the expiry of the Scheme will not affect any option granted and duly accepted but not yet exercised, whether in whole or in part by the Directors or the employees of the Group. The share options previously granted will expire on 21 January 2019.

DIRECTORS' STATEMENT

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price of the option	Options outstanding at 01/01/2015	Options exercised	Options cancelled	Options outstanding at 31/12/2015	Number of option holders at 31/12/2015	Exercise period
22/01/2009	\$0.16	10,150,000	–	–	10,150,000	2	22/01/2010 – 21/01/2019

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Details of options granted to directors of the Company under the Scheme are as follows:

Name of director	Options granted for financial year ended 31 December 2015	Aggregate options granted since commencement of Scheme to 31 December 2015	Aggregate options exercised since commencement of Scheme to 31 December 2015	Aggregate options expired since commencement of Scheme to 31 December 2015	Aggregate options outstanding as at 31 December 2015
Allan Yap	–	11,000,000	(1,000,000)	–	10,000,000
Chee Teck Kwong Patrick	–	1,000,000	(800,000)	(200,000)	–
Tao Yeoh Chi	–	800,000	(600,000)	(200,000)	–
John Chen Seow Phun	–	1,400,000	(1,000,000)	(400,000)	–
Lien Kait Long	–	500,000	(500,000)	–	–
Chan Sek Nin Jackey	–	500,000	(500,000)	–	–
Total	–	15,200,000	(4,400,000)	(800,000)	10,000,000

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Audit Committee

The members of the Audit Committee ("AC") during the year and at the date of this statement are:

- Chee Teck Kwong Patrick (Chairman), non-executive independent director
- Tao Yeoh Chi, non-executive independent director
- Lien Kait Long, non-executive independent director
- John Chen Seow Phun, non-executive director

The AC performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

DIRECTORS' STATEMENT

The AC has held four (4) meetings since the last directors' statement. In performing its functions, the AC met with the Company's external and internal auditors to discuss the scope of their work, the results of their respective examinations and evaluation of the Company's internal accounting control system.

The AC also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- quarterly financial information and annual financial statements of the Company and its subsidiaries (the "Group") prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The AC has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The AC also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The AC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associates, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Auditors

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

On behalf of the Board of Directors

Allan Yap

Director

Tang Cheuk Chee

Director

30 March 2016

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hanwell Holdings Limited

Report on the financial statements

We have audited the accompanying financial statements of Hanwell Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the statements of financial position of the Group and the Company as at 31 December 2015, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 55 to 141.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

30 March 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
	Note	2015	2014	2015	2014
		\$	\$	\$	\$
Assets					
Property, plant and equipment	4	76,108,144	76,094,681	9,548,145	10,434,910
Intangible assets	5	1,187,136	1,161,846	–	–
Investment properties	6	807,879	949,031	–	–
Subsidiaries	7	–	–	40,189,146	41,241,423
Associates	8	–	–	–	–
Other financial assets	9	47,282	2,732,036	47,282	1,900,036
Deferred tax assets	10	1,607,525	1,680,966	–	–
Non-current assets		79,757,966	82,618,560	49,784,573	53,576,369
Other financial assets, including derivatives	9	1,977,971	5,777,172	1,971,884	5,777,172
Inventories	11	38,393,275	42,125,399	8,734,164	9,024,526
Trade and other receivables	12	136,508,117	146,947,706	50,387,569	70,011,823
Cash and cash equivalents	15	155,871,321	119,734,759	95,203,596	78,687,051
Assets held for sale	16	49,042,180	48,009,337	–	–
Current assets		381,792,864	362,594,373	156,297,213	163,500,572
Total assets		461,550,830	445,212,933	206,081,786	217,076,941
Equity					
Share capital	17	200,099,208	200,099,208	200,099,208	200,099,208
Reserves	17	63,905,962	60,120,163	(11,978,843)	(3,520,050)
Equity attributable to owners of the Company		264,005,170	260,219,371	188,120,365	196,579,158
Non-controlling interests	18	48,633,419	44,166,359	–	–
Total equity		312,638,589	304,385,730	188,120,365	196,579,158
Liabilities					
Loans and borrowings	19	1,413,371	1,217,952	–	–
Deferred income	22	1,197,736	1,153,119	–	–
Deferred tax liabilities	10	1,781,348	2,042,182	–	–
Non-current liabilities		4,392,455	4,413,253	–	–
Loans and borrowings	19	32,543,343	31,734,401	–	–
Trade and other payables, including derivatives	23	110,444,237	103,831,229	17,961,421	20,497,783
Deferred income	22	107,144	120,660	–	–
Current tax liabilities		1,425,062	727,660	–	–
Current liabilities		144,519,786	136,413,950	17,961,421	20,497,783
Total liabilities		148,912,241	140,827,203	17,961,421	20,497,783
Total equity and liabilities		461,550,830	445,212,933	206,081,786	217,076,941

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$	2014 \$
Revenue	24	414,521,152	418,416,946
Cost of sales		(324,322,810)	(333,130,205)
Gross profit		90,198,342	85,286,741
Other income		3,554,781	3,847,377
Distribution expenses		(44,101,347)	(43,731,589)
Administrative expenses		(30,150,969)	(30,153,694)
Other expenses		(6,766,723)	(1,333,934)
Results from operating activities		12,734,084	13,914,901
Finance income		5,042,815	1,710,144
Finance costs		(1,678,870)	(4,434,654)
Net finance income/(costs)	26	3,363,945	(2,724,510)
Share of loss of associates (net of tax)		—	—
Profit before tax		16,098,029	11,190,391
Tax expense	27	(4,736,251)	(4,921,612)
Profit for the year	25	11,361,778	6,268,779
Profit attributable to:			
Owners of the Company		5,755,799	2,448,927
Non-controlling interests		5,605,979	3,819,852
Profit for the year		11,361,778	6,268,779
Earnings per share			
Basic earnings per share (cents)	28	1.04	0.44
Diluted earnings per share (cents)	28	1.03	0.44

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2015

	2015 \$	2014 \$
Profit for the year	11,361,778	6,268,779
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences of foreign operations	(462,008)	1,504,996
Net change in fair value of available-for-sale financial assets	(8,639)	312,033
Effective portion of changes in fair value of cash flow hedges	6,087	–
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(1,472,901)	–
Other comprehensive income for the year, net of tax	(1,937,461)	1,817,029
Total comprehensive income for the year	9,424,317	8,085,808
Total comprehensive income attributable to:		
Owners of the Company	3,785,461	3,701,038
Non-controlling interests	5,638,856	4,384,770
Total comprehensive income for the year	9,424,317	8,085,808

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

Group	Attributable to		
	Share capital \$	Treasury shares \$	Other reserves \$
At 1 January 2014	204,227,894	(4,226,401)	4,262,123
Total comprehensive income for the year			
Profit for the year	—	—	—
Other comprehensive income			
Foreign currency translation differences of foreign operations	—	—	—
Net change in fair value of available-for-sale financial assets	—	—	—
Total other comprehensive income	—	—	—
Total comprehensive income for the year	—	—	—
Transactions with owners, recognised directly in equity			
Contributions by and distributions to owners			
Dividends paid (note 17)	—	—	—
Share options exercised	97,715	—	(17,715)
Share-based payment transactions	—	—	(1,771)
Unclaimed dividend reversed	—	—	—
Total contributions by and distributions to owners	97,715	—	(19,486)
Transfer between reserves			
Appropriation of retained earnings to statutory reserves	—	—	824,124
Total transactions with owners	97,715	—	804,638
At 31 December 2014	204,325,609	(4,226,401)	5,066,761

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

owners of the Company					
Fair value reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
\$	\$	\$	\$	\$	\$
1,070,798	311,663	50,789,388	256,435,465	40,953,385	297,388,850
–	–	2,448,927	2,448,927	3,819,852	6,268,779
–	974,686	–	974,686	530,310	1,504,996
277,425	–	–	277,425	34,608	312,033
277,425	974,686	–	1,252,111	564,918	1,817,029
277,425	974,686	2,448,927	3,701,038	4,384,770	8,085,808
–	–	–	–	(1,171,796)	(1,171,796)
–	–	–	80,000	–	80,000
–	–	1,771	–	–	–
–	–	2,868	2,868	–	2,868
–	–	4,639	82,868	(1,171,796)	(1,088,928)
–	–	(824,124)	–	–	–
–	–	(819,485)	82,868	(1,171,796)	(1,088,928)
1,348,223	1,286,349	52,418,830	260,219,371	44,166,359	304,385,730

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015

Group	Attributable to		
	Share capital \$	Treasury shares \$	Other reserves \$
At 1 January 2015	204,325,609	(4,226,401)	5,066,761
Total comprehensive income for the year			
Profit for the year	—	—	—
Other comprehensive income			
Foreign currency translation differences of foreign operations	—	—	—
Net change in fair value of available-for-sale financial assets	—	—	—
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	—	—	—
Effective portion of changes in fair value of cash flow hedges	—	—	—
Total other comprehensive income	—	—	—
Total comprehensive income for the year	—	—	—
Transactions with owners, recognised directly in equity			
Contributions by and distributions to owners			
Dividends paid (note 17)	—	—	—
Unclaimed dividend reversed	—	—	—
Total contributions by and distributions to owners	—	—	—
Transfer between reserves			
Appropriation of retained earnings to statutory reserves	—	—	1,290,779
Total transactions with owners	—	—	1,290,779
At 31 December 2015	204,325,609	(4,226,401)	6,357,540

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

owners of the Company →					Non-	
Fair value reserve \$	Translation reserve \$	Hedging reserve \$	Retained earnings \$	Total \$	controlling interests \$	Total equity \$
1,348,223	1,286,349	–	52,418,830	260,219,371	44,166,359	304,385,730
–	–	–	5,755,799	5,755,799	5,605,979	11,361,778
–	(659,851)	–	–	(659,851)	197,843	(462,008)
(8,639)	–	–	–	(8,639)	–	(8,639)
(1,307,935)	–	–	–	(1,307,935)	(164,966)	(1,472,901)
–	–	6,087	–	6,087	–	6,087
(1,316,574)	(659,851)	6,087	–	(1,970,338)	32,877	(1,937,461)
(1,316,574)	(659,851)	6,087	5,755,799	3,785,461	5,638,856	9,424,317
–	–	–	–	–	(1,171,796)	(1,171,796)
–	–	–	338	338	–	338
–	–	–	338	338	(1,171,796)	(1,171,458)
–	–	–	(1,290,779)	–	–	–
–	–	–	(1,290,441)	338	(1,171,796)	(1,171,458)
31,649	626,498	6,087	56,884,188	264,005,170	48,633,419	312,638,589

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Profit for the year		11,361,778	6,268,779
Adjustments for:			
Amortisation of deferred income		(213,475)	(112,039)
Depreciation of investment properties	6	21,088	24,062
Depreciation of property, plant and equipment	4	9,107,007	8,501,906
Gain on disposal of:			
– investment properties		–	(13,774)
– property, plant and equipment		(90,135)	(207,571)
– available-for-sale financial assets		(2,069,106)	–
– financial assets designated at fair value through profit or loss		(1,018,375)	–
Net finance (income)/costs		(376,575)	807,708
Net decrease in fair value of financial assets designated at fair value through profit or loss		100,111	1,916,802
Property, plant and equipment written off		46,100	92,099
Impairment losses on property, plant and equipment		736,744	–
Change in fair value of financial derivatives		(101,684)	–
Tax expense		4,736,251	4,921,612
Unrealised exchange (gain)/loss		(1,618,319)	184,413
		20,621,410	22,383,997
Changes in working capital:			
– Inventories		2,746,516	(1,694,225)
– Trade and other receivables		10,432,021	2,840,615
– Trade and other payables		(3,520,045)	(5,135,052)
Cash generated from operations		30,279,902	18,395,335
Tax paid		(4,218,706)	(6,345,964)
Net cash from operating activities		26,061,196	12,049,371

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2015

Note	2015 \$	2014 \$
Cash flows from investing activities		
Deposits received in relation to assets held for sale	9,030,000	8,275,952
Interest received	1,321,166	975,764
Proceeds from partial settlement of debt security	1,396,800	818,000
Proceeds from disposal of:		
– financial assets	5,378,242	–
– investment properties	–	119,172
– property, plant and equipment	301,840	923,733
Proceeds from maturity of financial assets designated at fair value through profit or loss	2,800,000	–
Purchase of property, plant and equipment	(9,212,415)	(10,984,054)
Purchase of financial assets	–	(4,315)
Net cash from investing activities	11,015,633	124,252
Cash flows from financing activities		
Decrease in pledged deposits	132,718	2,573,603
Dividends paid to non-controlling interests	(1,171,796)	(1,171,796)
Interest paid	(1,683,015)	(2,637,818)
Payment of finance lease liabilities	(16,008)	(679,139)
Proceeds from borrowings	59,072,140	63,322,735
Proceeds from exercise of share options	–	80,000
Repayment of borrowings	(58,728,156)	(67,157,625)
Net cash used in financing activities	(2,394,117)	(5,670,040)
Net increase in cash and cash equivalents	34,682,712	6,503,583
Cash and cash equivalents at 1 January	116,434,834	110,272,923
Effect of exchange rate fluctuations on cash held	1,586,568	(341,672)
Cash and cash equivalents at 31 December	152,704,114	116,434,834

15

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 March 2016.

1. DOMICILE AND ACTIVITIES

Hanwell Holdings Limited (the “**Company**”) is incorporated in the Republic of Singapore. The address of the Company’s registered office is 348 Jalan Boon Lay, Singapore 619529.

The financial statements of the Group as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “**Group**” and individually as “**Group entities**”) and the Group’s interest in equity-accounted investees.

The Company is primarily involved in the supply of provisions and household consumer products. The Company also provides management services to its subsidiaries. The principal activities of the subsidiaries are set out in note 7 to the financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company’s functional currency.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

2. BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

- Note 3.9(i) – impairment of available-for-sale financial assets; and
- Note 4 – determination of the recoverable amount of property, plant and equipment.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 3.17 – estimate of tax liabilities;
- Note 4 – impairment test: key assumptions underlying recoverable amounts of property, plant and equipment;
- Note 5 – key assumptions underlying recoverable amounts relating to goodwill;
- Note 10 – utilisation of tax losses;
- Note 11 – estimate of net realisable value for inventories;
- Note 12 – impairment of trade and other receivables; and
- Note 20 – valuation of financial instruments.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The Group Financial Controller has overall responsibility for all significant fair value measurements, including Level 3 fair values, where applicable.

The Group Financial Controller regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as property valuation or broker quotes or pricing services, is used to measure fair values, then the Group Financial Controller assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

2. BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Measurement of fair values (Continued)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 – Investment properties; and
- Note 20 – Financial instruments.

2.5 Accounting policy for new transactions and event

From 1 January 2015, the Group has applied hedge accounting under FRS 39 *Financial Instruments: Recognition and Measurement* to account for its derivative financial instrument held to hedge its foreign currency risk exposures. The new accounting policy (see note 3.3(iv)) has been applied prospectively.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which address the adoption of accounting policy for new transactions and event.

3.1 Basis of consolidation

(i) *Business combinations*

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(i) *Business combinations (Continued)*

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iii) *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(iv) Investments in associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Subsidiaries and associates in the separate financial statements

Investments in subsidiaries and associates are stated in the Company's statement of financial position at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for the following differences which are recognised in other comprehensive income ("OCI") arising on the retranslation of:

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss); or
- qualifying cash flow hedges to the extent the hedge is effective.

(ii) *Foreign operations*

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in OCI, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 Financial instruments****(i) *Non-derivative financial assets***

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise debt securities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(i) *Non-derivative financial assets (Continued)*

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in OCI and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 Financial instruments (Continued)****(ii) Non-derivative financial liabilities**

The Group initially recognises financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(iii) Share capital*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

Where share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. Where treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(iv) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(v) *Intra-group financial guarantees in the separate financial statements*

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.4 Property, plant and equipment

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the cost of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

(ii) *Subsequent costs*

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) *Depreciation*

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis unless it is included in the carrying amount of another asset over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

The estimated useful lives for the current and comparative years are as follows:

• freehold buildings	50 years
• leasehold buildings	20 to 50 years
• leasehold improvements	Remaining lease periods of 23 to 44 years
• renovations	3 to 10 years
• furniture, fittings and office equipment	3 to 13 1/3 years
• warehouse equipment	6 to 10 years
• motor vehicles	4 to 10 years
• plant and machinery	6 to 10 years
• computers	3 to 5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets and goodwill

(i) **Goodwill**

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates.

(ii) **Trademarks**

Trademarks are amortised and recognised in profit or loss as an expense on a straight-line basis over their useful lives of 3 to 10 years. Amortisation commences from the date the trademarks are available for use.

(iii) **Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) **Amortisation**

Amortisation methods, useful lives and residual values of trademarks are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in the production or supply of goods or services, or for administrative purposes. Investment properties are stated at cost less accumulated depreciation. The freehold land component of the investment properties is not depreciated. The freehold building component is depreciated on a straight-line basis over 50 years.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment properties, the leased assets are not recognised in the Group's statement of financial position.

3.8 Inventories

(i) *Trading goods*

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production and conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(ii) *Manufactured corrugated paper products*

Inventories are measured at the lower of cost and net realisable value. Cost of raw materials is determined on a specific identification basis. In the case of work in progress and finished goods, cost includes raw materials, direct expenditure and an attributable portion of manufacturing overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment

(i) *Non-derivative financial assets*

A financial asset not carried at fair value through profit or loss, including an interest in an associate, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables and held-to-maturity investment securities

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(i) **Non-derivative financial assets (Continued)**

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Associates

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3.9(ii). An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) **Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(ii) *Non-financial assets (Continued)*

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.10 Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of associates ceases once classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Employee benefits

(i) *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iii) *Share-based payment transactions*

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.13 Revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

3.15 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.16 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, fair value gains on financial assets at fair value through profit or loss and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprises interest expense on borrowings, impairment losses recognised on available-for-sale financial assets, losses on disposal of available-for-sale financial assets and fair value losses on financial assets at fair value through profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.17 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Tax (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest, may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.18 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effect of all dilutive potential ordinary shares, which comprise share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

3.20 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations, on the financial statements of the Group and the Company.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for the adoption by the Group on 1 January 2018.

- FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces a new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.
- FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

As FRS 115 and FRS 109, when effective, will change the existing accounting standards and guidance applied by the Group and the Company in accounting for revenue and financial instruments, these standards are expected to be relevant to the Group and the Company. The Group has set up projects teams to assess the potential impact on its financial statements and to implement the standards. The Group does not plan to adopt these standards early.

The Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on SGX will have to assess the impact of IFRS 1 *First-time adoption of IFRS* when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Freehold buildings	Leasehold buildings	Leasehold improvements
	\$	\$	\$	\$
Cost				
At 1 January 2014	439,587	3,723,471	52,877,403	9,719,140
Additions	5,436	–	367,367	–
Disposals	–	–	–	–
Write-offs	–	–	–	–
Reclassification	–	–	(1,099,420)	–
Effect of movements in exchange rates	(8,527)	(20,930)	813,128	–
At 31 December 2014	436,496	3,702,541	52,958,478	9,719,140
Additions	–	–	161,902	–
Disposals	–	–	–	–
Write-offs	–	–	–	–
Reclassification	–	–	–	–
Effect of movements in exchange rates	(55,878)	(137,637)	909,274	–
At 31 December 2015	380,618	3,564,904	54,029,654	9,719,140
Accumulated depreciation and impairment losses				
At 1 January 2014	–	2,975,274	14,618,204	3,612,169
Depreciation charge for the year	–	19,008	1,829,913	265,450
Disposals	–	–	–	–
Write-offs	–	–	–	–
Effect of movements in exchange rates	–	(7,107)	222,919	–
At 31 December 2014	–	2,987,175	16,671,036	3,877,619
Depreciation charge for the year	–	17,342	1,957,605	264,569
Impairment loss charge for the year	–	–	–	–
Disposals	–	–	–	–
Write-offs	–	–	–	–
Effect of movements in exchange rates	–	(47,235)	33,141	–
At 31 December 2015	–	2,957,282	18,661,782	4,142,188
Carrying amounts				
At 1 January 2014	439,587	748,197	38,259,199	6,106,971
At 31 December 2014	436,496	715,366	36,287,442	5,841,521
At 31 December 2015	380,618	607,622	35,367,872	5,576,952

Renovations \$	Furniture, fittings and office equipment \$	Warehouse equipment \$	Motor vehicles \$	Plant and machinery \$	Computers \$	Total \$
8,538,049	6,468,199	1,451,445	6,980,640	61,209,901	1,955,703	153,363,538
345,371	737,855	226,112	1,336,760	6,527,524	425,432	9,971,857
–	(12,168)	(105,412)	(1,049,747)	(1,697,655)	(3,580)	(2,868,562)
(3,000)	(157,534)	–	–	(846,373)	(18,584)	(1,025,491)
–	1,028,168	–	–	71,252	–	–
–	3,611	(2,770)	10,318	836,629	(2,175)	1,629,284
8,880,420	8,068,131	1,569,375	7,277,971	66,101,278	2,356,796	161,070,626
389,107	537,672	2,453	1,541,195	6,148,149	355,400	9,135,878
–	(16,301)	–	(327,052)	(306,670)	(14,623)	(664,646)
(140,611)	(53,181)	(2,328)	(14,177)	(514,580)	(10,545)	(735,422)
–	–	–	35,158	(35,158)	–	–
–	(184,976)	(17,377)	(125,690)	523,209	(14,497)	896,428
9,128,916	8,351,345	1,552,123	8,387,405	71,916,228	2,672,531	169,702,864
6,458,551	4,276,616	1,032,389	4,275,208	40,445,520	1,244,582	78,938,513
772,470	716,818	110,618	642,144	3,970,778	174,707	8,501,906
–	(6,667)	(84,674)	(791,430)	(1,266,051)	(3,578)	(2,152,400)
(2,725)	(144,135)	–	–	(767,948)	(18,584)	(933,392)
–	(7,567)	(1,897)	(1,265)	418,405	(2,170)	621,318
7,228,296	4,835,065	1,056,436	4,124,657	42,800,704	1,394,957	84,975,945
722,896	779,010	101,326	792,575	4,259,395	212,289	9,107,007
283,618	84,100	–	–	–	369,026	736,744
–	(15,215)	–	(252,398)	(170,714)	(14,614)	(452,941)
(140,611)	(47,959)	(2,325)	(13,752)	(474,133)	(10,542)	(689,322)
–	(161,854)	(12,934)	(69,871)	190,486	(14,446)	(82,713)
8,094,199	5,473,147	1,142,503	4,581,211	46,605,738	1,936,670	93,594,720
2,079,498	2,191,583	419,056	2,705,432	20,764,381	711,121	74,425,025
1,652,124	3,233,066	512,939	3,153,314	23,300,574	961,839	76,094,681
1,034,717	2,878,198	409,620	3,806,194	25,310,490	735,861	76,108,144

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold buildings \$	Leasehold improvements \$	Renovations \$
Cost			
At 1 January 2014	8,517,028	9,719,140	7,502,797
Additions	—	—	—
Disposals	—	—	—
Write-offs	—	—	(3,000)
At 31 December 2014	8,517,028	9,719,140	7,499,797
Additions	—	—	267,753
Disposals	—	—	—
Write-offs	—	—	—
At 31 December 2015	8,517,028	9,719,140	7,767,550
Accumulated depreciation			
At 1 January 2014	6,699,991	3,612,169	5,703,535
Depreciation charge for the year	129,788	265,450	630,711
Disposals	—	—	—
Write-offs	—	—	(2,725)
At 31 December 2014	6,829,779	3,877,619	6,331,521
Depreciation charge for the year	129,788	264,569	486,919
Disposals	—	—	—
Write-offs	—	—	—
At 31 December 2015	6,959,567	4,142,188	6,818,440
Carrying amounts			
At 1 January 2014	1,817,037	6,106,971	1,799,262
At 31 December 2014	1,687,249	5,841,521	1,168,276
At 31 December 2015	1,557,461	5,576,952	949,110

Furniture, fittings and office equipment \$	Warehouse equipment \$	Motor vehicles \$	Plant and machinery \$	Computers \$	Total \$
1,123,625	851,243	1,593,137	453,369	1,637,028	31,397,367
6,278	29,000	—	—	262,912	298,190
—	(19,812)	(193,696)	—	(3,580)	(217,088)
(8,900)	—	—	—	—	(11,900)
1,121,003	860,431	1,399,441	453,369	1,896,360	31,466,569
17,976	—	64,016	—	14,977	364,722
—	—	(46,526)	—	(14,623)	(61,149)
(2,400)	—	—	—	(3,594)	(5,994)
1,136,579	860,431	1,416,931	453,369	1,893,120	31,764,148
985,720	609,726	895,206	278,763	984,893	19,770,003
63,973	75,671	109,622	36,849	151,634	1,463,698
—	(19,811)	(168,437)	—	(3,578)	(191,826)
(7,491)	—	—	—	—	(10,216)
1,042,202	665,586	836,391	315,612	1,132,949	21,031,659
32,255	50,075	102,612	26,143	159,015	1,251,376
—	—	(46,525)	—	(14,614)	(61,139)
(2,300)	—	—	—	(3,593)	(5,893)
1,072,157	715,661	892,478	341,755	1,273,757	22,216,003
137,905	241,517	697,931	174,606	652,135	11,627,364
78,801	194,845	563,050	137,757	763,411	10,434,910
64,422	144,770	524,453	111,614	619,363	9,548,145

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the Group acquired property, plant and equipment with an aggregate cost of \$9,135,878 (2014: \$9,971,857). At 31 December 2015, \$1,219,399 (2014: \$1,295,936) remained unsettled for acquisition of property, plant and equipment.

Included in property, plant and equipment of the Group are assets with a total carrying amount of \$348,824 (2014: \$439,822), which are under finance leases.

The following property, plant and equipment are pledged as security for secured loans and borrowings (note 19):

	Group	
	2015	2014
	\$	\$
Carrying amounts		
Leasehold buildings	13,054,424	24,988,342
Plant and machinery	6,191,521	5,318,133
	19,245,945	30,306,475

Impairment of property, plant and equipment

Consumer Business

In 2015, the Group carried out a review of the recovery of its property, plant and equipment. The review led to the recognition of impairment losses of \$736,744 relating to certain property, plant and equipment of the Consumer Business segment due to the deterioration in the financial performance of a subsidiary. The impairment losses recognised were included in other expenses.

Packaging Business

In 2015, the Group carried out a review of the recoverable amounts of property, plant and equipment. The review results in no additional impairment made or reversal of impairment losses.

The recoverable amounts of the property, plant and equipment is the greater of its value-in-use and its fair value less costs of disposal. Cash flow projections used in these calculations were based on financial budgets approved by management covering a five-year period.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**Consumer Business (Continued)****Packaging Business (Continued)**

The approach to determine the recoverable amounts of the CGUs is categorised as follows:

- CGUs that are loss making but are expected to be able to generate economic benefits. The recoverable amounts of the CGUs have been determined based on fair value less costs of disposal of the assets. The fair value less costs of disposal is based on market valuation performed by independent valuers with experience in the location and category of the properties being valued.
- The recoverable amount of all other CGUs have been determined based on the calculation of their value-in-use derived from management's cash flows projections for these CGUs.

Key assumptions used in the estimation of value-in-use were as follows:

	2015 %	2014 %
<i>Revenue growth rate</i>		
Singapore	3	3
People's Republic of China	6	7
<i>Pre-tax discount rate</i>		
Singapore	16	12
People's Republic of China	18-22	11-14

The Group considers its asset impairment accounting policy to be a policy that requires one of the most extensive applications of judgements and estimates by management.

The forecasted revenue growth rate is estimated based on past performance and the expectations of market developments. Discount rates reflect the current market assessment of the risks specific to the asset. In determining appropriate discount rates for the asset, regard has been given to the weighted average cost of capital. Gross margins are based on average values achieved in the year preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**Consumer Business (Continued)****Packaging Business (Continued)**

The fair value measurement is categorised as level 3 under the fair value hierarchy (see note 2.4). Details of valuation techniques and key inputs for the estimation of the recoverable amounts of CGU based on fair value less cost of disposal:

Type	Valuation technique	Significant unobservable inputs
Long term leasehold land	Comparison Method of Valuation	Comparing the property with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land.
Long term leasehold building	Depreciated Replacement Cost Method	Aggregated amount of gross replacement cost of the building and other site works from which appropriate deductions may then be made for the age, condition, economic or functional obsolescence and environmental factors.

5. INTANGIBLE ASSETS

Group	Goodwill on consolidation \$	Trademarks \$	Total \$
Cost			
At 1 January 2014	1,139,382	363,050	1,502,432
Effect of movements in exchange rates	22,464	–	22,464
At 31 December 2014	1,161,846	363,050	1,524,896
Effect of movements in exchange rates	25,290	–	25,290
At 31 December 2015	1,187,136	363,050	1,550,186
Accumulated amortisation			
At 1 January 2014/31 December 2014/31 December 2015	–	363,050	363,050
Carrying amounts			
At 1 January 2014	1,139,382	–	1,139,382
At 31 December 2014	1,161,846	–	1,161,846
At 31 December 2015	1,187,136	–	1,187,136

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

5. INTANGIBLE ASSETS (CONTINUED)**Annual impairment tests for cash generating units containing goodwill**

For the purpose of impairment testing, goodwill is allocated to the Group's operating units which represent the lowest level within the Group at which goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in note 29.

The aggregate carrying amount of goodwill is allocated to the Packaging segment. The packaging businesses operate largely in Singapore and China.

The recoverable amount of the cash generating unit (CGU) is based on both value-in-use ("VIU") calculations and fair values less cost of disposal. The calculation for VIU uses cash flow projections based on financial budgets approved by management covering a period of five years.

For the purpose of analysing each CGU, management used the following key assumptions:

	Revenue growth rate %
2015	
Packaging	3 – 6
 2014	
Packaging	<u>3 – 7</u>

The forecasted revenue growth rate is estimated based on past performance and the expectations of market developments relevant to each of the CGU. Discount rates reflect the current market assessment of the risks specific to each CGU. In determining appropriate discount rates for each CGU, regard has been given to the weighted average cost of capital. The pre-tax discount rates for each CGU ranged between 16% – 22% (2014: 11% – 14%). Gross margins are based on average values achieved in the year preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements. The Group believes that any reasonably possible change in the above key assumptions is not likely to materially cause the recoverable amount to be lower than its carrying amount.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

6. INVESTMENT PROPERTIES

	Group	
	2015	2014
	\$	\$
Cost		
At 1 January	1,127,534	1,272,339
Disposals	–	(123,420)
Effect of movements in exchange rates	(144,341)	(21,385)
At 31 December	983,193	1,127,534
Accumulated depreciation		
At 1 January	178,503	175,985
Depreciation charge for the year	21,088	24,062
Disposals	–	(18,022)
Effect of movements in exchange rates	(24,277)	(3,522)
At 31 December	175,314	178,503
Carrying amounts		
At 1 January	949,031	1,096,354
At 31 December	807,879	949,031
Fair value		
At 31 December	1,215,200	1,468,463

The investment properties comprise a number of resort apartments.

Measurement of fair value***Fair value hierarchy***

The fair values for disclosure purpose are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

6. INVESTMENT PROPERTIES (CONTINUED)**Measurement of fair value (Continued)*****Fair value hierarchy (Continued)***

The valuations as at 31 December 2015 and 31 December 2014 were performed by independent professional valuers and based on the comparison method. In relying on the valuation reports, the directors have exercised their judgement and are satisfied that the valuation methods and estimates used are reflective of the current market conditions.

The fair value measurement for investment properties has been categorised as a Level 3 fair value.

The following table shows the key unobservable input used in the valuation of investment properties as at 31 December 2015:

Valuation technique	Unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
Comparison method	Price per square foot	Significant increases in price per square foot would result in a significantly higher fair value measurement.

7. SUBSIDIARIES

	Company	
	2015	2014
	\$	\$
Equity investments at cost	46,718,051	48,218,053
Impairment losses	(6,528,905)	(6,976,630)
	40,189,146	41,241,423

In 2015, following a change in the financial conditions of certain subsidiaries, the Company assessed the carrying amount of its investments in these subsidiaries to determine whether there is any indication of impairment. Based on the review, the Company recorded an impairment loss of \$1,052,277 (2014: \$919,842) on its investments in certain subsidiaries. The recoverable amounts of the investments were estimated using the fair value less costs to sell approach. The fair values of the underlying assets were estimated based on their estimated selling prices and the fair values of the underlying liabilities were based on the estimated cash outflows to settle the obligations.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

7. SUBSIDIARIES (CONTINUED)

Details of key subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group	
			2015 %	2014 %
@ Topseller Pte Ltd	Marketing and sale of agency lines and proprietary brands	Singapore	100	100
@ Tipex Pte. Ltd. and its subsidiaries:	Supply of provisions and household products	Singapore	74	74
# Tips Trading Pte. Ltd.	Dormant	Singapore	–	74
^ Tips Industry (M) Sdn. Bhd	Packaging and sale of paper products	Malaysia	74	74
^ Socma Trading (M) Sendirian Berhad and its subsidiaries:	Marketing and sale of household and consumer products	Malaysia	100	100
^ Econfood Manufacturing (M) Sdn. Bhd.	Dormant	Malaysia	100	100
^ Fresh Fruit Juice Manufacturing (M) Sdn. Bhd.	Manufacture of grass jelly products	Malaysia	100	100
@ PSC Investment Pte Ltd and its subsidiary:	Investment holding	Singapore	100	100
∞ Guangzhou PSC Properties Co., Ltd and its subsidiary:	Property development, property holdings and property related activities	People's Republic of China	100	100
∞ PSC (China) Property Co., Limited	Property development, property holdings and property related activities	Hong Kong	100	100
@ Fortune Food Manufacturing Pte Ltd and its subsidiary:	Manufacture of soya bean products and noodles	Singapore	100	100
@ Fortune Food Marketing Pte Ltd	Inactive	Singapore	100	100

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

7. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group	
			2015 %	2014 %
® PSC Resort Pte Ltd and its subsidiary:	Investment holding	Singapore	100	100
^ Palm Meadow Sdn. Bhd.	Property investment	Malaysia	100	100
® Tat Seng Packaging Group Ltd and its subsidiaries:	Manufacture and sale of corrugated boards, corrugated cartons and other packaging products	Singapore	64	64
^ Tat Seng Packaging (Suzhou) Co., Ltd and its subsidiaries:	Manufacture and sale of corrugated boards, corrugated cartons and other packaging products	People's Republic of China	64	64
^ Nantong Hengcheng Paper Industry Co., Ltd and its subsidiary:	Manufacture and sale of corrugated boards	People's Republic of China	44.8	44.8
^ Nantong Tat Seng Packaging Co., Ltd	Manufacture and sale of corrugated boards	People's Republic of China	44.8	44.8
^ Hefei Dansun Packaging Co., Ltd	Manufacture and sale of corrugated cartons, EPE products and other packaging products	People's Republic of China	60.4	60.4
® United Packaging Industries Pte. Ltd.	Manufacture and sale of corrugated boards, corrugated cartons and other packaging products	Singapore	64	64
^ Tianjin Dansun Packaging Co., Ltd	Manufacture and sale of corrugated cartons and other packaging products	People's Republic of China	42.9	42.9
® Topseller Development Pte Ltd and its subsidiary:	Investment holding	Singapore	100	100

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

7. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group	
			2015 %	2014 %
[^] Flobina Sdn. Bhd.	Inactive	Malaysia	100	100
[@] PSC International Pte Ltd and its subsidiaries:	Investment holding	Singapore	100	100
[@] Health Solutions International Pte. Ltd. and its subsidiaries:	Investment holding	Singapore	95	95
[@] Health Solutions Holdings Pte. Ltd. and its subsidiaries:	Investment holding	Singapore	95	95
Halyway Holding Ltd and its subsidiary:	Dormant	Cyprus	95	95
[∇] HS Hellas S.A	Dormant	Greece	95	95
^Ω Health Solutions (Malaysia) Sdn. Bhd. and its subsidiaries:	Construction of hospital turnkey projects and provision of healthcare consultancy and hospital management services	Malaysia	95	95
^Ω Health Solutions Services Sdn. Bhd.	Dormant	Malaysia	95	95
^Ω HS Medeq Consult Sdn.Bhd.	Dormant	Malaysia	95	95
[∇] Health Solutions Medical Services (Vietnam) Co., Ltd.	Dormant	Vietnam	95	95
[∇] PT Health Solutions Indonesia	Dormant	Indonesia	90.3	90.3
[@] Wellmart Management Services Pte. Ltd	Franchise ownership, mini-mart, convenience store and provision shop operator	Singapore	100	100
[@] D & P Lifestyle Pte. Ltd.	Dormant	Singapore	100	100

[@] Audited by KPMG LLP, Singapore.[^] Audited by other member firms of KPMG International.^Ω Audited by Baker Tilly AC, Malaysia.[∞] Audited by Deloitte Touche Tohmatsu, Hong Kong.[∇] Companies under voluntary liquidation.[#] Application to strike off submitted on 3 September 2015 (company struck off on 19 February 2016).

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

8. ASSOCIATES

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Investment in associates	2,393,055	2,393,055	8,044,492	8,044,492
Impairment losses	(2,393,055)	(2,393,055)	(8,044,492)	(8,044,492)
	—	—	—	—

Details of key associates are as follows:

Name of associate	Principal activities	Country of incorporation	Effective equity held by			
			the Group		the Company	
			2015	2014	2015	2014
			%	%	%	%
& China Worldbest Health Solutions Holding Co., Ltd	Inactive	People's Republic of China	31.3	31.3	31.3	31.3
Ω Health Solutions (S.E. Asia) Sdn.Bhd.	Provision of healthcare consultancy and management services to the health industry	Malaysia	28.5	28.5	—	—
α HSI Philippines, Inc.	Dormant	Philippines	38	38	—	—
# Harbin Puwei Real Estate Development Co Ltd	Inactive	People's Republic of China	40	40	—	—
& Longkou Luzhibei Preserved Fruit Company Limited	Manufacture and distribution of preserved fruits	People's Republic of China	40	40	—	—
&	Not required to be audited by law of country of incorporation.					
Ω	Audited by Baker Tilly AC, Malaysia.					
α	Audited by Jaime B. Santos, Philippines.					
#	This company has been dissolved subsequently in March 2016.					

The associates are audited by other certified public accountants. These entities are not significant as defined under the Listing Rule 718 of Singapore Exchange Listing Manual. For this purpose, an associated company is considered significant if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

In prior years, the Group assessed the carrying amount of the interests in associates and recognised impairment losses to write down the investment costs to nil. Since the Group has no obligation in respect of the losses of the associates that exceed the Group's interests in those associates, the equity accounting for loss recognition had been suspended in prior years. There is no significant change to the financial condition of the associates in 2015. As such, the Group's interests in associates remained as fully impaired at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

9. OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Non-current investments				
Available-for-sale financial assets	47,282	2,732,036	47,282	1,900,036
Current investments				
Held-to-maturity investments	–	2,724,800	–	2,724,800
Financial assets designated at fair value through profit or loss	1,866,598	3,052,372	1,866,598	3,052,372
Financial derivatives assets	111,373	–	105,286	–
	1,977,971	5,777,172	1,971,884	5,777,172

Available-for-sale financial assets relate to investments in equity securities.

Held-to-maturity investment is a debt security that has a stated interest rate of 6% per annum and has matured in February 2015.

The financial assets designated at fair value through profit or loss relate to equity securities that otherwise would have been classified as available-for-sale. The performance of the equity securities designated at fair value through profit or loss upon initial recognition is actively monitored and they are managed on a fair value basis.

The Group's exposure to credit, currency and interest rate risks and fair value information related to other financial assets are disclosed in note 20.

The contractual amounts of the derivative financial instruments and their corresponding gross positive and negative fair values at statement of financial position date are analysed below:

	Contract/ notional amount	Positive fair values	Negative fair values
	\$	\$	\$
Group			
2015			
Forward exchange contracts used for hedging	714,588	6,087	–
Other forward exchange contracts	19,183,887	105,286	(3,602)
	19,898,475	111,373	(3,602)
Company			
2015			
Other forward exchange contracts	19,183,887	105,286	(3,602)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

10. DEFERRED TAX ASSETS AND LIABILITIES

Movements in temporary differences during the year are as follows:

	At 1 January 2014 \$	Recognised in profit or loss (note 27) \$	Effect of movements in exchange rates \$	At 31 December 2014 \$	Recognised in profit or loss (note 27) \$	Effect of movements in exchange rates \$	At 31 December 2015 \$
Group							
Deferred tax assets							
Property, plant and equipment	–	–	–	–	115,023	–	115,023
Trade and other receivables	204,405	41,049	136	245,590	17,596	(630)	262,556
Tax value of loss carry forward	1,060,958	94,190	–	1,155,148	(247,683)	–	907,465
Trade and other payables	885,730	(26,392)	(88)	859,250	(518,435)	(458)	340,357
Other items	29,802	(30,293)	491	–	19,680	(1,331)	18,349
Total	2,180,895	78,554	539	2,259,988	(613,819)	(2,419)	1,643,750
Deferred tax liabilities							
Property, plant and equipment	(1,786,357)	(113,777)	5,728	(1,894,406)	632,449	17,255	(1,244,702)
Other financial assets	(667,080)	(27,744)	–	(694,824)	150,258	–	(544,566)
Other items	(3,854)	(29,750)	1,630	(31,974)	(793)	4,459	(28,308)
Total	(2,457,291)	(171,271)	7,358	(2,621,204)	781,914	21,714	(1,817,576)

The amounts determined after appropriate offsetting are included in the statements of financial position as follows:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Deferred tax liabilities	1,781,348	2,042,182	–	–
Deferred tax assets	1,607,525	1,680,966	–	–

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2015	2014
	\$	\$
Tax losses	28,239,278	27,637,513
Capital allowances	257,358	–
Deductible temporary differences	659,243	275,105
	29,155,879	27,912,618

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The tax losses and deductible temporary differences of \$647,100 (2014: \$742,100) will expire within the next 5 years. The remaining tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

At 31 December 2015, deferred tax liabilities for temporary differences of \$35,435,066 (2014: \$40,671,094) related to investments in subsidiaries were not recognised because the Company controls whether the liabilities will be incurred and it is satisfied that such liabilities will not be incurred in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

11. INVENTORIES

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Finished goods:				
– at cost	20,825,366	25,275,220	8,734,164	9,024,526
Packing materials	793,452	824,826	–	–
Raw materials	16,276,541	15,537,902	–	–
Work-in-progress	497,916	487,451	–	–
	38,393,275	42,125,399	8,734,164	9,024,526

In 2015, inventories of the Group amounting to \$321,011,299 (2014: \$330,200,481) were recognised as an expense during the period and included in cost of sales.

In 2015, the Group recognised an allowance for inventory obsolescence of \$171,647 (2014: \$2,019,096) and wrote-off inventories amounting to \$666,927 (2014: \$533,423). The allowance made and write-off were included in cost of sales.

In assessing the net realisable value of inventories, management takes into account the Group's recent transactions and expected future selling prices. Market conditions may, however, change which may affect the future selling prices of the inventories and accordingly, the carrying value of inventories may be subject to adjustments in future periods.

12. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2015	2014	2015	2014
		\$	\$	\$	\$
Trade receivables		129,144,380	137,423,041	4,244,614	7,198,810
Impairment losses		(3,507,816)	(2,790,481)	(11,658)	(11,658)
Net trade receivables		125,636,564	134,632,560	4,232,956	7,187,152
Deposits		1,364,638	699,068	23,424	14,300
Non-trade receivables		12,455,844	11,823,672	1,051,426	816,806
Impairment losses		(7,881,999)	(3,711,506)	–	–
Net non-trade receivables		4,573,845	8,112,166	1,051,426	816,806
Tax recoverable		489,258	477,496	–	–
Amounts due from:					
– subsidiaries	13	–	–	45,062,597	61,961,119
– associates	14	–	–	–	–
Trade and other receivables		132,064,305	143,921,290	50,370,403	69,979,377
Advance to suppliers		3,051,079	1,459,213	–	–
Prepayments		1,392,733	1,567,203	17,166	32,446
		136,508,117	146,947,706	50,387,569	70,011,823

Included in non-trade receivables of the Group as at 31 December 2014 was an amount of \$4,350,765 relating to the principal amount of a debt security and accrued interest thereon that matured in September 2013. Subsequent to 31 December 2014, repayment amounting to \$1,400,000 was received. Allowance for impairment was made on the remaining balance in 2015.

The Group's and the Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables are disclosed in note 20.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

13. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2015	2014
	\$	\$
Current accounts:		
– trade	1,911,330	687,455
– impairment losses	(1,911,330)	(96,082)
	–	591,373
– non-trade	68,079,288	76,246,887
– impairment losses	(23,016,691)	(14,877,141)
	45,062,597	61,369,746
	45,062,597	61,961,119

The non-trade current account balances are unsecured, interest-free and repayable on demand.

The Company recorded an impairment loss of \$10,017,957 (2014: \$855,990) during the year. The impairment loss in 2015 and 2014 were included in other expenses. The movement in the balances during the current year also included exchange adjustments.

14. AMOUNTS DUE FROM ASSOCIATES

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Non-trade	11,049,717	11,137,816	1,422,193	1,422,193
Impairment losses	(11,049,717)	(11,137,816)	(1,422,193)	(1,422,193)
	–	–	–	–

The non-trade amounts due from associates are unsecured, interest-free and repayable on demand.

The Group recorded an impairment loss of \$987,376 (2014: reversal of impairment loss of \$235,616) during the year. The charge and reversal of impairment losses were included in other expenses. The movement in the balances during the current year also included exchange adjustments.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Cash at bank and in hand	49,412,781	46,201,842	4,063,594	19,093,135
Fixed deposits with banks	106,458,540	73,532,917	91,140,002	59,593,916
Cash and cash equivalents in the statement of financial position	155,871,321	119,734,759	95,203,596	78,687,051
Deposits pledged	(3,167,207)	(3,299,925)	–	–
Cash and cash equivalents in the statement of cash flows	152,704,114	116,434,834	95,203,596	78,687,051

Bank deposits pledged represents amounts pledged as security by certain subsidiaries to obtain credit facilities (note 19).

The Group's and the Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 20.

16. ASSET HELD FOR SALE

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Carrying amount	49,042,180	48,009,337	–	–

Asset held for sale comprise the investment in Million Cube Limited, which had been reclassified from investments in associates in 2013 pursuant to a plan to dispose the investment. The movement during the year represents exchange adjustment.

On 29 March 2016, the Group's wholly owned subsidiary, PSC (China) Property Co. Limited ("Vendor"), and Kang Cheng Holdings Limited ("Purchaser"), had mutually agreed to further extend the date of completion of the transfer of the equity interest in Million Cube Limited between the Vendor and the Purchaser to 30 June 2016 pursuant to the terms of the Sale and Purchase Agreement ("Agreement"). The Purchaser also agreed to pay an additional non-refundable partial consideration of HKD 50,000,000 on 31 March 2016.

17. CAPITAL AND RESERVES**Share capital**

	2015	2014
	No. of shares	No. of shares
Group and Company		
In issue at 1 January	570,996,746	570,496,746
Exercise of share options	–	500,000
In issue at 31 December	570,996,746	570,996,746

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

17. CAPITAL AND RESERVES (CONTINUED)**Share capital (Continued)**

At 31 December 2015, the Company held 17,581,000 (2014: 17,581,000) of its own uncanceled shares.

The total number of issued shares excluding treasury shares as at the end of the year ended 31 December 2015 was 553,415,746 (2014: 553,415,746).

In 2015, nil (2014: 500,000) shares were issued following the exercise of vested options which were granted to key management personnel, senior employees and non-executive directors under the Hanwell Executives' Share Options Scheme. Options were exercised at the exercise price of \$nil (2014: \$0.16) per share (see note 21).

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

All issued shares are fully paid, with no par value.

Reserves

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Other reserves	6,357,540	5,066,761	490,913	490,913
Fair value reserve	31,649	1,348,223	31,645	1,055,585
Translation reserve	626,498	1,286,349	–	–
Hedging reserve	6,087	–	–	–
Retained earnings/(Accumulated losses)	56,884,188	52,418,830	(12,501,401)	(5,066,548)
	63,905,962	60,120,163	(11,978,843)	(3,520,050)

Other reserves

Other reserves of the Group comprises mainly (i) the reserve arising from bonus shares issued by a subsidiary, (ii) the reserve arising from acquisition of non-controlling interests, (iii) the share option reserve comprising the cumulative value of employee services received for the issue of share options, and (iv) the statutory reserves of certain subsidiaries. In accordance with the relevant People's Republic of China ("PRC") regulations, certain subsidiaries in the PRC are required to appropriate at least 10% of their profit after tax in their annual statutory financial statements, as determined in accordance with the PRC accounting standards and regulations applicable to the subsidiaries, to the statutory reserve until such reserve reaches 50% of the registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory reserve is not available for dividend distribution to shareholders. As at 31 December 2015, the statutory reserve included in other reserves is \$5,290,711 (2014: \$3,999,932).

Other reserves of the Company relates to the share option reserve comprising the cumulative value of employee services received for the issue of share options.

Fair value reserve

The fair value reserve of the Group and the Company comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

17. CAPITAL AND RESERVES (CONTINUED)

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flows hedges pending subsequent recognition in profit or loss as the hedged cash flow affects profit or loss.

Dividends

The following exempt (one-tier) dividends were declared and paid by the Group.

Paid by subsidiaries to non-controlling interests

	Group	
	2015	2014
	\$	\$
Final tax-exempt dividend paid of 4.92 cents (2014: 4.92 cents) per share in respect of financial year ended 31 December 2014 (2014: in respect of financial year ended 31 December 2013)	38,376	38,376
Final tax-exempt dividend paid of 1.00 cent (2014: 1.00 cent) per share in respect of financial year ended 31 December 2014 (2014: in respect of financial year ended 31 December 2013)	566,710	566,710
Interim tax-exempt dividend paid of 1.00 cent (2014: 1.00 cent) per share in respect of financial year ended 31 December 2015 (2014: in respect of financial year ended 31 December 2014)	566,710	566,710
	1,171,796	1,171,796

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

18. NON-CONTROLLING INTERESTS

The following summarises the financial information of each of the Group's subsidiaries with material non-controlling interests (NCI), based on their respective (consolidated) financial statements prepared in accordance with FRS.

	Tat Seng Packaging Group Ltd and its subsidiaries	Tipex Pte Ltd and its subsidiaries	Other individually immaterial subsidiaries	Consolidation adjustments	Total
	\$	\$	\$	\$	\$
2015					
Revenue	231,441,105	26,652,680			
Profit	13,197,367	1,764,636	(943,042)		
OCI	1,199,922	(1,614,644)	895,642		
Total comprehensive income	14,397,289	149,992	(47,400)		
Attributable to NCI:					
– Profit/(loss)	5,240,584	458,805	(47,152)	(46,258)	5,605,979
– OCI	379,972	(419,807)	44,782	27,930	32,877
– Total comprehensive income	5,620,556	38,998	(2,370)	(18,328)	5,638,856
Non-current assets	60,125,712	2,825,715			
Current assets	150,071,445	22,623,081			
Non-current liabilities	(2,611,107)	(145,223)			
Current liabilities	(102,822,624)	(2,258,155)			
Net assets	104,763,426	23,045,418			
Net assets attributable to NCI	41,702,849	5,991,809	(144,455)	1,083,216	48,633,419
Cash flows from operating activities	33,072,826	678,669			
Cash flows used in investing activities	(5,139,275)	(1,400,694)			
Cash flows used in financing activities (dividends to NCI: note 17)	(10,186,563)	(147,600)			
Net increase/(decrease) in cash and cash equivalents	17,746,988	(869,625)			

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

18. NON-CONTROLLING INTERESTS (CONTINUED)

	Tat Seng Packaging Group Ltd and its subsidiaries	Tipex Pte Ltd and its subsidiaries	Other individually immaterial subsidiaries	Consolidation adjustments	Total
	\$	\$	\$	\$	\$
2014					
Revenue	224,545,010	26,268,317			
Profit	9,556,399	1,581,090			
OCI	1,678,132	(240,634)			
Total comprehensive income	11,234,531	1,340,456			
Attributable to NCI:					
– Profit/(loss)	3,487,580	411,084	(35,065)	(43,747)	3,819,852
– OCI	598,071	(62,570)	4,603	24,814	564,918
– Total comprehensive income	4,085,651	348,514	(30,462)	(18,933)	4,384,770
Non-current assets	59,967,650	1,880,687			
Current assets	136,617,131	24,079,535			
Non-current liabilities	(2,371,071)	(166,715)			
Current liabilities	(100,584,228)	(2,750,481)			
Net assets	93,629,482	23,043,026			
Net assets attributable to NCI	37,213,171	5,991,187	(142,085)	1,104,086	44,166,359
Cash flows from operating activities	11,034,962	1,390,572			
Cash flows used in investing activities	(8,026,236)	(273,241)			
Cash flows used in financing activities (dividends to NCI: note 17)	(10,624,457)	(147,600)			
Net (decrease)/increase in cash and cash equivalents	(7,615,731)	969,731			

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

19. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 20.

	Group	
	2015 \$	2014 \$
Non-current liabilities		
Secured bank loans	1,368,101	1,156,674
Finance lease liabilities	45,270	61,278
	1,413,371	1,217,952
Current liabilities		
Secured bank loans	8,632,586	10,747,463
Unsecured bank loans	4,972,603	8,795,420
Bills payable	18,268,600	11,535,975
Finance lease liabilities	16,008	16,008
Loan from non-controlling interests	653,546	639,535
	32,543,343	31,734,401
Total loans and borrowings	33,956,714	32,952,353

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	2015		2014	
				Face value \$	Carrying amount \$	Face value \$	Carrying amount \$
Group							
Bills payable (secured)	RMB	—	2016	18,268,600	18,268,600	—	—
Bills payable (secured)	RMB	—	2015	—	—	9,392,836	9,392,836
Bills payable (unsecured)	RMB	—	2015	—	—	2,143,139	2,143,139
Finance lease liabilities (secured)	SGD	4.48	2019	68,528	61,278	86,102	77,286
Loan A (secured)	RMB	6.16 – 7.80	2015	—	—	7,744,245	7,744,245
Loan B (secured)	RMB	7.20	2015	—	—	2,543,222	2,543,222
Loan C (secured)	SGD	3.40 – 3.62	2018	1,156,674	1,156,674	1,616,670	1,616,670
Loan D (secured)	RMB	4.79	2016	3,485,581	3,485,581	—	—
Loan E (secured)	RMB	4.79 – 4.83	2016	4,207,742	4,207,742	—	—
Loan F (secured)	RMB	7.50	2018	1,150,690	1,150,690	—	—
Loan G (unsecured)	RMB	5.60 – 6.60	2015	—	—	8,795,420	8,795,420
Loan H (unsecured)	RMB	4.79 – 6.16	2016	4,972,603	4,972,603	—	—
Loan from non-controlling interests (unsecured)	RMB	4.79/6.44	2016/2015	653,546	653,546	639,535	639,535
Total loans and borrowings				33,963,964	33,956,714	32,961,169	32,952,353

(i) Certain bills payable of the Group are secured on bank deposits of \$3,167,207 (2014: \$3,299,925) (note 15).

(ii) The secured bank loans and certain bills payable are secured on certain leasehold buildings and plant and machinery held by certain subsidiaries (see note 4).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

19. LOANS AND BORROWINGS (CONTINUED)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2015 \$	Interest 2015 \$	Present value of minimum lease payments 2015 \$	Future minimum lease payments 2014 \$	Interest 2014 \$	Present value of minimum lease payments 2014 \$
Group						
Within one year	17,832	1,824	16,008	17,832	1,824	16,008
Between one and five years	50,696	5,426	45,270	68,270	6,992	61,278
	68,528	7,250	61,278	86,102	8,816	77,286

Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees given by the Company to banks in respect of banking facilities amounting to \$3,374,934 (2014: \$5,004,645) granted to a wholly-owned and a non-wholly owned subsidiary. There is no expiry date on the financial guarantees. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group guarantees.

20. FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the costs of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (Continued)*****Credit risk***

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The carrying amount of financial assets in the statement of financial position represents the Group and the Company's respective maximum exposure to credit risk, before taking into account any collateral held.

Guarantees

The Group's policy is to provide financial guarantees only to its subsidiaries. The maximum exposure of the Company in respect of the intra-group financial guarantees at the end of the reporting date, if the facility is drawn down by the subsidiary is \$3,374,934 (2014: \$3,870,405). At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the intra-group guarantee.

Trade and other receivables**Risk management policy**

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

At the reporting date, credit risk is concentrated mainly in cash and fixed deposits with banks, held-to-maturity investments and trade and other receivables. Cash and fixed deposits are placed with banks which are regulated.

Credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are internationally dispersed, are engaged in a wide spectrum of activities, and sell in a variety of end markets.

Exposure to credit risk

The maximum exposure to credit risk for trade receivables (including trade amounts due from subsidiaries in the Company's statement of financial position) at the reporting date (by type of customer) was as follows:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Consumer business	33,693,450	35,319,305	4,232,956	7,778,525
Packaging	91,943,114	99,313,255	–	–
	125,636,564	134,632,560	4,232,956	7,778,525

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (Continued)****Credit risk (Continued)***Trade and other receivables (Continued)*

Impairment losses

The ageing of trade receivables (including trade amounts due from subsidiaries in the Company's statement of financial position) at reporting date was as follows:

	Gross 2015 \$	Impairment 2015 \$	Gross 2014 \$	Impairment 2014 \$
Group				
Not past due	109,673,972	–	120,692,102	–
Past due 0 – 90 days	15,498,254	(95,648)	12,604,228	(112,368)
Past due 91 – 180 days	542,109	(58,829)	278,834	(77,400)
Past due 181 – 365 days	345,543	(268,837)	1,164,943	(183,964)
More than one year	3,084,502	(3,084,502)	2,682,934	(2,416,749)
	129,144,380	(3,507,816)	137,423,041	(2,790,481)
Company				
Not past due	4,967,997	(1,911,330)	7,226,043	(96,082)
Past due 0 – 90 days	902,469	–	635,958	–
Past due 91 – 180 days	229,863	–	12,763	–
Past due 181 – 365 days	44,114	(157)	–	–
More than one year	11,501	(11,501)	11,501	(11,658)
	6,155,944	(1,922,988)	7,886,265	(107,740)

The movement in the allowance for impairment in respect of trade receivables (including trade amounts due from subsidiaries in the Company's statement of financial position) during the year was as follows:

	Group		Company	
	2015 \$	2014 \$	2015 \$	2014 \$
At 1 January	2,790,481	2,443,484	107,740	102,605
Impairment loss recognised	1,078,422	363,298	1,815,248	5,135
Amounts written off	(361,087)	(16,301)	–	–
At 31 December	3,507,816	2,790,481	1,922,988	107,740

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (Continued)****Credit risk (Continued)***Trade and other receivables (Continued)*

Impairment losses (Continued)

The movement in the allowance for impairment in respect of non-trade receivables (including non-trade amounts due from associates and non-trade amount due from subsidiaries in the Company's statement of financial position) during the year was as follows:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
At 1 January	14,849,322	14,163,482	16,299,334	15,448,480
Impairment loss recognised	4,887,029	697,893	8,139,550	850,854
Effect of movements in exchange rates	(804,635)	(12,053)	–	–
At 31 December	18,931,716	14,849,322	24,438,884	16,299,334

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of amount owing is possible, at which point the amounts are considered irrecoverable and are written off against financial assets directly. At 31 December 2015, the Group and the Company do not have any collective impairment on their trade and other receivables. The analysis is performed on the same basis for 2014.

Certain trade receivables of the Group and the Company are collateralised on the items below. Claims against such collateral are limited to the outstanding obligations.

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Bankers' guarantee	363,187	677,532	350,000	290,000
Fixed deposits	1,480,000	2,425,000	1,480,000	2,425,000
Bank deposits	320,000	–	320,000	–
	2,163,187	3,102,532	2,150,000	2,715,000

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Credit risk (Continued)

Investments

Risk management policy

The Group has an investment policy which sets out the types of strategic investments and investments in financial assets that may be undertaken and relevant evaluation criteria. Excess funds generated from operations, diversification of investments, proceeds from private placement of shares or rights issue may be invested in financial assets pending identification and evaluation of long term investments. Approvals are required from executive management or the Board of Directors depending on the size of each investment.

As described above, the Group may undertake investments in financial assets in accordance with its investment policy. The concentration of credit risk of the Group's non-trade receivables is described in note 12. The Group manages its credit risk on its held-to-maturity investments and non-trade receivables by obtaining sufficient financial guarantee from credit worthy counterparties or collateral where appropriate, as means of mitigating the risk of financial loss from defaults.

The maximum exposure to credit risk of the debt securities at the reporting date is the carrying amount.

Derivatives

The derivatives are entered into with bank and financial institution counterparties, which is rated Aa1, based on rating agency Moody's ratings.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of \$155,871,321 and \$95,203,596 respectively at 31 December 2015 (2014: \$119,734,759 and \$78,687,051 respectively). These figures represent their maximum credit exposures on these assets. The cash and cash equivalents are held with bank and financial institution counterparties which are rated A3 to Aa1, based on Rating Agency Moody's ratings.

Liquidity risk

Risk management policy

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group monitors its liquidity risk by regularly monitoring current and expected liquidity requirements and ensuring sufficient liquid cash and readily realisable marketable securities and adequate lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Liquidity risk (Continued)

Exposure to liquidity risk

The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	Within 1 to 5 years \$
Group				
2015				
Non-derivative financial liabilities				
Variable rate loans	11,487,709	(11,917,941)	(10,450,859)	(1,467,082)
Fixed rate loans	3,485,581	(3,491,603)	(3,491,603)	–
Bills payable	18,268,600	(18,268,600)	(18,268,600)	–
Finance lease liabilities	61,278	(68,528)	(17,832)	(50,696)
Loan from non-controlling interests	653,546	(684,819)	(684,819)	–
Trade and other payables*	110,440,635	(110,440,635)	(110,440,635)	–
	144,397,349	(144,872,126)	(143,354,348)	(1,517,778)
Derivative financial instruments				
Forward exchange contracts used for hedging (gross-settled):	(6,087)			
– Outflow		(708,501)	(708,501)	–
– Inflow		714,588	714,588	–
Other forward exchange contracts (gross-settled):	(105,286)			
– Outflow		(9,967,529)	(9,967,529)	–
– Inflow		10,072,815	10,072,815	–
Other forward exchange contracts (gross-settled):	3,602			
– Outflow		(9,216,358)	(9,216,358)	–
– Inflow		9,212,756	9,212,756	–
	(107,771)	107,771	107,771	–

* Excludes derivatives (shown separately).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (Continued)****Liquidity risk (Continued)***Exposure to liquidity risk (Continued)*

	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	Within 1 to 5 years \$
Group				
2014				
Non-derivative financial liabilities				
Variable rate loans	15,796,445	(16,489,628)	(15,278,448)	(1,211,180)
Fixed rate loans	4,903,111	(5,013,132)	(5,013,132)	–
Bills payable	11,535,975	(11,535,975)	(11,535,975)	–
Finance lease liabilities	77,286	(86,102)	(17,832)	(68,270)
Loan from non-controlling interests	639,536	(722,644)	(722,644)	–
Trade and other payables	103,831,229	(103,831,229)	(103,831,229)	–
	136,783,582	(137,678,710)	(136,399,260)	(1,279,450)
Company				
2015				
Non-derivative financial liabilities				
Trade and other payables*	17,957,819	(17,957,819)	(17,957,819)	–
Derivative financial instruments				
Other forward exchange contracts (gross-settled):	(105,286)			
– Outflow		(9,967,529)	(9,967,529)	–
– Inflow		10,072,815	10,072,815	–
Other forward exchange contracts (gross-settled):	3,602			
– Outflow		(9,216,358)	(9,216,358)	–
– Inflow		9,212,756	9,212,756	–
	(101,684)	101,684	101,684	–
2014				
Non-derivative financial liabilities				
Trade and other payables	20,497,783	(20,497,783)	(20,497,783)	–

* Excludes derivatives (shown separately).

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed relate to those instruments held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts.

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (Continued)****Market risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

Risk management policy

The Group is exposed to currency risk on sales, purchases and investments, including inter-company sales and purchases and inter-company balances that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are the Malaysian Ringgit, Hong Kong dollar, Australian dollar, Singapore dollar and United States dollar. The Group does not have a policy to hedge its currency exposure but aims to minimise its exposure at any one time.

Exposure to currency risk

The Group's and Company's exposures to foreign currencies based on notional amounts are as follows:

	Malaysian Ringgit \$	Hong Kong Dollar \$	Australian Dollar \$	Singapore Dollar \$	US Dollar \$	Other currencies \$
Group						
2015						
Other financial assets	–	1,866,598	–	–	–	–
Trade and other receivables	2,112,093	72,694	–	2,325,546	962,388	106,884
Cash and cash equivalents	222,431	24,852,561	9,962,936	824,830	22,991,892	572,782
Trade and other payables	(1,320,010)	(17,396,760)	(260,577)	(28,918,529)	(4,668,234)	(65,971)
Net statement of financial position exposure	1,014,514	9,395,093	9,702,359	(25,768,153)	19,286,046	613,695
Forward exchange contracts	–	9,212,756	–	–	(18,469,299)	–
Net exposure	1,014,514	18,607,849	9,702,359	(25,768,153)	816,747	613,695
2014						
Other financial assets	–	5,777,172	–	–	–	–
Trade and other receivables	2,407,251	4,361,921	–	2,640,599	1,016,142	89,525
Cash and cash equivalents	273,543	16,927,774	10,218,726	598,946	686,880	1,787
Trade and other payables	(1,507,240)	(8,524,259)	(445,952)	(38,024,111)	(5,531,777)	(190,456)
Net exposure	1,173,554	18,542,608	9,772,774	(34,784,566)	(3,828,755)	(99,144)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (Continued)****Market risk (Continued)***Currency risk (Continued)*

Exposure to currency risk (Continued)

	Malaysian Ringgit \$	Hong Kong Dollar \$	Australian Dollar \$	US Dollar \$	Other currencies \$
Company					
2015					
Other financial assets	–	1,866,598	–	–	–
Trade and other receivables	1,648,400	72,694	–	–	–
Cash and cash equivalents	32,852	24,852,561	9,962,936	19,293,161	1,826
Trade and other payables	–	–	–	(2,015,972)	–
Net statement of financial position exposure	1,681,252	26,791,853	9,962,936	17,277,189	1,826
Forward exchange contracts	–	9,212,756	–	(19,183,887)	–
Net exposure	1,681,252	36,004,609	9,962,936	(1,906,698)	1,826
2014					
Other financial assets	–	5,777,172	–	–	–
Trade and other receivables	1,890,400	11,156	–	–	–
Cash and cash equivalents	41,275	16,927,774	10,218,726	27,500	1,787
Trade and other payables	–	–	–	(1,425,105)	–
Net exposure	1,931,675	22,716,102	10,218,726	(1,397,605)	1,787

Sensitivity analysis

A strengthening/(weakening) of 10% in the following major currencies against the functional currency of each of the Group entities at 31 December would have increased/(decreased) equity and profit or loss (before any tax effects) by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014, as indicated below.

	Group		Company	
	Equity \$	Profit or loss \$	Equity \$	Profit or loss \$
2015				
Malaysian Ringgit	(38,791)	(62,660)	–	(168,125)
Hong Kong Dollar	–	(1,860,785)	–	(3,600,461)
Australian Dollar	–	(970,236)	–	(996,294)
Singapore Dollar	2,068,539	508,276	–	–
US Dollar	(71,459)	(10,216)	–	190,670
Other currencies	–	(61,370)	–	(183)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

	Group		Company	
	Equity	Profit or loss	Equity	Profit or loss
	\$	\$	\$	\$
2014				
Malaysian Ringgit	(42,994)	(74,361)	–	(193,168)
Hong Kong Dollar	–	(1,854,261)	–	(2,271,610)
Australian Dollar	–	(977,277)	–	(1,021,873)
Singapore Dollar	2,960,654	517,803	–	–
US Dollar	–	382,876	–	139,761
Other currencies	–	9,914	–	(179)

Interest rate risk

Risk management policy

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risks arises primarily from the loans and borrowings. The Group's policy is to maintain the bank borrowings to the minimum, and to obtain the most favourable interest rates available without increasing its foreign exchange exposure.

Surplus funds in the Group are placed in deposits with banks and are subject to interest rate risk.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the interest-bearing financial instruments was:

	Group		Company	
	Nominal amount		Nominal amount	
	2015	2014	2015	2014
	\$	\$	\$	\$
Fixed rate instruments				
Financial assets	–	2,724,800	–	2,724,800
Financial liabilities	(3,546,859)	(16,616,951)	–	–
	(3,546,859)	(13,892,151)	–	2,724,800
Variable rate instruments				
Financial assets	136,669,464	86,256,371	91,140,002	59,593,916
Financial liabilities	(12,141,255)	(4,799,427)	–	–
	124,528,209	81,456,944	91,140,002	59,593,916

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (Continued)****Market risk (Continued)***Interest rate risk (Continued)*

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore in respect of fixed rate instrument, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rate at the reporting date would have increased/(decreased) profit or loss (before any tax effects) by the amounts shown below. There is no impact on equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit or loss			
	Group		Company	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	\$	\$	\$	\$
2015				
Variable rate instruments	1,245,282	(1,245,282)	911,400	(911,400)
2014				
Variable rate instruments	814,569	(814,569)	595,939	(595,939)

Sensitivity analysis – equity price risk

The available-for-sale financial assets and financial assets designated at fair value through profit or loss of the Group and the Company relate to investments in quoted equity securities and are listed on the Singapore Stock Exchange and/or Hong Kong Stock Exchange.

A 10% increase/(decrease) in the underlying equity prices at the reporting date would increase/(decrease) profit before tax and equity by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014.

	Group		Company	
	10% increase	10% decrease	10% increase	10% decrease
	\$	\$	\$	\$
2015				
Profit before tax	186,660	(186,660)	186,660	(186,660)
Equity	4,728	(4,728)	4,728	(4,728)
2014				
Profit before tax	305,237	(305,237)	305,237	(305,237)
Equity	273,204	(273,204)	190,004	(190,004)

NOTES TO THE **FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (Continued)****Market risk (Continued)***Derivative assets and liabilities designated as cash flow hedges*

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss and the fair value of the related hedging instruments.

	Carrying amount \$	Expected cash flows \$	Within 1 year \$
Group			
2015			
Forward exchange contracts used for hedging – assets	6,087	6,087	6,087

There is no forward exchange contracts used for hedging in 2014.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. Capital consists of total equity attributable to owners of the Company.

The Group manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may align the dividend payment to shareholders, return capital to shareholders or issue new shares.

There were no changes in the Group's approach to capital management during the year.

As disclosed in note 17, subsidiaries of the Group which operated in People's Republic of China (the "PRC") are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (Continued)****Accounting classifications and fair values**

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying			
	Loans and receivables \$	Available- for-sale \$	Designated at fair value \$	Held-to- maturity \$
Group				
2015				
Financial assets measured at fair value				
Available-for-sale financial assets	—	47,282	—	—
Financial assets designated at fair value through profit or loss	—	—	1,866,598	—
Financial derivatives assets	—	—	—	—
	—	47,282	1,866,598	—
Financial assets not measured at fair value				
Cash and cash equivalents	155,871,321	—	—	—
Trade and other receivables [#]	132,064,305	—	—	—
	287,935,626	—	—	—
Financial liabilities measured at fair value				
Financial derivatives liabilities	—	—	—	—
Financial liabilities not measured at fair value				
Secured bank loans	—	—	—	—
Unsecured bank loans	—	—	—	—
Bills payable	—	—	—	—
Finance lease liabilities	—	—	—	—
Loan from non-controlling interests	—	—	—	—
Trade and other payables [*]	—	—	—	—
	—	—	—	—

[#] exclude advance to suppliers and prepayments^{*} exclude financial derivatives

amount			Fair value			
Held-for-trading	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
\$	\$	\$	\$	\$	\$	\$
–	–	47,282	47,282	–	–	47,282
–	–	1,866,598	1,866,598	–	–	1,866,598
111,373	–	111,373	–	111,373	–	111,373
111,373	–	2,025,253				
–	–	155,871,321				
–	–	132,064,305				
–	–	287,935,626				
–	(3,602)	(3,602)	–	(3,602)	–	(3,602)
–	(10,000,687)	(10,000,687)				
–	(4,972,603)	(4,972,603)				
–	(18,268,600)	(18,268,600)				
–	(61,278)	(61,278)				
–	(653,546)	(653,546)				
–	(110,440,635)	(110,440,635)				
–	(144,397,349)	(144,397,349)				

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (Continued)****Accounting classifications and fair values (Continued)**

	← Carrying		
	Loans and receivables \$	Available- for-sale \$	Designated at fair value \$
Group			
2014			
Financial assets measured at fair value			
Available-for-sale financial assets	–	2,732,036	–
Financial assets designated at fair value through profit or loss	–	–	3,052,372
	–	2,732,036	3,052,372
Financial assets not measured at fair value			
Cash and cash equivalents	119,734,759	–	–
Trade and other receivables [#]	143,921,290	–	–
Held-to-maturity investments	–	–	–
	263,656,049	–	–
Financial liabilities not measured at fair value			
Secured bank loans	–	–	–
Unsecured bank loans	–	–	–
Bills payable	–	–	–
Finance lease liabilities	–	–	–
Loan from non-controlling interests	–	–	–
Trade and other payables	–	–	–
	–	–	–

[#] exclude advance to suppliers and prepayments

amount			Fair value			
Held-to-maturity	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
\$	\$	\$	\$	\$	\$	\$
–	–	2,732,036	2,732,036	–	–	2,732,036
–	–	3,052,372	3,052,372	–	–	3,052,372
–	–	5,784,408				
–	–	119,734,759				
–	–	143,921,290				
2,724,800	–	2,724,800	–	2,865,140	–	2,865,140
2,724,800	–	266,380,849				
–	(11,904,137)	(11,904,137)				
–	(8,795,420)	(8,795,420)				
–	(11,535,975)	(11,535,975)				
–	(77,286)	(77,286)				
–	(639,535)	(639,535)				
–	(103,831,229)	(103,831,229)				
–	(136,783,582)	(136,783,582)				

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)**Financial risk management (Continued)****Accounting classifications and fair values (Continued)**

	← Carrying			
	Loans and receivables \$	Available- for-sale \$	Designated at fair value \$	Held-to- maturity \$
Company				
2015				
Financial assets measured at fair value				
Available-for-sale financial assets	—	47,282	—	—
Financial assets designated at fair value through profit or loss	—	—	1,866,598	—
Financial derivatives assets	—	—	—	—
	—	47,282	1,866,598	—
Financial assets not measured at fair value				
Cash and cash equivalents	95,203,596	—	—	—
Trade and other receivables [#]	50,370,403	—	—	—
	145,573,999	—	—	—
Financial liabilities measured at fair value				
Financial derivatives liabilities	—	—	—	—
Financial liabilities not measured at fair value				
Trade and other payables [*]	—	—	—	—

[#] exclude advance to suppliers and prepayments^{*} exclude financial derivatives

amount			Fair value			
Held-for-trading	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
\$	\$	\$	\$	\$	\$	\$
–	–	47,282	47,282	–	–	47,282
–	–	1,866,598	1,866,598	–	–	1,866,598
105,286	–	105,286	–	105,286	–	105,286
105,286	–	2,019,166				
–	–	95,203,596				
–	–	50,370,403				
–	–	145,573,999				
–	(3,602)	(3,602)	–	(3,602)	–	(3,602)
–	(17,957,819)	(17,957,819)				

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Accounting classifications and fair values (Continued)

	Carrying		
	Loans and receivables \$	Available- for-sale \$	Designated at fair value \$
Company			
2014			
Financial assets measured at fair value			
Available-for-sale financial assets	–	1,900,036	–
Financial assets designated at fair value through profit or loss	–	–	3,052,372
	–	1,900,036	3,052,372
Financial assets not measured at fair value			
Cash and cash equivalents	78,687,051	–	–
Trade and other receivables [#]	69,979,377	–	–
Held-to-maturity investments	–	–	–
	148,666,428	–	–
Financial liabilities not measured at fair value			
Trade and other payables	–	–	–

[#] exclude advance to suppliers and prepayments

amount			Fair value			
Held-to-maturity	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
\$	\$	\$	\$	\$	\$	\$
–	–	1,900,036	1,900,036	–	–	1,900,036
–	–	3,052,372	3,052,372	–	–	3,052,372
–	–	4,952,408				
–	–	78,687,051				
–	–	69,979,377				
2,724,800	–	2,724,800	–	2,865,140	–	2,865,140
2,724,800	–	151,391,228				
–	(20,497,783)	(20,497,783)				

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Measurement of fair values

Valuation techniques and significant unobservable inputs

Financial instruments measured at fair value

Equity securities

The fair value of available-for-sale financial assets and financial assets designated at fair value through profit or loss are based on their quoted closing bid price at the reporting date.

Financial instruments not measured at fair value

The following table show the valuation techniques used in measuring level 2 fair values, as well as the significant unobservable inputs used, where applicable.

Type	Valuation technique	Significant unobservable inputs
Group and Company		
Debt securities – held-to-maturity investments	Discounted cash flows.	Not applicable.
Secured bank loan due after one year	Discounted cash flows.	Not applicable.
Finance lease liabilities	Discounted cash flows.	Not applicable.
Forward exchange contracts	Market comparison technique:	Not applicable.
The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.		

During the financial years ended 31 December 2015 and 31 December 2014, there were no transfers between Level 1 and Level 2.

21. EQUITY COMPENSATION BENEFITS

The Hanwell Executives' Share Option Scheme (the "**Scheme**") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 8 July 2003. The Scheme is administered by the Company's Remuneration Committee, comprising three directors, Tao Yeoh Chi (Chairman), Chee Teck Kwong Patrick and John Chen Seow Phun.

The Scheme has expired on 8 July 2013 and the expiry of the Scheme will not affect any option granted and duly accepted but not yet exercised, whether in whole or in part by the Directors or the employees of the Group. The share options previously granted will expire on 21 January 2019.

As at the reporting date, all options granted have vested and are to be settled by physical delivery of shares.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

21. EQUITY COMPENSATION BENEFITS (CONTINUED)

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price of the option	Options outstanding at 01/01/2015	Options exercised	Options cancelled	Options outstanding at 31/12/2015	Number of option holders at 31/12/2015	Exercise period
22/01/2009	\$0.16	10,150,000	–	–	10,150,000	2	22/01/2010 – 21/01/2019

Inputs for measurement of grant date fair values

The grant date fair value of the options was measured using the Black-Scholes formula. Measurement inputs include share price on the measurement date, the exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). The inputs used in the measurement of the fair value at grant date of the options were as follows:

	2009
Fair value of share options and assumptions	
Fair value at grant date	\$0.04 – \$0.05
Share price at grant date	\$0.16
Exercise price	\$0.16
Expected volatility (weighted average volatility)	36.0%
Option life (expected weighted average life)	6.61 years
Expected dividends	2%
Risk-free interest rate (based on government bonds)	1.1% – 1.5%

The options outstanding as at 31 December 2015 have an exercise price of \$0.16 (2014: \$0.16) and a weighted average contractual life of 3 years (2014: 4 years).

The weighted average share price at the date of the exercise for share options exercised in 2015 was \$0.26 (2014: \$0.27).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

22. DEFERRED INCOME

	Group	
	2015	2014
	\$	\$
Government grants	1,304,880	1,273,779
Non-current	1,197,736	1,153,119
Current	107,144	120,660
	1,304,880	1,273,779

Included in deferred income are deferred capital grant relating to subsidiaries received for the acquisition of factory building and plant and machinery by its subsidiaries. The grant is amortised to match the depreciation of the related property, plant and equipment acquired. There are no unfulfilled conditions or contingencies attached to this grant.

23. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	2015	2014	2015	2014
		\$	\$	\$	\$
Trade payables		69,050,487	70,666,336	5,354,035	6,617,435
Amounts due to:					
– subsidiaries (trade)		–	–	824	29,903
– subsidiaries (non-trade)		–	–	9,242,627	9,170,645
Other payables		25,813,177	16,775,580	2,058,139	2,951,765
Financial derivatives liabilities	9	3,602	–	3,602	–
Accruals		15,576,971	16,389,313	1,302,194	1,728,035
		110,444,237	103,831,229	17,961,421	20,497,783

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Included in other payables is a non-refundable deposit received for the disposal of the Group's interest in Million Cube Limited (see note 16) amounting to \$18,260,000 (2014: \$8,515,000).

The Group's and the Company's exposure to currency and liquidity risk related to trade and other payables are disclosed in note 20.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

24. REVENUE

	Group	
	2015	2014
	\$	\$
Sale of goods	412,950,260	418,265,340
Others	1,570,892	151,606
	414,521,152	418,416,946

25. PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

	Group	
	2015	2014
	\$	\$
Allowance made/(reversed) for doubtful receivables:		
– trade receivables	1,078,422	363,298
– other receivables	3,899,653	933,509
– amounts due from associates	987,376	(235,616)
Allowance for inventory obsolescence	171,647	2,019,096
Amortisation of deferred income	(213,475)	(112,039)
Inventories written off	666,927	533,423
Audit fees paid to:		
– auditors of the Company	375,200	375,364
– other auditors	333,886	215,988
Non-audit fees paid to:		
– auditors of the Company	42,183	47,454
– other auditors	79,661	106,255
Bad debts written off	13,426	175,521
Change in fair value of financial derivatives	(101,684)	–
Contribution to defined contribution plans included in staff costs	3,667,547	3,352,748
Cost of inventories included in cost of sales	321,011,299	330,200,481
Depreciation of investment properties	21,088	24,062
Depreciation of property, plant and equipment	9,107,007	8,501,906
Exchange gain (net)	(1,122,919)	(1,186,438)
Gain on disposal of:		
– investment properties	–	(13,774)
– property, plant and equipment	(90,135)	(207,571)
Operating expenses arising from rental of investment properties	10,837	14,194
Operating lease expense	7,151,188	7,383,217
Impairment losses on property, plant and equipment	736,744	–
Property, plant and equipment written off	46,100	92,099
Rental income from investment property	(63,664)	(66,524)
Staff costs	52,712,851	51,274,700

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

26. FINANCE INCOME AND FINANCE COSTS

	Group	
	2015	2014
	\$	\$
Recognised in profit or loss		
Interest income:		
– held-to-maturity investments	696,331	862,148
– fixed deposits	1,257,118	846,432
Dividend income on available-for-sale financial assets	1,885	1,564
Gain on disposal of:		
– available-for-sale financial assets	2,069,106	–
– financial assets designated at fair value through profit or loss	1,018,375	–
Finance income	5,042,815	1,710,144
Interest expense:		
– bank borrowings	(1,576,935)	(2,342,420)
– finance lease liabilities	(1,824)	(5,432)
Net decrease in fair value of financial assets designated at fair value through profit or loss	(100,111)	(1,916,802)
Others	–	(170,000)
Finance costs	(1,678,870)	(4,434,654)
Net finance income/(costs) recognised in profit or loss	3,363,945	(2,724,510)
The above finance income and finance expense included the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss:		
– Total interest income on financial assets	1,953,449	1,708,580
– Total interest expense on financial liabilities	1,578,759	2,347,852

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

27. TAX EXPENSE

	Note	Group	
		2015 \$	2014 \$
Tax recognised in profit or loss			
Current tax expense			
Current year		4,404,878	4,809,545
Adjustments for prior years		(335,724)	19,350
Withholding tax expense		835,192	–
		4,904,346	4,828,895
Deferred tax (credit)/expense			
Origination and reversal of temporary differences		(171,022)	(755,978)
Write-down of deferred tax assets		–	688,062
Adjustments for prior years		9,413	14,145
Change in tax rate		(6,486)	146,488
	10	(168,095)	92,717
Total tax expense		4,736,251	4,921,612

		Group	
		2015 \$	2014 \$
Reconciliation of effective tax rate			
Profit for the year		11,361,778	6,268,779
Total tax expense		4,736,251	4,921,612
Profit excluding tax		16,098,029	11,190,391
Tax calculated using Singapore tax rate of 17% (2014: 17%)			
Tax calculated using Singapore tax rate of 17% (2014: 17%)		2,736,665	1,902,366
Change in tax rate		(6,486)	146,488
Effects of tax rates in foreign jurisdiction		868,244	892,273
Income not subject to tax		(630,750)	(384,579)
Non-deductible expenses		1,790,943	665,233
Tax rebates and incentives		(728,472)	(720,669)
Write-down of deferred tax assets		–	688,062
Deferred tax assets not recognised		407,665	1,713,975
(Over)/under provided in prior years		(326,311)	33,495
Recognition of tax effect of previously unrecognised tax losses		(162,608)	(63,821)
Withholding tax		835,192	–
Others		(47,831)	48,789
		4,736,251	4,921,612

A foreign subsidiary was accredited as a "High and New Technology Enterprise" ("HNTE") and was entitled to a preferential income tax rate of 15% for a period of three years from 2011 to 2013. The subsidiary renewed its HNTE qualification in 2014, and will be entitled to the preferential tax rate of 15% for another three years retrospectively from 2014 to 2016 upon approval by the tax authority and subject to the subsidiary's compliance with the conditions imposed by the tax authority.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

28. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2015 was based on the profit attributable to ordinary shareholders of \$5,755,799 (2014: profit of \$2,448,927), and a weighted average number of ordinary shares outstanding of 553,415,746 (2014: 553,388,349), calculated as follows:

Weighted average number of ordinary shares (basic)

		Group	
	Note	2015	2014
Issued ordinary shares at 1 January	17	553,415,746	552,915,746
Effect of share options exercised		–	472,603
Weighted average number of ordinary shares during the year		553,415,746	553,388,349

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2015 was based on profit attributable to ordinary shareholders of \$5,755,799 (2014: profit of \$2,448,927) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 557,296,837 (2014: 557,539,230), calculated as follows:

Weighted average number of ordinary shares (diluted)

		Group	
		2015	2014
Weighted average number of ordinary shares (basic)		553,415,746	553,388,349
Effect of share options on issue		3,881,091	4,150,881
Weighted average number of ordinary shares (diluted) during the year		557,296,837	557,539,230

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

YEAR ENDED 31 DECEMBER 2015

Information regarding the results of each reportable segment is included below. Performance is measured based on results from operating activities, as included in the internal management reports that are reviewed by the Board of Directors. Segment results from operating activities is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

29. OPERATING SEGMENTS (CONTINUED)

	Consumer Essentials Consumer Business \$	Strategic Investments Packaging \$	Others \$	Total operations \$
Group 2015				
External revenues	181,535,068	231,415,192	1,570,892	414,521,152
Results from operating activities	(514,835)	17,614,168	(4,365,249)	12,734,084
Net finance income				3,363,945
Profit before tax				16,098,029
Tax expense				(4,736,251)
Profit for the year				11,361,778
Other segment information				
Allowance made/(reversed) for doubtful receivables:				
– trade receivables	(31,189)	1,109,611	–	1,078,422
– other receivables	–	–	3,899,653	3,899,653
– amounts due from associates	–	–	987,376	987,376
Allowance made for inventory obsolescence	138,511	33,136	–	171,647
Inventories written off	666,927	–	–	666,927
Bad debts written off	1	13,071	354	13,426
Depreciation of:				
– property, plant and equipment	2,445,734	6,656,802	4,471	9,107,007
– investment properties	–	–	21,088	21,088
Property, plant and equipment written off	20,334	25,764	2	46,100
Capital expenditure on property, plant and equipment	2,399,910	6,735,774	194	9,135,878

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

29. OPERATING SEGMENTS (CONTINUED)

	←Consumer Essentials→		Strategic		
	Consumer	Health	Investments	Others	Total
	Business	Solutions [#]	Packaging		operations
	\$	\$	\$	\$	\$
Group					
2014					
External revenues	193,740,869	–	224,524,471	151,606	418,416,946
Results from operating activities	(363,826)	–	15,341,930	(1,063,203)	13,914,901
Net finance income					(2,724,510)
Profit before tax					11,190,391
Tax expense					(4,921,612)
Profit for the year					6,268,779
Other segment information					
Allowance made/(reversed) for doubtful receivables:					
– trade receivables	(149,118)	–	512,416	–	363,298
– other receivables	–	–	–	933,509	933,509
– amounts due from associates	–	–	–	(235,616)	(235,616)
Allowance made/(reversed) for inventory obsolescence	2,051,811	–	(32,715)	–	2,019,096
Inventories written off	533,423	–	–	–	533,423
Bad debts written off	(9,536)	–	185,057	–	175,521
Depreciation of:					
– property, plant and equipment	2,422,587	–	6,073,354	5,965	8,501,906
– investment properties	–	–	–	24,062	24,062
Property, plant and equipment written off	10,374	–	81,725	–	92,099
Capital expenditure on property, plant and equipment	2,020,252	–	7,950,588	1,017	9,971,857

[#] Restatement made on Health Solutions to Others for FY2014 as contribution by Health Solutions is insignificant to disclose as separate segment which was reviewed by the Group's Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

29. OPERATING SEGMENTS (CONTINUED)**Geographical segments**

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers or investments, where appropriate. Segment non-current assets are based on geographical location of the assets.

	Singapore	Malaysia	China	Total
	\$	\$	\$	\$
2015				
External revenue	164,218,933	56,047,425	194,254,794	414,521,152
Non-current assets	23,531,984	3,769,081	52,456,901	79,757,966
2014				
External revenue	174,602,551	56,079,266	187,735,129	418,416,946
Non-current assets	27,197,985	3,789,865	51,630,710	82,618,560

30. OPERATING LEASES**Leases as lessee**

Future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Within one year	5,662,291	5,830,324	1,128,597	1,123,353
Between one and five years	16,421,955	13,020,547	4,491,487	4,463,379
More than five years	10,451,911	14,189,362	6,750,679	7,816,575
	32,536,157	33,040,233	12,370,763	13,403,307

Included in the commitments for future minimum lease payments is annual land rent relating to the leasehold building owned by the Company built on land subject to a 60-year lease commencing from 1 May 1967. The annual land rent currently payable under the lease agreement is \$1,065,897 (2014: \$1,065,897).

There are also commercial leases entered by a subsidiary on certain plant and machinery, office equipment and leasehold land and properties. These non-cancellable leases have remaining lease terms of between 1 to 31 years. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. One of the leasehold properties contains a clause to enable upward revisions of rental charge by 7% in June 2010 and 7% every 3 years thereafter. The annual land and property rent currently payable under the lease agreement are \$1,706,191 (2014: \$1,644,671) and \$355,340 (2014: \$25,104) respectively.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

31. CAPITAL COMMITMENTS

At 31 December, the Group and the Company have the following commitments:

Capital commitments in respect of purchase of property, plant and equipment:

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Contracted but not provided for	4,717,556	1,290,327	1,593,187	–

32. RELATED PARTIES**Key management personnel compensation**

Compensation paid/payable to key management personnel comprise:

	Group	
	2015	2014
	\$	\$
Director fees	609,558	647,052
Short-term employee benefits	5,760,656	5,094,574
Post-employment benefits	187,573	163,311
	6,557,787	5,904,937

The key management personnel comprise the executive and non-executive directors, senior vice presidents, group financial controller of the Company and the directors and vice presidents of certain major subsidiaries.

Other related party transactions

Other than as disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	Group	
	2015	2014
	\$	\$
Associates		
Sales	(1,570,892)	(151,606)

33. SUBSEQUENT EVENT

On 29 March 2016, the Group's wholly owned subsidiary, PSC (China) Property Co. Limited ("Vendor"), and Kang Cheng Holdings Limited ("Purchaser"), had mutually agreed to further extend the date of completion of the transfer of the equity interest in Million Cube Limited between the Vendor and the Purchaser to 30 June 2016 pursuant to the terms of the Sale and Purchase Agreement ("Agreement"). The Purchaser also agreed to pay an additional non-refundable partial consideration of HKD 50,000,000 on 31 March 2016.

SUPPLEMENTARY INFORMATION

(SGX Listing Manual disclosure requirements)

1 GROUP PROPERTIES

Description of properties held by the Group is as follows:

Location	Description	Tenure
348 Jalan Boon Lay, Singapore 619529	Two-storey warehouse with annexed office block used by the Group both for its operations and for rental income	60-year lease from 1 May 1967 and an option to renew for 22 years, 3 months and 30 days
348 Jalan Boon Lay, Singapore 619529	Single-storey factory used by a subsidiary for its operations	60-year lease from 1 May 1967 and an option to renew for 22 years, 3 months and 30 days
H.S. (M) 4187, PTD 32624 Mukim Bukit Batu, Daerah Kulajaya, Johor, Malaysia	Factory used by a subsidiary for its operations	Freehold
#H.S. (M) 4272, PTD 32702 Mukim Bukit Batu, Daerah Kulajaya, Johor, Malaysia	Vacant land	Freehold
Wilayah Pengembangan Sekupang Patam, Batam, Indonesia	Vacant land	30-year lease from 11 March 1986
Jiangsu Province, Suzhou City, Xiangcheng District, Wanting Town, Wendu Road, No. 88, The People's Republic of China 215155	Factory premises, office building, dormitory	– 58,798.6 sq m on 50-year lease expiring on 4 September 2047

* Formerly held under Lots MLO1102 and MLO1103 respectively. These two (2) lots had been amalgamated in FY2015.

SUPPLEMENTARY INFORMATION

(SGX Listing Manual disclosure requirements)

1 GROUP PROPERTIES (CONTINUED)

Location	Description	Tenure
Anhui Province, HeFei Eco-Tech Development Zone, Zipeng Road, No. 105, The People's Republic of China 230601	Factory premises, office building	– 35,800 sq m on 48-year lease expiring on August 2053 – 13,600 sq m on 49-year and 8 months lease expiring on 8 December 2056
Jiangsu Province, Nantong City, Tongzhou District, Xiting Town, Ting Nan Heng Road, The People's Republic of China 226301	Factory premises, office building	– 26,586 sq m on 50-year lease expiring on 18 March 2060
Tianjin City, Airport Economic Zone, Jingyi Road, No. 257, The People's Republic of China 300308	Factory premises, office building	– 33,233 sq m on 50-year lease expiring on 3 April 2062
Units 233, 237, 326, 358, 3A30, 3A31 Cinta Ayu Resort Apartments, all situated at 20 KM, Jalan Pontian Lama 81110 Pulai, Johor, Malaysia	Apartments	Freehold

2 MATERIAL CONTRACTS

There are no other material contracts entered into between the Company and its subsidiaries during the financial year involving the interest of the chief executive officer, executive director or each director of the Company.

资产负债表

于2015年12月31日

附注	集团		公司	
	2015 \$	2014 \$	2015 \$	2014 \$
资产				
产业及机器设备	4	76,108,144	76,094,681	9,548,145
无形资产	5	1,187,136	1,161,846	—
物业投资	6	807,879	949,031	—
子公司	7	—	—	40,189,146
联号公司	8	—	—	—
其他金融资产	9	47,282	2,732,036	47,282
递延税款资产	10	1,607,525	1,680,966	—
非流动资产合计		79,757,966	82,618,560	49,784,573
其他金融资产	9	1,977,971	5,777,172	1,971,884
存货	11	38,393,275	42,125,399	8,734,164
应收账款及其它应收款	12	136,508,117	146,947,706	50,387,569
现金和现金等同物	15	155,871,321	119,734,759	95,203,596
持有的待售资产	16	49,042,180	48,009,337	—
流动资产合计		381,792,864	362,594,373	156,297,213
资产合计		461,550,830	445,212,933	206,081,786
股东权益				
股本	17	200,099,208	200,099,208	200,099,208
储备	17	63,905,962	60,120,163	(11,978,843)
归属于公司业主的股东权益		264,005,170	260,219,371	188,120,365
少数股东权益	18	48,633,419	44,166,359	—
股东权益合计		312,638,589	304,385,730	188,120,365
负债				
贷款与借贷	19	1,413,371	1,217,952	—
递延收益	22	1,197,736	1,153,119	—
递延应付税款	10	1,781,348	2,042,182	—
非流动负债合计		4,392,455	4,413,253	—
贷款与借款	19	32,543,343	31,734,401	—
应付账款和其他应付款	23	110,444,237	103,831,229	17,961,421
递延收益	22	107,144	120,660	—
本期应付税款		1,425,062	727,660	—
流动负债合计		144,519,786	136,413,950	17,961,421
负债合计		148,912,241	140,827,203	17,961,421
负债及股东权益合计		461,550,830	445,212,933	206,081,786

附注内容是财务报表的组成部分之一。

综合损益表

截至2015年12月31日止年度

	附注	2015 \$	2014 \$
收入	24	414,521,152	418,416,946
售出产品成本		(324,322,810)	(333,130,205)
毛利		90,198,342	85,286,741
其他收入		3,554,781	3,847,377
分销费用		(44,101,347)	(43,731,589)
行政费用		(30,150,969)	(30,153,694)
其他费用		(6,766,723)	(1,333,934)
营业活动之盈利		12,734,084	13,914,901
金融收入		5,042,815	1,710,144
金融费用		(1,678,870)	(4,434,654)
净金融收入／（费用）	26	3,363,945	(2,724,510)
联号公司损失分派（税后）		—	—
税前盈利		16,098,029	11,190,391
所得税	27	(4,736,251)	(4,921,612)
本期盈利	25	11,361,778	6,268,779
盈利可归属：			
公司业主		5,755,799	2,444,927
少数股东权益		5,605,979	3,819,852
本期盈利		11,361,778	6,268,779
每股盈利			
每股盈利基数（分）	28	1.04	0.44
每股盈利摊薄（分）	28	1.03	0.44

附注内容是财务报表的组成部分之一。

SHAREHOLDING STATISTICS

Number of Issued and Fully Paid Shares excluding Treasury Shares	:	553,415,746
Class of Shares	:	Ordinary Shares with equal voting rights
Issued and Fully Paid Share Capital	:	S\$204,470,551.15

SUBSTANTIAL SHAREHOLDERS as at 10 March 2016

SUBSTANTIAL SHAREHOLDERS	NUMBER OF SHARES HELD		SHAREHOLDING PERCENTAGE (%)
	DIRECT INTEREST	DEEMED INTEREST	
Violet Profit Holdings Limited	134,112,551	–	24.23
Ku Yun-Sen ⁽¹⁾	–	134,112,551	24.23
Tang Cheuk Chee ⁽²⁾	49,449,500	49,498,000	17.88
Allan Yap ⁽³⁾	1,000,000	97,947,500	17.88
Goi Seng Hui	83,713,404	–	15.13

Notes:

- (1) Ku Yun-Sen is deemed to be interested in 134,112,551 shares held by Violet Profit Holdings Limited in the capital of the Company, by virtue of Section 7(4) of the Companies Act, Cap. 50.
- (2) Tang Cheuk Chee is deemed to be interested in 48,498,000 shares collectively held by Sino Diamond International Co., Ltd and Widelead International Limited, by virtue of Section 7(4) of the Companies Act, Cap. 50 and 1,000,000 shares held by her spouse, Allan Yap in the capital of the Company.
- (3) Allan Yap is deemed to be interested in 97,947,500 shares held by his spouse, Tang Cheuk Chee in the capital of the Company.

DIRECTORS' SHAREHOLDING as at 21 January 2016

DIRECTORS	HOLDINGS IN THE NAME OF DIRECTOR OR IN WHICH DIRECTOR HAS A DIRECT INTEREST	HOLDINGS IN WHICH THE DIRECTOR IS DEEMED TO HAVE AN INTEREST
Allan Yap	1,000,000	97,947,500
Tang Cheuk Chee	49,449,500	49,498,000
Lien Kait Long	5,530	–

ANALYSIS OF SHAREHOLDERS as at 10 March 2016

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 – 99	257	3.14	9,444	0.00
100 – 1,000	2,487	30.38	1,445,400	0.26
1,001 – 10,000	3,624	44.26	16,850,185	3.05
10,001 – 1,000,000	1,798	21.96	83,673,356	15.12
1,000,001 and above	21	0.26	451,437,361	81.57
	8,187	100.00	553,415,746	100.00

SHAREHOLDING STATISTICS

TREASURY SHARES

Total Number of Ordinary Shares held in treasury ("Treasury Shares")	: 17,581,000
Voting Right	: None
Percentage of this holding against total number of issued shares excluding Treasury Shares	: 3.18%

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 10 March 2016, 42.69% of the issued ordinary shares of the Company is held by the public. Rule 723 of the Listing Manual issued by SGX-ST is therefore complied with.

MAJOR SHAREHOLDERS LIST – TOP 20

as at 10 March 2016

NO.	NAME	NO. OF SHARES HELD	%
1.	CIMB Securities (Singapore) Pte Ltd	145,410,975	26.28
2.	DBS Vickers Securities (Singapore) Pte Ltd	99,340,347	17.95
3.	Goi Seng Hui	83,713,404	15.13
4.	Tang Cheuk Chee	49,449,500	8.94
5.	UOB Kay Hian Pte Ltd	12,749,987	2.30
6.	DBS Nominees Pte Ltd	10,746,620	1.94
7.	United Overseas Bank Nominees Private Limited	10,317,109	1.86
8.	Citibank Nominees Singapore Pte Ltd	8,769,150	1.58
9.	Raffles Nominees (Pte) Ltd	4,363,961	0.79
10.	OCBC Nominees Singapore Private Limited	4,175,999	0.75
11.	Chew Ghim Bok	3,769,000	0.68
12.	Hong Leong Finance Nominees Pte Ltd	3,300,000	0.60
13.	Econ Healthcare Pte Ltd	2,996,700	0.54
14.	Leow Kim Siang Or Ng May Choo	2,648,200	0.48
15.	Tan Wai See	2,279,000	0.41
16.	Lim & Tan Securities Pte Ltd	1,520,358	0.27
17.	Sim Teng Yam	1,470,000	0.27
18.	Eyu Chin Wat @ Yeo An Hai Or Yeo Tan Tan (Yang DanDan)	1,256,000	0.23
19.	OCBC Securities Private Ltd	1,082,410	0.20
20.	Phillip Securities Pte Ltd	1,049,441	0.19
		450,408,161	81.39

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Second Annual General Meeting of Hanwell Holdings Limited (the “**Company**”) will be held at 348 Jalan Boon Lay, Singapore 619529 on Friday, 22 April 2016 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company and the Group for the year ended 31 December 2015 together with the Auditors’ Report thereon.

(Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Regulation 87 of the Constitution of the Company:

(i) Dr John Chen Seow Phun

(Resolution 2)

(ii) Mr Lee Po On Mark

(Resolution 3)

[See Explanatory Note (i)(a)]

3. To note the retirement of Mr Chee Teck Kwong Patrick, a Director who is retiring pursuant to Regulation 87 of the Constitution of the Company.

[See Explanatory Note (i)(b)]

4. To approve the payment of Directors’ fees of S\$417,000 for the financial year ended 31 December 2015. (2014: S\$414,000)

(Resolution 4)

5. To re-appoint KPMG LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

(Resolution 5)

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

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without any modifications, the following resolutions as Ordinary Resolutions:

7. **Authority to issue new shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 (the “**Companies Act**”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue new shares in the capital 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) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company 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 of the Company while this Resolution was in force,

(the “**Share Issue Mandate**”)

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares.
- (3) in exercising the Share Issue Mandate 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 of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) 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; or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments, whichever is earlier.

[See Explanatory Note (ii)]

(Resolution 6)

8. **Authority to issue shares under the Hanwell Executives’ Share Option Scheme**

That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under Hanwell Executives’ Share Option Scheme (the “**Scheme**”), whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless

NOTICE OF ANNUAL GENERAL MEETING

revoked or varied by the Company in a general meeting, 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 earlier.

[See Explanatory Note (iii)]

(Resolution 7)

9. **Renewal of Share Buyback Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued ordinary shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to 8% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in the Company's letter to the shareholders dated 7 April 2016 (the "**Letter**"), in accordance with the terms of the Share Buyback Mandate set out in the Letter, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until (i) 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; or (ii) the date on which the share purchases are carried out to the full extent mandated; or (iii) the time when the authority conferred by this mandate is revoked or varied by Shareholders in general meeting, whichever is earlier.

[See Explanatory Note (iv)]

(Resolution 8)

By Order of the Board

Chew Kok Liang
Company Secretary
Singapore

7 April 2016

Explanatory Notes:

- (i)(a) Dr John Chen Seow Phun will, upon re-election as Director of the Company, remain as the Deputy Chairman of the Board and a member of the Audit, Nominating and Remuneration Committee respectively and will be considered non-independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Mr Lee Po On Mark will, upon re-election as Director of the Company, remain as Non-Executive Director and will be considered non-independent.

- (i)(b) Upon the retirement of Mr Chee Teck Kwong Patrick, he will be relinquishing his position as Independent Director, Chairman of the Audit Committee and as a member of the Nominating and Remuneration Committees at the conclusion of the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

- (ii) Resolution 6, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

- (iii) Resolution 7, if passed, will empower the Directors of the Company to issue shares in the capital of the Company pursuant to the exercise of options granted under the Scheme which was approved at the Extraordinary General Meeting of the Company held on 8 July 2003. Pursuant to the Extraordinary General Meeting of the Company held on 28 September 2007, the maximum number of shares issued or to be issued for options under the Scheme had been changed to 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company.
- (iv) Resolution 8, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until (i) 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; or (ii) the date on which the share purchases are carried out to the full extent mandated; or (iii) the time when the authority conferred by this mandate is revoked or varied by Shareholders in general meeting, whichever is earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 8% of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in the Letter. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition, including the amount of financing and financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2015 are set out in greater detail in the Letter to Shareholders attached to this Annual Report.

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)
3. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road #05-01 Singapore 068902 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

NOTICE OF **ANNUAL GENERAL MEETING**

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General 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, 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.

HANWELL HOLDINGS LIMITED

Company Registration No. 197400888M

(Incorporated In the Republic of Singapore)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____ NRIC/Passport No.: _____

of _____

being a member/members of Hanwell Holdings Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Forty-Second Annual General Meeting (the "**Meeting**") of the Company to be held at 348 Jalan Boon Lay, Singapore 619529 on Friday, 22 April 2016 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote "for" or "against" the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(Voting will be conducted by poll. Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
	Ordinary Business:		
1.	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2015		
2.	Re-election of Dr John Chen Seow Phun as Director pursuant to Regulation 87		
3.	Re-election of Mr Lee Po On Mark as Director pursuant to Regulation 87		
4.	Approval of Directors' fees amounting to S\$417,000 for the financial year ended 31 December 2015		
5.	Re-appointment of KPMG LLP as Auditors of the Company		
	Special Business:		
6.	Authority to issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual		
7.	Authority to issue shares under the Hanwell Executives' Share Option Scheme		
8.	Renewal of Share Buyback Mandate		

Dated this _____ day of _____ 2016

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

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES ON THE REVERSE



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
 2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
 3. Where a member (other than a Relevant Intermediary*) appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
 4. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
 5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending 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.
 6. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, **M & C Services Private Limited at 112 Robinson Road #05-01 Singapore 068902 not less than forty-eight (48) hours** before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
 9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
- * A Relevant Intermediary is:
- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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 7 April 2016.

General

The Company shall be entitled to reject the instrument of proxy or proxies if it is incomplete, improperly completed, illegible, or where the true intentions of the appointor are not ascertainable from the instructions contained in the instrument. The Company may also reject any instrument of proxy or proxies where the appointor is not shown to have shares in the Company entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by the Central Depository (Pte) Limited to the Company.



Hanwell Holdings Limited

Company Registration No: 197400888M
Incorporated in the Republic of Singapore

348 Jalan Boon Lay Singapore 619529
Tel: +65 6268 4822 Fax: +65 6266 2607
www.hanwell.com.sg