HANWELL HOLDINGS 恒威

FOSTERING GROWTH

ANNUAL REPORT 2017

Essentials for a Good Day

CONTENTS

VISION

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

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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

EXECUTIVE CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

FY2017 was a year of moderating growth as the economy began to stabilise amidst tapering challenges carried forward from the year before. Nevertheless, geopolitical uncertainty still remains in the global economy and growth is expected to ease. Singapore reported 3.5% GDP growth for the year of 2017 after a slowdown in Q4, although the year started on a strong note in Q1 2018.

In spite of continued challenges, the Group is pleased that it has managed to deliver a strong performance to record a 16% increase in total revenue to S$464 million for the financial year ended 31 December 2017 ("FY2017"). This was mainly due to stronger demand seen in our Packaging Business sector (Tat Seng Packaging Group Ltd) as contributed by the 35.9% surge from the China market but this rise was partially offset by the closure of all franchise outlets from our Consumer Business sector in Singapore.

Notwithstanding positive results achieved from the consolidation of the Group's Consumer Business in FY2017, we anticipate trading environment for the FMCG industry to remain competitive and soft in the coming year. To manage the challenges ahead, the Group will develop new products to enhance our offerings.

DR ALLAN YAP
Executive Chairman

In line with the higher revenue, gross profit hiked 10.0% to S$104.8 million in FY2017 as compared to S$95.3 million in FY2016 contributed by stronger growth in revenue from the Packaging Business sector. However, gross profit margin was lowered by 1.24% to 22.6% of total revenue mainly due to reduced margin from Packaging Business and Malaysia Consumer Business sectors. This was set off by the support from an improved margin delivered by Singapore Consumer Business sector.

As a result, the Group reported a higher profit before tax of S$26.5 million in FY2017 as compared to S$23.7 million in FY2016. Tax expense was S$5.5 million for the reporting year against S$6.2 million in the year before. Consequently, the Group's net profit after tax for FY2017 was S$20.9 million against S$17.4 million for the previous year, whilst net profit attributable to shareholders was S$11.1 million.

Where sector performance is concerned, our Consumer Business recorded a 14.1% gain in PBIT of S$7.5 million in FY2017 against S$6.6 million in FY2016, taking into account foreign currency exchange loss of S$3.5 million (FY2016 registered a gain of S$2.2 million). The increase was a reduction in losses resulting from closure of franchise outlets and improved margin benefitting from softer purchasing price advantage.

At our Packaging Business forefront, PBIT was 28.0% higher at S$28.1 million in FY2017 as compared to S$22.0 million in FY2016. This was mainly contributed by higher sales growth, continuous effort in rationalising the workflow, investment in automated machines and machineries upgrading, which enhanced productivity.

As at 31 December 2017, the Group maintained a positive cash and cash equivalents position of S$135.0 million as compared to S$170.9 million in the year before.

DEVELOPMENTS IN FY2017

Given that modern FMCG consumer patterns are shifting towards online retail, we have taken steps to develop and grow our e-commerce presence to cater to the tech-savvy millennials. Through working with online retailers, we have further fuelled our business channel growth significantly. In line with our business model shift towards e-commerce, we also launched our social media campaign for our propriety brands to engage and connect with our consumers.

As part of our operational excellence plan, we have embarked on the redevelopment project of our factory located at 348 Jalan Boon Lay. Our new chilled facilities were completed in July 2017 and we successfully relocated our factory and chilled warehouse operations to the new site to enhance our chilled business capability.

During the year, we also implemented a series of sustainability efforts and rebranded some of our tissue paper products to increase brand visibility and awareness.

In line with our plans to expand our operations overseas, we have acquired a 5-storey building with an underground basement in Japan located at Osaka-shi Chuo-ku Dotonbori 1-chome with a total floor area of 427.78 sqm in September last year. Besides using this property as a stepping stone to expand our food business in Japan, we also view this as a redeployment of our capital into potentially higher yielding real estate opportunities.

FUTURE PROSPECTS

In spite of the strong performance delivered in FY2017, we expect the trading environment for FMCG industry to be competitive and soft for the year. We foresee margins may be impacted as taking a price increase is lagging behind a hike in cost of commodities like rice and paper.

Meanwhile, the Group's Packaging Business expects the operating environment for both Singapore and China to remain challenging given the uncertainty in macro-economic conditions, volatility of raw materials prices and the competitive industrial environment. As such, the segment will continue to review and execute timely strategies to appropriately adapt and better capitalise on the available opportunities.

The China subsidiary of the Group's Packaging Business, Nantong Tat Seng Packaging Co., Ltd. ("Nantong Tat Seng") plans to build a new factory with a built-up area of 35,000 sqm on a newly acquired land with area of approximately 74,115 sqm situated in Tongzhou District, Nantong, Jiangsu Province in line with its objectives to expand existing business in the same geography area of Nantong and to support the continued growth.

ACKNOWLEDGEMENTS

Despite the Board's busy schedule, they have made time and effort in building the Group's business to greater heights and I would therefore like to extend my sincere appreciation of their invaluable contribution towards fostering growth for the Group in every possible way; developing strategies, mentoring our younger leaders and steering the Group through challenging times over the years. Furthermore, I wish to express my heartfelt thanks to our customers, business partners, management and staff for their dedication and hard work that has enabled the Group to grow and achieve better results. Last but certainly not least, I would like to put on record my gratitude to our shareholders for their unwavering support and trust in the Group. Thank you for the confidence you have in us and we will aim to work towards delivering greater shareholder value.

BOARD OF DIRECTORS

DR ALLAN YAP, 62
Executive Chairman

Date of first appointment as director: 10 May 2002
Date of last re-election as director: 21 April 2017

Dr Allan Yap is the Executive Chairman of the Company and he has drawn over 30 years of experience in finance, investment and banking.

Dr Yap is 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 Master Glory Group Limited (formerly known as Hanny Holdings Limited) and Rosedale Hotel Holdings Limited, both are companies listed on The Stock Exchange of Hong Kong Limited.

Dr Yap is also the Chairman, Chief Executive Officer and Director 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, 64
Deputy Chairman, Non-Executive and Independent Director

Date of first appointment as director: 09 June 2003
Date of last re-election as director: 22 April 2016

Dr John Chen is the Deputy Chairman, Non-Executive and Independent Director, the Chairman of the Remuneration Committee and the Nominating Committee and a member of the Audit Committee 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.

DR TANG CHEUK CHEE, 46
Executive Director

Date of first appointment as director: 01 August 2011
Date of last re-election as director: 24 April 2015

Dr Tang 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.

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

Dr Tang is a member of Risk Management Committee 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.

BOARD OF DIRECTORS

MR LIEN KAIT LONG, 70
Non-Executive and Lead Independent Director

Date of first appointment as director: 01 June 2005
Date of last re-election as director: 24 April 2015

Mr Lien is the Non-Executive and Lead Independent Director, the Chairman of the Audit Committee and the Risk Management Committee and a member of the Nominating Committee and Remuneration Committee of the Company. Mr Lien 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 China Jishan Holdings Limited, Renewable Energy Asia Group Limited, Falcon Energy Group Limited, Tat Seng Packaging Group Ltd and IPC Corporation Limited. 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 CPA Australia since July 2004 and May 2004 respectively.

MR GOI KOK MING (WEI GUOMING), 44
Non-Executive Director

Date of first appointment as director: 10 August 2012
Date of last re-election as director: 21 April 2017

Mr Goi is the Executive Director of GSH Corporation Limited, a company listed on the Singapore Exchange Securities Trading Limited 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, Japan and China.

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 LEE PO ON MARK, 62
Non-Executive and Independent Director

Date of first appointment as director: 10 August 2012
Date of last re-election as director: 22 April 2016

Mr Lee is the Non-Executive and Independent Director, a member of Audit Committee, Remuneration Committee and Nominating Committee of the Company.

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. Mr Lee is also a Non-Executive and Independent Director of Tat Seng Packaging Group Ltd, a company listed on the Singapore Exchange Securities Trading Limited.

Before joining TVB and during the period from 1988 to early 2007, Mr Lee worked as an Executive Director of a Hong Kong listed consortium which 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 Fellow member of the Institute of Chartered Accountants in England and Wales and also a member of the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

1 **MR TANG CHI MING DANNY**
Hanwell Holdings Limited
Group Vice President

2 **MS TONG YING LING DENISE**
Hanwell Holdings Limited
Fortune Food Manufacturing Pte Ltd
Topseller Pte Ltd
Senior Vice President

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

4 **MS WONG YUEN MAY SANDY**
Hanwell Holdings Limited
Group Financial Controller

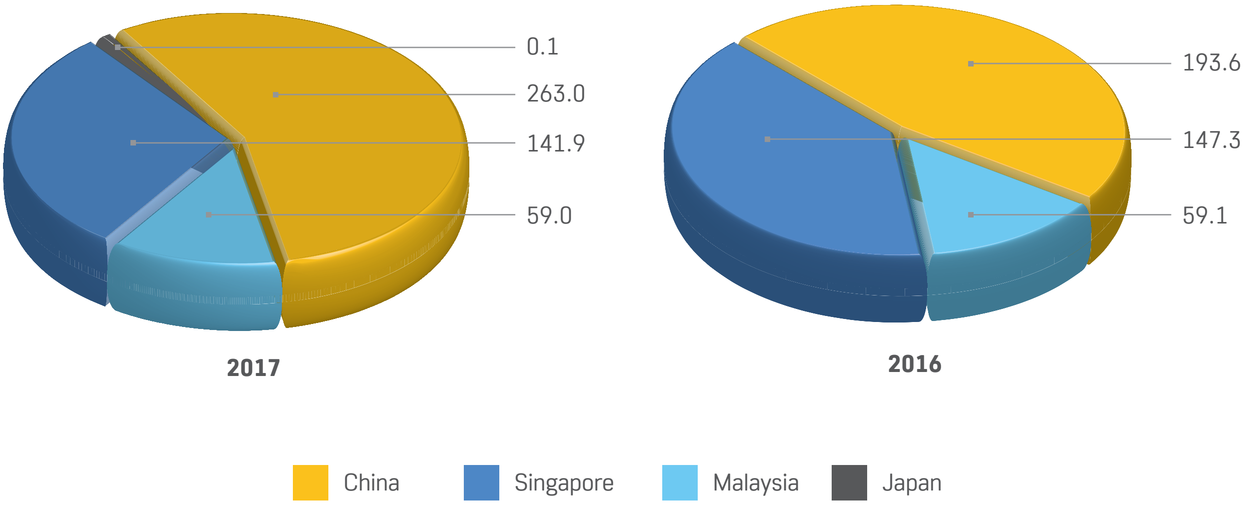
5 **MDM CHEONG POH HUA**
Tat Seng Packaging Group Ltd
Executive Director

6 **MR YEO SEE LIANG EUGENE**
Hanwell Holdings Limited
Chief Operating Officer
Socma Trading (M)
Sendirian Berhad
Executive Director

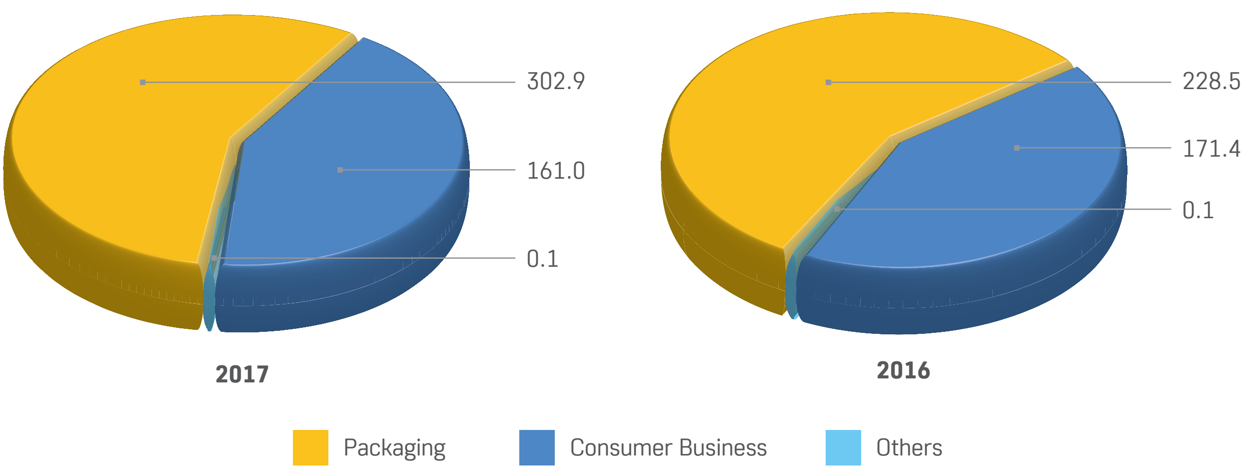
7 **MR LOH SEE MOON**
Tat Seng Packaging Group Ltd
Managing Director/Chief
Executive Officer

GROUP FINANCIAL
SUMMARY

TURNOVER BY GEOGRAPHICAL SEGMENTS ($ MILLION)

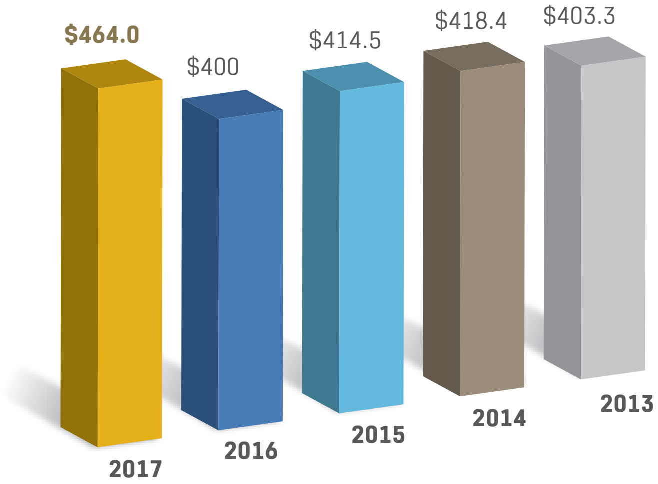


TURNOVER BY BUSINESS SEGMENTS ($ MILLION)

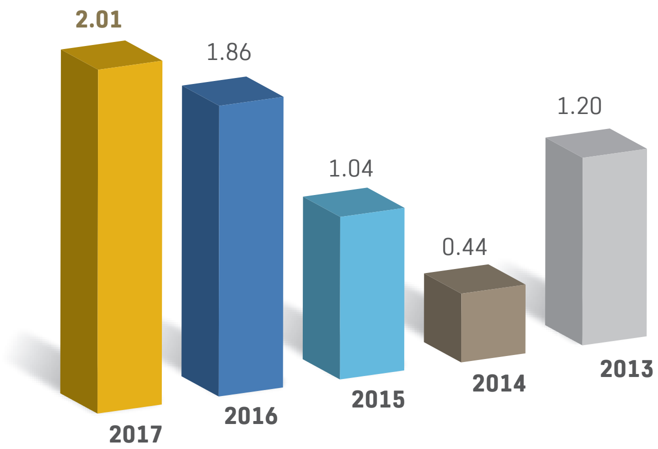


GROUP FINANCIAL **SUMMARY**

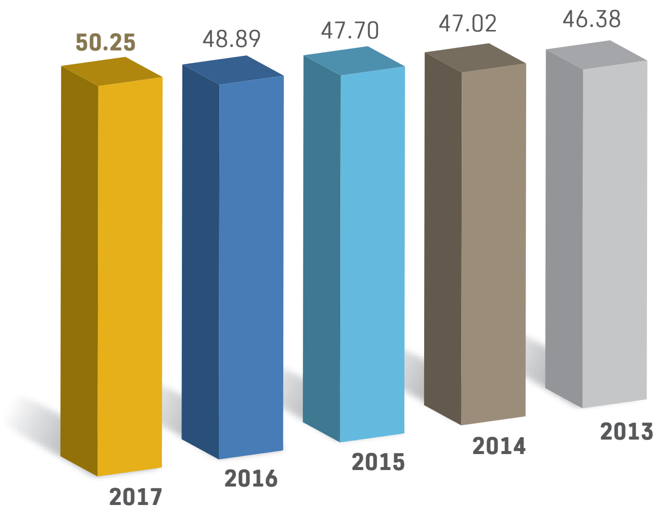
TURNOVER ($ MILLION)



BASIC EARNING PER SHARE (CENTS)



NAV PER SHARE (CENTS)



OPERATIONAL **REVIEW**

TOPSELLER PTE LTD

Topseller Pte Ltd ("**Topseller**") is a Hanwell subsidiary that mainly distributes and markets consumer products in both ambient and chilled categories. These include Royal Umbrella rice, Golden Peony rice, Gitangkim rice, Okome rice, Taj Ponni rice, Harmuni rice and oil, Golden Circle oil, Soyalite oil, Fortune Tofu and Noodles. We also partner renowned international brands like GSK, Austasia, Pauls and Lion distributing their products throughout our distribution network that spans Hyper/Supermarkets, grocery stores, caterers, institutions, ship chandlers, hotels, restaurants, food courts and hawker centres in Singapore.

With the continual shift in consumer trend towards online retail, we also worked closely with online retailers to facilitate this business channel growth. We focused on marketing efforts in driving our key brands through various advertising and promotion initiatives that were of an online nature and continued to build on social media platforms to engage and connect with our consumers, complementing the on-ground consumer outreach initiatives.

During the year, our marketing efforts has been proven to reap positive results. One of our major brands, Royal Umbrella continued to be ranked as the top-selling rice in Singapore for the 31st year, according to a Nielsen modern trade retail audit ratings. As a further testament to the brand's distinct reputation, Royal Umbrella has been awarded the annual Reader's Digest Trusted Brands for 14 years running (from 2004 to 2017) with the most recent award in 2017 being a platinum award.

Separately, other rice brands like Golden Peony Rice, Gitangkim Rice and Okome Rice also experienced a boost in sales through our enhanced food service distribution channels and platforms. We also successfully launched two new products – Taj Basmati rice and Origrain Healthy and Organic rice in FY2017. We have

OPERATIONAL REVIEW

also revamped our Golden Circle oil branding with the launch of a new label design as part of our plan to refresh our brand identity periodically to be in line with the market trend. This was complemented by the strengthening of our food service distribution network for our series of Health Promotion Board (HPB)-approved blended oil.

On the distributorship front, the onboarding of Austasia's Greenfields dairy products further enhanced our chilled business portfolio while we continued to experience good growth performance with our distribution of GSK and Lion products.

During the year, we have remodelled our logistics and delivery processes as part of our operational excellence target to raise customer satisfaction. This has helped to improve our delivery efficiency, thereby giving rise to a shorter delivery lead time.

Besides focusing on our business performance, we are also conscious about our role in the environment and society. Towards this end, we also work closely with CP Intertrade in Thailand, the rice processing arm of Asia's largest agribusiness conglomerate Chaoren Pokphand adopting good agricultural practices (GAP) in the form of a good manufacturing practice rice mill that not only protects the environmental resources but also enhances our capability to improve product mix and add value to our product range.

As we enter FY2018, we foresee margins will be impacted by hike in cost of rice globally. We will have to be cautious in managing pricing and margins while pursuing business growth.

SOCMA TRADING (M) SENDIRIAN BERHAD

Established in 1989, Socma Trading (M) Sendirian Berhad ("**Socma**") is the marketing and distribution arm of Hanwell in Malaysia. It is engaged in the distribution of a variety of products comprising confectionery, snacks, grocery and beverage, as well as toiletries. The subsidiary also distributes coconut milk and soya sauce under the house brand Harmuni, which is mainly targeted at the Muslim community.

During the year, Socma registered revenue growth of 4% mainly due to sales of Harmuni santan, which surged 53% upon the resolution of factory supply chain issues. The snacks segment remained our major revenue contributor with a 7% increase in revenue that was boosted by an expansion of general trade distribution and new product launches from TaoKaeNoi and Tai Sun.

Concurrently, our modern trade growth is supported mainly by the increasing outlets of mini-markets and pharmacies, while hypermarket sales decreased when a number of stores were closed down for operation streamlining. Where traditional trade is concerned, despite the declining number of stores over the years, it remains an important distribution channel for the Company. FY2017 sales growth was stable as we continued to focus on the key wholesaler project and effective marketing strategies aimed at the traditional trade.

During the year, our Principal, Tai Sun relaunched Nature's Wonder's by increasing our nut offerings in a new pack size. Concurrently, we have added Japanese confectionery Meiji agency to our distribution portfolio, further extending our brand offering to Malaysian market.

Besides focusing on our current portfolios and businesses, we are continuously exploring strategic partnership with complementary agencies. Internally, we experienced sales and marketing staff retention and recruitment challenges due to the competitive business environment. We have taken initiatives to foray into e-commerce by tapping on existing retailers' platforms to create new sales opportunity and enhance brand awareness.

Moving forward, we will be adopting revolutionary merchandising software and WinsApp program to facilitate prompt communication with merchandisers, while working closely with respective business partners to introduce new products for increasing sales.

OPERATIONAL REVIEW

FORTUNE FOOD MANUFACTURING PTE LTD

Fortune Food Manufacturing Pte Ltd ("**Fortune Food**") is a Hanwell subsidiary, which specialises in the production of soya bean-based food products like tofu and tau kwa. The food products are distributed under the brand names of Fortune and Sobe. Fortune Food also provides original equipment manufacturer (OEM) services in the form of pasteurised soy-based product for other third-party house brands.

In view of the industry nature that we are in, Fortune Food places great importance on food quality and safety. Using only the finest soybeans from North America, all our products are manufactured daily in our Hazard Analysis and Critical Control Points (HACCP) certified production facility in Singapore before being distributed fresh to various points on the island via our chilled delivery truck. We also have a robust system in place to prevent incidences of food contamination.

In fact, in a move to continuously upgrade our quality assurance standard, we have redeveloped our factory located at 348 Jalan Boon Lay in July 2017. Through modernising our manufacturing operations for soybean food products, we have successfully enhanced our chilled business and warehousing capability following the seamless transition of our factory and chilled warehouse operations into the new facility. This new facility is equipped with a redesigned production flow chain to facilitate better cold chain management that will enhance product quality, safety and shelf life. With this, Fortune chilled business is poised to capitalise on further growth opportunities with the new product development made possible by the new chilled manufacturing facility.

With these developments in place, we will be channelling more resources into working on launching more new products strategically as part of our plan to further enlarge our consumer offerings.

OPERATIONAL REVIEW

TIPEX PTE. LTD.

Tipex Pte. Ltd. ("**Tipex**") is a prominent Hanwell subsidiary that has established itself as a leading manufacturer and distributor of tissue paper products in Singapore. For more than 30 years, Tipex has been producing consumer and commercial tissue paper products comprising household brands like Beautex, Mood, Hibis, Comfy and Parity.

Besides this, Tipex also distributes a range of washroom hygiene products, including cleaning agents and dispensers, baby and adult diapers through brand names of PetPet, Fitti and Certainty, as well as household and automobile cleaning items via MR. CLEAN.

Tipex's distribution network extends beyond Singapore and Malaysia, spanning across global markets of New Zealand, Brunei, Australia, Vietnam, Maldives, India and Egypt.

Beside focusing on production and distribution, Tipex has also been enhancing its marketing efforts to raise brand awareness. With the current retail trend moving towards e-commerce, we have ventured into the online arena to expand our customer base through the provision of a convenient 24-hour shopping experience and home delivery service. We believe that tapping on the online platform is a discerning move as Singapore has the highest level of Internet penetration worldwide and a new breed of tech-savvy millennials.

With the buildup in competition arising from an increase in raw material and packaging cost, we view our online venture as a strategic move for us to increase our brand visibility and revenue, while lowering our operation cost. In FY2017, we have successfully boosted our online sales revenue by 29% as compared to that of FY2016.

Notwithstanding the focus on our business achievements, we have also implemented initiatives that contribute towards a more sustainable environment. These include procuring paper solely from FSC certified suppliers, applying HACCP practices for food safety in our packaging line to meet high sanitary standards where required, and adopting ISO 14001 Environment Management System to manage the combustion risk within our factory compounds.

On the corporate social responsibility front, we continue to actively contribute towards society. This year, we organised the popular ninth Beautex Life's Beautiful art competition in conjunction with the Cheng San-Seletar Constituency as part of the "Walk, Cycle, Ride @ AMK 2017" event.

TAT SENG PACKAGING GROUP LTD

Through its 64.0% stake in Singapore-listed Tat Seng Packaging Group Ltd ("**Tat Seng**"), Hanwell is able to take a position in the lucrative corrugated paper packaging products market in Singapore and China. Tat Seng's strong business boasts of an established network of clients spanning various industries.

FY2017 was a year during which Tat Seng focused on its core competence through acquiring new customers and increase sales from existing customers in the thriving biomedical and pharmaceutical industries, while continuously enhancing productivity and efficiency.

Besides investing in more sophisticated machinery, Tat Seng also refined its workflow automation and production processes to increase production speed and delivery time, as well as raise product quality. This gave Tat Seng greater flexibility in the area of production scheduling. With these initiatives and technological advancement in place, Tat Seng was able to reduce dependency on labour through harnessing machines to perform repetitive work at a lower cost and faster turnaround time. Nevertheless, Tat Seng still values its team of committed staff and places great importance in the nurturing of talents through effective training programmes tailored to enhance staff productivity and efficiency.

During the year, Tat Seng delivered an increase of 32.6% in its revenue from S$228.5 million in FY2016 to S$303.0 million in FY2017.

As a result of the increased revenue, gross profit rose by 18.8% to S$61.5 million during the year. Meanwhile, selling and distribution expenses was up by 7.6% in tandem with Tat Seng's higher sales growth.

Separately, with other expenses increasing by S$0.6 million in FY2017 against FY2016, which was attributed to exchange loss and impairment loss on property, plant and equipment.

As at 31 December 2017, cash and cash equivalents, excluding bank balances pledged as security decreased by S$13.8 million to S$27.1 million.

SEGMENTAL REVIEW OF TAT SENG

Singapore Operations

Revenue contributed by our Singapore operations gained by 14.3% to S$39.9 million in FY2017, accounting for 13.2% of Tat Seng's total revenue. This was the result of higher demand in the biomedical and pharmaceutical sectors, as well as food & beverage industry, which was uplifted by an overall stronger economic growth. Our strategic efforts to develop our biomedical and pharmaceutical industries niche has paid off positively.

China Operations

Revenue contribution by our China operations registered an increase of 35.9% or S$69.4 million to S$263.0 million in Tat Seng's reporting currency in FY2017. This was due to Tat Seng's China subsidiaries being able to raise its selling price, especially for sales of corrugated board to pass on the increased cost of raw material to its customers. Besides being able to maintain a healthy margin, sales volume has also appreciated.

This was testament to the success achieved in Tat Seng's long term strategies, which focus on machinery upgrading to boost efficiency, as well as increasing our China production output, so as to maximise facility capabilities and harness our economies of scale to elevate our cost advantage.

OPERATIONAL **REVIEW**

OUTLOOK

In spite of positive indicators pointing towards a recovering economic climate, we expect both Singapore and China's operating environment to remain challenging in view of the prevailing uncertainty in macro-economic conditions, volatility of raw material prices and the increasingly competitive environment in this industry.

Although prospects for the fast-moving consumer goods ("FMCG") industry remains highly competitive and saturated, the corrugated paper packaging products market have taken a more positive turn for us, as rising demand for corrugated products is the key segment that continues to offer great opportunities for growth.

As such, Tat Seng will continue in its efforts to execute improvement strategies in the area of cost management and operations to boost efficiency and productivity. We will also continue to invest and upgrade our machineries to reduce our reliance on labour, develop more relevant staff skills and IT capabilities, as well as build new capabilities and technological innovation, so as to achieve long-term competitiveness and consolidate our position in the industry as a market leader.

Besides this, Tat Seng's strategy and focus remain anchored on prudently managing our financial resources to preserve financial flexibility and ensure overall sustainability of our core competences.

Where the environment is concerned, we want to build socially responsible business that is sustainable for all our stakeholders, hence we will continually ensure that all our supplies are obtained from sustainable sources. We suspend procurement from suppliers which are reported to have engaged in errant practices until there is reasonable assurance that the offending practice has been rectified.

CORPORATE SOCIAL **RESPONSIBILITY**

Hanwell has always prided itself as a socially responsible corporation that demonstrates exemplary efforts in this area. We believe in giving back to society through our regular community work and socially responsible corporate culture. This year, we remain committed to help build an inclusive society by organising a series of community events.

LIFE'S BEAUTIFUL

This year marked the ninth anniversary of Tipex's annual signature Beautex Life's Beautiful art competition. In April 2017, Beautex collaborated with the Cheng San-Seletar Constituency, with its "Walk, Cycle, Ride @ AMK 2017" event for its Life's Beautiful Art Competition, producing attractive artworks for the next series of limited edition of Beautex 3ply Box Tissues. Primary school students in the Cheng San constituency including MINDS and Pathlight students were invited to take part in the art competition. The event was graced by PM Lee Hsien Loong as well as various Members of Parliament. For every pack of 5 boxes sold, 20 cents was donated to the Movement for the Intellectually Disabled of Singapore – Fernvale Gardens School. A total of $30,182.80 were raised.

We believe such events are meaningful as it not only inspire students to be creative through art but also advocating the importance of road safety in conjunction with the "Walk, Cycle, Ride @ AMK 2017" event.

RICE FROM THE HEART

"Rice from the heart campaign" was first introduced in 2013 as part of Royal Umbrella's CSR approach. The Chinese Development Assistance Council (CDAC) is one of the beneficiaries from this campaign.

In the mega promotion with Esso Mobil in year 2015 and 2016, Royal Umbrella matched 100g Royal Umbrella rice with every 10kg Royal Umbrella rice sold. The received rice was distributed to the beneficiary families under the CDAC. Royal Umbrella continued to pledge its support for the "Rice From The Heart Campaign in the 2017 Esso Mobil Mega Promotion". We have managed to raise 1,340kg of rice to CDAC and rice was distributed during the Chinese New Year in 2018.

SOUP PROJECT WITH SOUTH-WEST ITE COLLEGE

We have worked with the South-West ITE college for the Soup Project. In this project (every quarter), students from ITE college West will use our sponsored ingredients (rice, oil and tofu item) to cook and serve the needy seniors. The seniors were each given a goody bag which includes rice, oil and paper items. More than 200 seniors have benefitted from this project.

GOING GREEN

In line with our environmental conservation cause, we are committed to using 100% virgin pulp certified by the Forest Stewardship Council (FSC®) in the manufacture of our paper products.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr Allan Yap
Executive Chairman

Dr John Chen Seow Phun
Deputy Chairman, Non-Executive and Independent Director

Dr Tang Cheuk Chee
Executive Director

Mr Lien Kait Long
Non-Executive and Lead Independent Director

Mr Lee Po On Mark
Non-Executive and Independent Director

Mr Goi Kok Ming (Wei Guoming)
Non-Executive Director

COMPANY SECRETARY

Mr Chew Kok Liang

AUDIT COMMITTEE

Mr Lien Kait Long *(Chairman)*
Dr John Chen Seow Phun
Mr Lee Po On Mark

REMUNERATION COMMITTEE

Dr John Chen Seow Phun *(Chairman)*
Mr Lien Kait Long
Mr Lee Po On Mark

NOMINATING COMMITTEE

Dr John Chen Seow Phun *(Chairman)*
Mr Lien Kait Long
Mr Lee Po On Mark

RISK MANAGEMENT COMMITTEE

Mr Lien Kait Long *(Chairman)*
Dr Tang Cheuk Chee

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 2017
Yap Wee Kee)

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 whilst pursuing sustainable growth and enhancement of corporate performance 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. The Company has complied in all material aspects with the principles and guidelines set out in the Code and any deviations are explained in this report.

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, setting strategic directions and objectives of the Group;
- approving major funding proposals, investment and divestment proposals of the Group;
- reviewing the performance of management by establishing management's goals and monitoring the achievement of such goals;
- reviewing and endorsing the remuneration framework as may be recommended by the Remuneration Committee;
- supervising management in ensuring 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 discharge their duties and responsibilities objectively at all times as fiduciaries in the interests of the Company.

CORPORATE GOVERNANCE **STATEMENT**

1 BOARD MATTERS (CONTINUED)

1.2 Board Processes

To ensure that specific issues are subject to consideration and review before the Board makes its decision, 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") (collectively the "Board Committees").

The composition of the Board Committees are as follows:

Directors	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
John Chen Seow Phun	Member	Chairman	Chairman	–
Lien Kait Long	Chairman	Member	Member	Chairman
Lee Po On Mark	Member	Member	Member	–
Tang Cheuk Chee	–	–	–	Member

These Board Committees function within clear Board approved written terms of reference. Such terms of reference will be reviewed by the Board and Board Committees on a regular basis to ensure their continued relevance and 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 meetings, are circulated and available to the Board and Board Committees.

The roles and responsibilities and these Board Committees are set out in subsequent sections of this Corporate Governance Statement of the Company.

1.3 Board and Board Committees Meetings held in Financial Year 2017

The attendance of the Directors at scheduled meetings of the Board and Board Committees during financial year ended 31 December 2017 is disclosed below:

	Board	Board Committees			
		Audit	Nominating	Remuneration	Risk Management
Number of scheduled meetings held	**4**	**4**	**1**	**1**	**1**
Name of Directors					
Allan Yap	2	2*	–	–	–
Tang Cheuk Chee	4	4*	1*	1*	1
John Chen Seow Phun	4	4	1	1	–
Lien Kait Long	4	4	1	1	1
Lee Po On Mark	4	4	1	1	–
Goi Kok Ming (Wei Guoming)	4	–	–	–	–

* Attendance by invitation of the relevant committee

CORPORATE GOVERNANCE
STATEMENT

1 BOARD MATTERS (CONTINUED)

1.3 Board and Board Committees Meetings held in Financial Year 2017 (Continued)

The schedules of the Board and Board Committees meetings are 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 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 provides for the convening of the Board meetings by way of telephonic, video conferencing or other similar means of electronic communication. The Board also approves material and significant transactions by way of written resolutions which are circulated to the Board together with all relevant and supporting information.

The agendas for meetings are prepared in consultation with the Executive Chairman and the Executive Director and/or the Chairman of the respective Board Committee. The agendas and meeting materials are circulated in advance of the scheduled meetings to the members of the Board and/or Board Committees.

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.

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 financial statements;
- 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;

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.4 Matters Requiring Board Approval (Continued)

- 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 Group.

While matters relating in particular to the Company's objectives, strategies and policies require the Board's direction and approval, 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 and Training

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 operations facilities and meet with the Management for further explanations, briefing or discussions on key aspects to gain insight for a better understanding of the Group's business and operations.

The Company will prepare 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 go for site visits of the Group's operating units to familiarise themselves with the Group's business practices.

Directors are updated periodically on industry trends and development of sustainability issues, relevant laws, regulations and changing business risks during Board meetings/committee meetings or at specifically-convened sessions so as to enable them to properly discharge their duties effectively. In the year under review, the Board has been briefed by the Company's external consultant on the compliance and disclosure requirements of sustainability reporting prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company Secretary regularly informs the Directors of any upcoming conferences, training and seminars relevant to their roles as directors of the Company. The external auditors would update the AC and the Board on new and revised accounting standards that are applicable to the Company or the Group annually.

The Directors and key management personnel 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 organisation from time to time. Changes to regulations and accounting standards are monitored closely by the Management. In order to keep pace with such laws and regulatory changes, the Company will provide and fund the appropriate trainings and development programmes for the Directors and/or key management personnel of the Company, where relevant.

CORPORATE GOVERNANCE
STATEMENT

1 BOARD MATTERS (CONTINUED)

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 Composition consists of six (6) Directors of whom one (1) is Executive Chairman, one (1) is Executive Director, one (1) is Non-Executive Director and Non-Independent and three (3) are Non-Executive and Independent Directors. All Directors exercise independent judgement and make decisions objectively and in the best interest of the Company.

As at the date of this report, the Board comprises six (6) suitably qualified members:

Name of Director	Functions	Date of First Appointment as Director	Date of last re-election as Director	Present Directorships in other listed companies	Past Directorships in listed companies held over the preceding three years
Allan Yap	Executive Chairman	10 May 2002	21 April 2017	• Burcon NutraScience Corporation (Chairman, CEO and Director) • China Enterprises Limited (Chairman, Chief Executive Officer and Director) • Master Glory Group Limited (f.k.a. Hanny Holdings Limited) (Chairman and Executive Director) • Rosedale Hotel Holdings Limited (Chairman and Executive Director) • Tat Seng Packaging Group Ltd (Executive Chairman)	• Shaw Brothers Holdings Limited (f.k.a. Meike International Holdings Limited) (Chairman and Executive Director) • Television Broadcasts Limited (Alternate Director) • SMI Holdings Group Limited (Chairman and Independent Non-Executive Director)

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.6 Board Composition and Guidance (Continued)

Name of Director	Functions	Date of First Appointment as Director	Date of last re-election as Director	Present Directorships in other listed companies	Past Directorships in listed companies held over the preceding three years
John Chen Seow Phun	• Deputy Chairman, Non-Executive and Independent Director • Chairman of Nominating and Remuneration Committees • Member of Audit Committee	09 Jun 2003	22 April 2016	• Fu Yu Corporation Limited (Non-Executive Chairman and Independent Director) • Hiap Seng Engineering Ltd (Independent Director) • HLH Group Limited (Independent Director) • Matex International Limited (Non-Executive Chairman and Independent Director) • OKP Holdings Limited (Lead Independent Director) • Pavillon Holdings Ltd (Executive Chairman) • Tat Seng Packaging Group Ltd (Deputy Chairman, Non-Executive Director and Independent Director)	–
Tang Cheuk Chee	• Executive Director • Member of Risk Management Committee	01 Aug 2011	24 April 2015	• Tat Seng Packaging Group Ltd (Executive Director)	–

CORPORATE GOVERNANCE
STATEMENT

1 BOARD MATTERS (CONTINUED)

1.6 Board Composition and Guidance (Continued)

Name of Director	Functions	Date of First Appointment as Director	Date of last re-election as Director	Present Directorships in other listed companies	Past Directorships in listed companies held over the preceding three years
Lien Kait Long	• Non-Executive and Lead Independent Director • Chairman of Audit and Risk Management Committees • Member of Nominating and Remuneration Committees	01 Jun 2005	24 April 2015	• China Enterprises Limited (Director) • China Jishan Holdings Limited (Lead Independent Director) • Falcon Energy Group Limited (Lead Independent Director) • IPC Corporation Limited (Independent Director) • Renewable Energy Asia Group Limited (Independent Director) • Tat Seng Packaging Group Ltd (Lead Independent Director)	• Viking Offshore and Marine Limited (Independent Director) • Pacific Healthcare Holdings Ltd (Non-Independent Non-Executive Director) • 8Telecom International Holdings Co., Ltd (Lead Independent Director)
Lee Po On Mark	• Non-Executive and Independent Director • Member of Audit, Nominating and Remuneration Committees	10 Aug 2012	22 April 2016	• Tat Seng Packaging Group Ltd (Non-Executive and Independent Director) • Television Broadcasts Limited (Executive Director and Group Chief Executive Officer)	–
Goi Kok Ming (Wei Guoming)	• Non-Executive Director	10 Aug 2012	21 April 2017	• GSH Corporation Limited (Executive Director)	–

Profiles of the Directors are found in the "Board of Directors" section of the Annual Report.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.6 Board Composition and Guidance (Continued)

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 Board also 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 NC is of the view that the Board comprises Directors with diverse expertise and experience in business and management, accounting and financial and are capable of exercising objective judgment on the corporate affairs of the Company independently of Management are appropriate. Furthermore, no individual or small group of individuals dominate the Board's decision making process.

When a vacancy exists, 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 re-election at the next Annual General Meeting ("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 capital of 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

Currently, the Board consists of six (6) Directors, three (3) of whom are Non-Executive and Independent Directors. There is a strong element of independence with Independent Directors make up at least half of the Board. The NC is of the opinion that given that there is an equal number of directors who are non-executive and independent of Management in terms of character and judgement, objectivity on issues deliberated is assured. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board and all major decisions are made collectively. The criteria for independence are based on the definition given in the Code, which considers an Independent Director as one who has no relationship (direct or indirect) 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 in 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.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.7 Independent Members of the Board of Directors (Continued)

The NC reviews annually, and as and when circumstances require, if a Director is independent. The independence of each Director is assessed based on their business relationships with the Group, relationships with members of Management, relationships with the Company's substantial shareholder as well as the Director's length of service. RHT Capital Pte. Ltd. an independent professional consultant (the "Consultant") was engaged in 2016 to conduct a rigorous review of self-assessment as well as evaluation on the independence of Dr John Chen Seow Phun, Mr Lien Kait Long and Mr Lee Po On Mark ("Independent Evaluation"). A similar review was carried out internally in 2017 and the NC is satisfied that there has been no change to the circumstance since the findings and documents presented by the Consultant and unanimously agree and confirm that Dr John Chen Seow Phun ("Dr John Chen"), Mr Lien Kait Long ("Mr Lien") and Mr Lee Poh On Mark ("Mr Mark Lee") are independent. The factors that were taken into consideration in determining the independence of Dr John Chen, Mr Lien (who have served on the Board beyond nine (9) years) and Mr Mark Lee are set out under Principle 2 of the Code on page 21 of this report. The NC will review from time to time the need to have such rigorous review. Each member of the NC has abstained from voting on any resolution related to their re-election and/or re-designation.

Dr John Chen, Mr Lien and Mr Mark Lee sit on the board of Tat Seng Packaging Group Ltd ("Tat Seng"), a listed subsidiary from which the Company has received payment of less than S$50,000/- for the provision of consultancy services to Tat Seng in FY2017. The Board believes that their directorships in Tat Seng have not and will not interfere, or be reasonably perceived to interfere, with their ability to exercise independent judgement and act in the best interest of the Company. Further, having gained in-depth understanding of the business and operating environment of the Group, they provide much needed experience and knowledge of the industry.

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. The Executive Chairman will act on the feedback, take necessary steps to advise Management on the way forward to improve and implement recommendation submitted by the Non-Executive and Independent Directors.

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 subsuming the duties and responsibilities of the CEO to oversee, plan, direct, control the activities; and to develop and execute the Group's strategies and business objectives. The Company will endeavor to source for a suitable candidate to fill the vacancy of the CEO. Since FY2016, the Company has appointed Mr Yeo See Liang Eugene as the Chief Operating Officer of the Company responsible for the overall daily operations, growth and development of the Company. As the Executive Chairman, Dr Allan Yap provides close oversight, guidance, advice and leadership to the Executive Director, Chief Operating Officer and Management. His responsibilities include:

- determining the Group's strategies;
- 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.

In view that the Executive Chairman and the Executive Director are immediate family members, the Board has appointed Mr Lien Kait Long as the Lead Independent Director of the Company since FY2016 to lead and coordinate the meetings and activities of the Independent Directors. Hence, Mr Lien will contribute to a balance of views from the Board. He is the principal liaison on Board issues between the Independent Directors and the Chairman of the Board. The Lead Independent Director is available to Shareholders if they have concerns and where contact through the normal channels of the Executive Chairman or the Executive Director has failed to resolve or such contact is inappropriate.

CORPORATE GOVERNANCE
STATEMENT

1 BOARD MATTERS (CONTINUED)

1.8 Chairman and Chief Executive Officer (Continued)

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors when required, and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings. The Executive Chairman will act on the feedback and deal with the issues, where appropriate.

Members of the AC, NC and RC of the Company are all Independent and Non-Executive Directors. Major proposals and decisions made by the Board are subject to majority approval by the members of the Board and reviewed by the relevant Board Committee.

The NC conducts annual Board performance appraisal including review of any changes to the Board members. On the other hand, remuneration packages are reviewed periodically by the RC. The Board believes that there are 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 and in the interests of the Company.

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 all of whom are Independent:

Dr John Chen Seow Phun (Chairman, Non-Executive and Independent Director)
Mr Lien Kait Long (Member, Non-Executive and Lead Independent Director)
Mr Lee Po On Mark (Member, Non-Executive and Independent Director)

The NC Chairman 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 his independent judgement in the best interest of the Company.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.9 Board Membership (Continued)

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 and its Board Committees;
- 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.

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.

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.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.9 Board Membership (Continued)

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 were changes to the composition of the Board and Board Committees in FY2016;

(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.

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. The evaluation performance checklist is drawn up based on the guidelines provided in the Code.

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 Dr Tang Cheuk Chee and Mr Lien Kait Long who will retire pursuant to Regulation 87 of the Constitution of the Company.

Currently, the Company does not appoint any alternate directors.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

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.

Based on the recommendations of the NC, 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.

(a) Assessment of the effectiveness of the Board as a whole – The NC uses an objective performance criteria to conduct Board assessments via the circulation of assessment evaluation 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. The NC has reviewed and is satisfied with the performance and effectiveness of the Board as a whole for the financial year ended 31 December 2017.

(b) Assessment of the effectiveness of the Board Committees – The NC has implemented a process to be carried out by the NC via the circulation of assessment evaluation forms to assess the effectiveness of the respective 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. The NC has reviewed and is satisfied with the performance and effectiveness of the respective Board Committees for the financial year ended 31 December 2017.

(c) Assessment of the contribution of individual Directors to the effectiveness of the Board – 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. 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. The NC has reviewed and is satisfied with the contribution by individual Directors to the effectiveness of the Board for the financial year ended 31 December 2017.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.10 Board Performance (Continued)

The NC is of the view that 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. The assessments also help the NC to determine whether the Directors with multiple Board representations are able to and have adequately discharged their duties as Directors of the Company.

In general, the selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes. In consultation with the NC, the Executive Chairman will act on the results of the Board performance and propose, where appropriate, new members to be appointed to the Board or propose changes to the Board.

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.

As a general rule, the Management provides the Board with comprehensive, complete and adequate information in a timely manner for the Board to be effective in discharging its duties. The Board papers which include the background and/or explanatory information to matters to be brought before the Board for each meeting are normally prepared and 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. A presentation is made to the Directors at the Board meeting on budgets, forecasts and variances. 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. However, sensitive matters may be table at the meeting itself or discussed without any papers being distributed.

The Directors have separate and independent access to the advice and services of the Company Secretary and the key management personnel at all times. Further, there is no restriction of access to the key management personnel when the Directors have to carry out their duties. The Management ensures that any information or materials requested by the Directors to make informed decisions will be provided in a timely manner.

CORPORATE GOVERNANCE STATEMENT

1 BOARD MATTERS (CONTINUED)

1.11 Access to Information (Continued)

The role of the Company Secretary is clearly defined and includes attendance of Board and Board Committees meetings and 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 and also the channel of communications between the Company and the SGX-ST. The Company Secretary and/or his representatives attend all Board and Board committee meetings, and assists the Chairman of the Board and Board committees in ensuring that the relevant procedures are followed and reviewed such that the Board and Board committees function effectively. The appointment and removal of the Company Secretary is a matter 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.

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 three (3) members all of whom are Independent:

Dr John Chen Seow Phun (Chairman, Non-Executive and Independent Director)
Mr Lien Kait Long (Member, Non-Executive and Lead Independent Director)
Mr Lee Po On Mark (Member, Non-Executive and Independent 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 Executive Chairman, Executive Director 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 cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind;

CORPORATE GOVERNANCE **STATEMENT**

2 REMUNERATION MATTERS (CONTINUED)

2.1 Procedure for Developing Remuneration Policies (Continued)

- 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 deems expedient. Subject always to any regulations or restriction that may be imposed upon the RC by the Board from time to time;

- 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 Executive 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 reviews the fairness and reasonableness of the termination clauses of the service agreements of the Executive Directors and key management personnel. The RC will have access to independent expert advice from external consultants, where necessary.

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 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 pay and employment conditions within the industry and in comparable companies, the Company's relative performance, the performance of the individual Directors and key management personnel, 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.

The RC's recommendations are submitted to the Board for endorsement. Each member of the Board shall abstain from voting on any resolution concerning or making any recommendation and/or participating in any deliberations of the RC in respect of his own remuneration.

The RC, in considering the remuneration of all directors, has not sought external advice or appointed remuneration consultants.

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 appointment period, the notice period for termination and the terms of the compensation package in the event of 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.

The Company has an existing Hanwell Executives' Share Option Scheme ("Scheme") adopted on 8 July 2003 which 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.

All Non-Executive and Independent Directors have no service agreements with the Company. They are paid Directors' fees, with additional fees paid for serving as the Chairman or members of Board Committees as well as attendance at each 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 AGM. The remuneration of Non-Executive and Independent Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. The Non-Executive and Independent 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.

In February 2018, the RC has reviewed and approved the renewal of service agreement of the Executive Director. Each of the Executive Chairman and Executive Director has a separate formal service agreement with the Company and they do not receive Directors' fees. The remuneration packages of the Executive Chairman, Executive Director 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 of the Executive Chairman and Executive Director 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 an appropriate prior written notice.

The RC is of the view that the variable component of the remuneration packages of the Executive Chairman, Executive Director and key management personnel, where applicable 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 Chairman, Executive Director and key management personnel unless incidents occur in exceptional circumstances such as misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

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 2017 is set out below:

Directors	Base Salary (%)	Bonus (%)	Profit Sharing (%)	Directors' Fee (%)	Allowance[2] (%)	Share Options (%)	TOTAL (S$)
Range S$1,500,001 to S$1,750,000							
Allan Yap	49.78	6.47	42.63	–	1.12	–	1,639,000
Range S$750,001 to S$1,000,000							
Tang Cheuk Chee	56.23	7.93	31.28	–	4.56	–	772,000
Range S$250,000 and below							
John Chen Seow Phun	–	–	–	100[1]	–	–	156,500[3]
Lien Kait Long	–	–	–	100[1]	–	–	143,000[3]
Lee Po On Mark	–	–	–	100[1]	–	–	128,500[3]
Goi Kok Ming (Wei Guoming)	–	–	–	100	–	–	40,000

(1) Directors' Fee from the Company and Tat Seng Packaging Group Ltd, its listed subsidiary.
(2) Employer's CPF contribution and other compensation are included.
(3) Directors' Fee was approved on 21 April 2017 at the respective AGMs of:
  (i) the Company; and
  (ii) Tat Seng Packaging Group Ltd.

Shareholders' approval will be sought at the forthcoming AGM of the Company on 20 April 2018 for the payment of Directors' Fee proposed (to be paid quarterly in arrears) for the financial year ending 31 December 2018 amounting to an aggregate of S$279,000.

CORPORATE GOVERNANCE STATEMENT

2 REMUNERATION MATTERS (CONTINUED)

2.4 Remuneration of Employees Related to Directors

As at 31 December 2017, Mr Tang Chi Ming Danny ("Mr Tang"), who is the Group Vice President and Assistant to the Executive Director, is related to the Executive Chairman and Executive Director of the Company and his remuneration is reviewed by RC. In this respect, the Executive Chairman and Executive Director shall abstain from all matters relating to the remuneration of Mr Tang. The basis of determining the remuneration of Mr Tang 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 2017 is set out below:

Key Management Personnel	Base Salary (%)	Bonus (%)	Profit Sharing (%)	Directors' Fee (%)	Allowance[1] (%)	Share Options (%)	TOTAL (%)
Range S$150,001 to S$200,000							
Tang Chi Ming Danny[2]	79.25	9.90	–	–	10.85	–	100

(1) Employer's CPF contribution and other compensation are included.
(2) Mr Tang Chi Ming Danny ("Mr Tang") is the brother-in-law of Dr Allan Yap, the Executive Chairman and the brother of Dr Tang Cheuk Chee, the Executive Director of the Company. Currently, Mr Tang is the Group Vice President and Assistant to the Dr Tang Cheuk Chee, the Executive Director. Mr Tang's remuneration is reviewed exclusively by the RC. The Executive Chairman and Executive Director do not participate in the decision-making process of Mr Tang's remuneration. From February 2018, Mr Tang is responsible for and in charge of Business Development of the Group.

Save as disclosed above, there are no employees of the Group who are immediate family members of any Director or the CEO of the Company and whose remuneration exceed S$50,000 for the financial year ended 31 December 2017.

2.5 Remuneration of Top Five (5) Key Management Personnel

The Group has five (5) key management personnel (who are not Directors of the Company). A breakdown showing the level and mix remuneration of each of the key management personnel (who are not Directors of the Company) in the financial year ended 31 December 2017 is as follows:

Key Management Personnel	Base Salary (%)	Bonus (%)	Profit Sharing (%)	Directors' Fee (%)	Allowance[2] (%)	Share Options (%)	TOTAL (%)
Range S$250,001 to S$500,000							
Yeo See Liang Eugene	46.21[3]	11.66	27.64	0.71[1]	13.78	–	100
Tong Ying Ling Denise	64.63[3]	5.39	20.15	–	9.83	–	100
Range S$250,000 and below							
Wong Yuen May Sandy	69.82	20.37	–	–	9.81	–	100
Sim See Hiang Richard	68.91[3]	5.74	9.69	–	15.66	–	100
Tang Chi Ming Danny[4]	79.25[3]	9.90	–	–	10.85	–	100

CORPORATE GOVERNANCE STATEMENT

2 REMUNERATION MATTERS (CONTINUED)

2.5 Remuneration of Top Five (5) Key Management Personnel (Continued)

The aggregate total remuneration paid to the top five (5) key management personnel and employees related to directors (who are not Directors or the CEO) for the financial year ended 31 December 2017 was S$1,325,000 (FY2016: S$1,465,000).

(1) Directors' Fee from the subsidiary.
(2) Employer's CPF contribution and other compensation are included.
(3) Including remuneration from subsidiary.
(4) Mr Tang Chi Ming Danny ("Mr Tang") is the brother-in-law of Dr Allan Yap, the Executive Chairman and the brother of Dr Tang Cheuk Chee, the Executive Director of the Company. Currently, Mr Tang is the Group Vice President and Assistant to the Dr Tang Cheuk Chee, the Executive Director. Mr Tang's remuneration is reviewed exclusively by the RC. The Executive Chairman and Executive Director do not participate in the decision-making process of Mr Tang's remuneration. From February 2018, Mr Tang is responsible for and in charge of Business Development of the Group.

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.

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 is accountable to the shareholders and announces the Company's quarterly and full year financial results that present a balanced and understandable assessment of the Company's performance, position and prospects.

The Company believes that prompt compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust. In line with the requirements of the Listing Manual of SGX-ST, negative assurance statements are issued by the Board in respect of the interim financial statements. For the financial year under review, the Executive Chairman, Executive Director, Chief Operating Officer and Group Financial Controller have provided assurance to the Board on the integrity of the Group's financial statements.

Further, the Company has procured undertakings in the format set out in Appendix 7.7 of all its Directors and executive officers pursuant to Rule 720(1) of the Listing Manual of SGX-ST.

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 to enable the Board effectively discharge their duties.

CORPORATE GOVERNANCE STATEMENT

3 ACCOUNTABILITY AND AUDIT (CONTINUED)

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.

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, information technology 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 respect of each significant risk. Risk awareness and ownership of risk treatments are also continuously fostered across the organisation.

Risk Management Committee ("RMC")

The Group has in place a RMC chaired by Mr Lien Kait Long (Lead Independent Director) and a member comprising the Executive Director to assist the Board in its oversight of risk governance, risk management framework and policies of the Group. The RMC is regulated by its terms of reference. Together with the AC, the RMC helps to ensure that Management maintains a sound system of risk management and internal controls to safeguard the interests of shareholders and the assets of the Group.

The RMC oversees the risk management framework and policies of the Group and report to the Board. Together with the Management, RMC has established various policies in place including but not limited to (i) Business Continuity Policy, (ii) Succession Planning Policy and (iii) Investment Policies in relation to the Financial Assets Investments and Strategic Investment. These policies are essential part of the business planning and monitoring process.

CORPORATE GOVERNANCE **STATEMENT**

3 ACCOUNTABILITY AND AUDIT (CONTINUED)

3.1 Risk Management and Internal Controls (Continued)

The meetings of the RMC are attended not only by members but also Management and it serves as a forum to review and discuss material risks and exposures of the Group's business and the strategy to mitigate risks in general.

The risk management process that is in place covers, *inter alia*, financial, operational, compliance and information technology risks faced by the Group. The key risks identified are deliberated by Management, and reported to the RMC on an annual basis or such other period as may be determined by RMC.

The Group has put in place a 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. During the financial year 2017, the Group has engaged PricewaterhouseCoopers Risk Services Pte. Ltd. as internal auditors to assess annually the effectiveness of such a system in ensuring that the Company has adequate safeguards as well as an effective robust risk management framework (including policies, procedures and processes) embedded within the Company's infrastructure that could support the Group's operations, IT system and financial reporting structure.

The AC, RMC and Board recognise the need for a robust and effective system of internal control. To ensure that the risk management and internal controls and risk management 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 adequacy and 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 are 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 FY2017, the Board has received assurances from Dr Allan Yap (Executive Chairman), Dr Tang Cheuk Chee (Executive Director), Yeo See Liang Eugene (Chief Operating Officer) and Wong Yuen May Sandy (Group Financial Controller) 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.

During the course of audit by the internal and external auditors, their recommendations, the various management controls and the reports from the internal and external auditors have been taken into consideration by the Company. The Board, with the concurrence of the AC and RMC, 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 2017.

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

CORPORATE GOVERNANCE STATEMENT

3 ACCOUNTABILITY AND AUDIT (CONTINUED)

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 three (3) members all of whom are Independent:

Mr Lien Kait Long (Chairman, Non-Executive and Lead Independent Director)
Dr John Chen Seow Phun (Member, Non-Executive and Independent Director)
Mr Lee Po On Mark (Member, Non-Executive and Independent Director)

The AC members were selected based on their expertise and prior experience in the area of financial Management and at least two (2) of the AC members have the relevant accounting or financial management expertise and/or experience. The Board is of the view that all members of the AC have the relevant accounting or related financial management expertise and experience to discharge their responsibilities as members of the AC.

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.

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

- reviewing the audit plans of the external and internal auditors;
- reviewing the external and internal auditors' reports;
- reviewing the co-operation given by the Company's officers to the external and internal auditors;
- reviewing the adequacy of the internal audit function;
- 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;
- reviewing the financial statements of the Company and the Group before their submission to the Board;
- 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;
- nominating external auditors for appointment or re-appointment and approve the remuneration and terms of engagement of the external auditors;

CORPORATE GOVERNANCE STATEMENT

3 ACCOUNTABILITY AND AUDIT (CONTINUED)

3.2 Audit Committee (Continued)

- 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;

- 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

- 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 met four (4) times in the financial year ended 31 December 2017 and the Executive Chairman and Executive Director were invited to attend the meetings, as and when necessary. The AC also 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 continuously 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.

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 also makes recommendations on the appointment, re-appointment of external auditors, and their remuneration.

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$575,750 and S$82,712 respectively for the financial year ended 31 December 2017.

CORPORATE GOVERNANCE STATEMENT

3 ACCOUNTABILITY AND AUDIT (CONTINUED)

3.2 Audit Committee (Continued)

The AC has undertaken a review of the services, scope, independence and objectivity of the external auditors. KPMG LLP, the external auditors of the Company, has confirmed that they are a Public Accounting Firm registered with Accounting & Corporate Regulatory Authority ("ACRA") and provided a confirmation of their independence to the AC. Apart from this, the AC also received feedback from Management on their evaluation of the performance and effectiveness of the work of the external auditors. Having assessed the external auditors based on its own interactions with the external auditors, Management's evaluation and on factors such as performance and quality of their audit partners and auditing team, their overall qualification and their independence status, the AC is satisfied that KPMG LLP is able to meet the audit requirements and statutory obligation of the Company.

Accordingly, KPMG LLP is recommended for re-appointment as the Company's external auditors at the forthcoming AGM.

Furthermore, AC noted that in appointing the external auditors of the Company, its subsidiaries and significant associated companies, it 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 Rules 712 and 715 of the Listing Manual of SGX-ST.

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.

With the introduction of the new and revised Auditor Reporting Standards applicable to the audit of financial statements for periods ending on or after 15 December 2016, the external auditors are required to include the Key Audit Matters ("KAM") in the Company's Annual Report. KAM typically include significant risk areas of the financial statements most susceptible to misstatements, involving key judgements and estimates, as well as major transactions that require extensive auditing efforts.

In line with the recommendations by ACRA, Monetary Authority of Singapore and SGX-ST, the AC can help to improve transparency and enhance the quality of corporate reporting by providing a commentary on key financial reporting matters as follows:

AC's commentary on key financial reporting matters

The AC has discussed the KAM for FY2017 with Management and the external auditors. The AC concurs with the basis and conclusions included in the Independent Auditors' Report with respect to the KAM.

For more information on the KAM, please refer to page 52 to 54 of this Annual Report.

CORPORATE GOVERNANCE
STATEMENT

3 ACCOUNTABILITY AND AUDIT (CONTINUED)

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 FY2017.

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 AC selects and approves the appointment of internal auditors. The Group has outsourced its internal audit function to PricewaterhouseCoopers Risk Services Pte. Ltd. ("Internal Auditors") during the financial year ended 31 December 2017. The Internal Auditors serves to provide the Board and Management with an independent appraisal in terms 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. Apart from this, Internal Auditors supports the AC and the Board 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. The AC is satisfied that, though the Internal Audit function has been outsourced, it is adequately and effectively managed by persons with the relevant qualifications and experience.

The Internal Auditors reports functionally to the Chairman of the AC. On an annual basis, AC assesses the effectiveness of the Internal Audit function 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.

During the year, the Internal Audit's summary of key audit findings, recommendations and Management's related responses were discussed at 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.

CORPORATE GOVERNANCE
STATEMENT

3 ACCOUNTABILITY AND AUDIT (CONTINUED)

3.4 Internal Audit (Continued)

The AC is satisfied that the function is adequately resourced and has appropriate standing within the Company and the Group.

The Internal Auditors plans its internal audit schedules in consultation with, but independent of, the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. Internal Auditors has a direct and primary reporting line to the AC and assist the AC in overseeing and monitoring measures that have been implemented to detect and correct internal control weaknesses that have been identified.

The AC has reviewed and approved the annual internal audit plan FY2017 and is satisfied that the Internal Audit has been adequately and effectively carried out in line with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The AC reviews the activities of the Internal Audit on a regular basis, including overseeing and monitoring the implementation of the improvement required on internal control weakness identified.

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.

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;

4 SHAREHOLDER RIGHTS AND RESPONSIBILITIES (CONTINUED)

SHAREHOLDER RIGHTS (CONTINUED)

- 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.

Although the Company does not have an investor relations team, the Company's Executive Chairman and Executive Director are responsible for the Company's communication with shareholders. The Board acknowledges that not only does the Company has to fulfill its obligation to furnish timely and material information to shareholders but also to ensure that full and appropriate disclosure of such information is made for complying with statutory requirements as well as rules prescribed under the Listing Manual of SGX-ST. Any price sensitive information will be publicly released through on SGXNet.

To keep all shareholders of the Company informed on various announcements of the Company, the shareholders can access the Company's announcements and annual reports through the Company's website at http://www.hanwell.com.sg.

Dividend Policy

The Company does not have a dividend policy at present. The frequency, form and amount of dividend to be declared and paid are dependent on the Group'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.

All registered shareholders are invited to participate at shareholders' meetings.

Board members, senior Management and the Company Secretary are present at shareholders' meeting to respond to questions from shareholders. The Company's external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

CORPORATE GOVERNANCE STATEMENT

4 SHAREHOLDER RIGHTS AND RESPONSIBILITIES (CONTINUED)

SHAREHOLDER RIGHTS (CONTINUED)

The Company is not implementing absentia voting methods such as voting via mail, email or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company disseminates information on general meetings through notices in its annual reports or circulars (if required) to all its shareholders. These notices are also released via SGXNet, published in local newspapers and posted in the Company's website ahead of the meetings to give ample time for shareholders to review the documents. The annual reports and circulars (if required) may also be viewed on the Company's website. However, we are mindful that some shareholders may prefer to receive a printed copy and we have arranged for printing of the annual reports to all shareholders for the time being. The printing of annual reports will be under review in the future.

The Company's Constitution allows (a) each shareholder who is not a relevant intermediary (as defined in the Companies Act, Chapter 50) the right to appoint up to two proxies and (b) each shareholder who is a relevant intermediary to appoint more than two proxies to attend and vote on their behalf in shareholders' meetings. At general meetings, the Company ensures that separate resolutions are proposed for substantially separate issues.

The Company has conducted electronic poll voting at shareholders' meeting for greater transparency in the voting process. The total number of votes cast for or against each resolution is tallied and displayed live on-screen to shareholders immediately after the vote has been cast and is also announced after the meetings via SGXNet.

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 and/or twenty-one (21) days before the meeting for special resolutions. 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.

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.

The Company Secretary and/or his representatives 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 FY2017.

FINANCIAL CONTENTS

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 2017.

In our opinion:

(a) the financial statements set out on pages 57 to 144 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 2017 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 (the "Act") 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
John Chen Seow Phun
Tang Cheuk Chee
Lien Kait Long
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 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:

	Direct Interest		**Deemed Interest**	
	At beginning of financial year	**At end of financial year**	**At beginning of financial year**	**At end of financial year**
Name of Director				
Ordinary shares of the Company				
Allan Yap*	1,000,000	1,000,000	97,947,500	97,947,500
Tang Cheuk Chee**	49,449,500	49,449,500	49,498,000	49,498,000
Lien Kait Long	5,530	5,530	–	–
Share options of the ultimate holding company (Hanwell Holdings Limited)				
Allan Yap	10,000,000	10,000,000	–	–

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

** Tang Cheuk Chee has a direct interest of 49,449,500 and deemed interest of 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.

DIRECTORS' **STATEMENT**

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 2018.

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, John Chen Seow Phun (Chairman), Lien Kait Long and Lee Po On Mark.

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.

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 01/01/2017	Options exercised	Options cancelled	Options outstanding at 31/12/2017	Number of option holders at 31/12/2017	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:

	Options granted for financial year ended 31 December 2017	Aggregate options granted since commencement of Scheme to 31 December 2017	Aggregate options exercised since commencement of Scheme to 31 December 2017	Aggregate options expired since commencement of Scheme to 31 December 2017	Aggregate options outstanding as at 31 December 2017
Name of Director					
Allan Yap	–	11,000,000	(1,000,000)	–	10,000,000
John Chen Seow Phun	–	1,400,000	(1,000,000)	(400,000)	–
Lien Kait Long	–	500,000	(500,000)	–	–
Total	–	12,900,000	(2,500,000)	(400,000)	10,000,000

DIRECTORS' STATEMENT

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:

- Lien Kait Long (Chairman), Non-Executive and Lead Independent Director
- John Chen Seow Phun, Non-Executive and Independent Director
- Lee Po On Mark, Non-Executive and Independent Director

The AC performs the functions specified in Section 201B of the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance.

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 Listing Manual of SGX-ST).

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 Listing Manual of SGX-ST.

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

28 March 2018

INDEPENDENT AUDITORS' REPORT

Members of the Company
Hanwell Holdings Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hanwell Holdings Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 57 to 144.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Valuation and classification of asset held-for-sale
(Refer to Note 16 to the financial statements)

Risk

In 2014, the Group entered into a sales and purchase agreement ("Agreement") to dispose its entire interest in Million Cube Limited ("Million Cube") for a consideration of Hong Kong Dollar ("HKD") 307 million. Under the Agreement, the consideration will be paid in tranches with the final consideration to be paid by 31 December 2014 or such other dates as mutually agreed in writing between the Group and the buyer.

The investment in Million Cube was classified as asset held-for-sale on the basis that the transaction will be completed within 12 months from the Agreement date and valued at lower of the carrying amount and fair value less costs to sell.

The completion of transaction was extended several times since 31 December 2014.

INDEPENDENT
AUDITORS' REPORT

As at 31 December 2017, the Group has received HKD200 million, or 65% of the agreed sale consideration.

Prolonged completion of the transaction might indicate that the classification of the assets held for sale is no longer appropriate.

Annual valuation is carried out by independent external valuers to determine the fair value of the golf resort invested in by Million Cube. Management relies on the valuation to assess whether there are any impairment on its investment in Million Cube.

The independent external valuer took into consideration unit prices of comparable golf resorts to derive the fair value of the golf resort.

Our response

We reviewed the terms of the Agreement and letters from the buyer requesting for extension of the completion date and also assessed the likelihood of completion of the disposal of this investment.

We also evaluated the qualifications and competence of the external valuer and considered the valuation methodologies used in the valuation against those applied for similar property type. We reviewed the appropriateness of the comparable unit prices used by the independent external valuer by comparing to current listings and prices of other comparable golf resorts. We reviewed management's assessment on whether there are any impairment on the carrying value of the investment with reference to the fair value of the golf resort.

Our findings

Notwithstanding the delay in the completion of the transaction, the Group remains committed to dispose Million Cube to the buyer. The Group is engaging the buyer to discuss the revised completion date and the settlement of the remaining consideration.

The valuation methodologies used are in line with generally accepted market practices and key assumptions used are within the range of market data. The Group's share of the fair value of the golf resort is higher than the carrying value of Million Cube as at 31 December 2017.

Valuation of property, plant and equipment
(Refer to Note 4 to the financial statements)

Risk

As at 31 December 2017, the market capitalisation of the Group was S$106.5 million lower than the net assets of the Group, which indicated a potential impairment on the Group's non-current assets.

The Group holds property, plant and equipment relating to the packaging segment with a carrying value of S$65.9 million as at 31 December 2017, which approximates 57% of the Group's property, plant and equipment balances. The Group also holds S$29.4 million of leasehold buildings owned by the Company. The remaining balances relate to equipment and machinery used by the Group for their business activities.

The assessment for impairment loss on the recoverable amount of property, plant and equipment is based on the greater of value-in-use or fair value less costs to sell. The estimation of the recoverable amount of property, plant and equipment is dependent on the assumptions used in estimating the future cash flows of the Group. The assessment of these assumptions is a key focus area of our audit.

INDEPENDENT AUDITORS' REPORT

Our response

We evaluated the key assumptions used in the Group's cash flows projections for each identified cash generating unit ("CGU"). This included a comparison of forecast growth rate and gross profit margin with historical results and comparable companies within the industry. We also performed our own assessment of other key inputs such as discount rate used. We performed a sensitivity analysis around the key drivers of the forecasted cash flows, in particular, revenue growth, gross profit margin and discount rate.

For the fair value of leasehold buildings held by the Company determined by independent external valuer, we evaluated the qualifications and competence of the external valuer. We considered the valuation methodologies used in the valuations against those applied for similar property types and assessed the reasonableness of the key assumptions used by the valuer.

Our findings

We found the key assumptions used for the Group's cash flow projections to be mildly optimistic.

The valuer is a member of generally-recognised professional body for valuers. The approach to the methodologies is consistent with market practices and the key assumptions in the valuation are supported by market data.

Valuation of trade receivables
(Refer to Note 12 & 20 to the financial statements)

Risk

The Group has significant trade receivables with customers in China. The customers of the Group would typically ask for lengthy payment terms, as such, the Group is exposed to a heightened risk of default in respect of trade receivables. The level of judgement in determining the provisioning levels on these balances is an area of audit focus.

Our response

We compared the historical allowance for bad debts to the actual amounts written-off to determine whether the Group's estimation techniques were balanced. We analysed the ageing profile of trade receivables, focusing on older debts for which no allowance had been made.

We assessed management's assessment on the recoverability of these amounts, corroborating explanations with underlying documentation and correspondences with the management team, taking into consideration the historical receipt records and credit risk for each customer.

Our findings

The resulting estimates used by the Group were balanced.

Other information

Management is responsible for the other information. The other information comprises *Vision and Mission, Executive Chairman's Statement, Board of Directors, Senior Management, Group Financial Summary, Operational Review, Corporate Social Responsibility, Corporate Information, Corporate Governance Statement, Supplementary Information, 资产负债表, 综合损益表, Shareholding Statistic, and Notice of Annual General Meeting.*

INDEPENDENT AUDITORS' REPORT

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT
AUDITORS' REPORT

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Yap Wee Kee.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 March 2018

STATEMENTS OF
FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
Assets					
Property, plant and equipment	4	**115,581,580**	75,306,476	**30,468,500**	9,397,040
Intangible assets	5	**1,115,513**	1,134,334	**–**	–
Investment properties	6	**7,820,116**	770,357	**–**	–
Subsidiaries	7	**–**	–	**40,009,094**	40,068,859
Associates	8	**–**	–	**–**	–
Other financial assets	9	**68,058**	48,998	**68,058**	48,998
Deferred tax assets	10	**3,512,066**	3,170,565	**–**	–
Non-current assets		**128,097,333**	80,430,730	**70,545,652**	49,514,897
Other financial assets, including derivatives	9	**1,998,320**	2,042,947	**1,998,320**	2,040,998
Inventories	11	**47,727,484**	39,112,553	**–**	258,144
Trade and other receivables	12	**168,540,953**	141,409,016	**45,784,697**	47,901,168
Cash and cash equivalents	15	**147,912,499**	175,389,201	**86,815,333**	105,067,874
Assets held for sale	16	**46,064,751**	46,847,160	**–**	–
Current assets		**412,244,007**	404,800,877	**134,598,350**	155,268,184
Total assets		**540,341,340**	485,231,607	**205,144,002**	204,783,081
Equity					
Share capital	17	**200,099,208**	200,099,208	**200,099,208**	200,099,208
Reserves	17	**77,975,928**	70,460,100	**(9,611,785)**	(8,557,987)
Equity attributable to owners of the Company		**278,075,136**	270,559,308	**190,487,423**	191,541,221
Non-controlling interests	18	**58,487,557**	51,803,318	**–**	–
Total equity		**336,562,693**	322,362,626	**190,487,423**	191,541,221
Liabilities					
Loans and borrowings	19	**221,355**	1,340,356	**–**	–
Deferred income	22	**2,020,085**	1,175,894	**443,085**	–
Deferred tax liabilities	10	**2,859,588**	2,767,550	**–**	–
Non-current liabilities		**5,101,028**	5,283,800	**443,085**	–
Loans and borrowings	19	**61,224,464**	35,798,369	**–**	–
Trade and other payables, including derivatives	23	**135,619,182**	118,956,515	**14,213,494**	13,241,860
Deferred income	22	**163,362**	119,205	**–**	–
Current tax liabilities		**1,670,611**	2,711,092	**–**	–
Current liabilities		**198,677,619**	157,585,181	**14,213,494**	13,241,860
Total liabilities		**203,778,647**	162,868,981	**14,656,579**	13,241,860
Total equity and liabilities		**540,341,340**	485,231,607	**205,144,002**	204,783,081

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

CONSOLIDATED STATEMENT **OF PROFIT OR LOSS**

YEAR ENDED 31 DECEMBER 2017

	Note	2017 $	2016 $
Revenue	24	**464,017,015**	399,978,395
Cost of sales		**(359,234,707)**	(304,716,163)
Gross profit		**104,782,308**	95,262,232
Other income		**1,521,725**	3,090,175
Distribution expenses		**(44,216,800)**	(42,584,431)
Administrative expenses		**(31,946,484)**	(29,738,784)
Other expenses		**(4,660,907)**	(3,770,103)
Results from operating activities		**25,479,842**	22,259,089
Finance income		**2,114,681**	2,143,780
Finance costs		**(1,134,758)**	(747,175)
Net finance income	26	**979,923**	1,396,605
Share of loss of associates (net of tax)		**–**	–
Profit before tax		**26,459,765**	23,655,694
Tax expense	27	**(5,544,498)**	(6,223,980)
Profit for the year	25	**20,915,267**	17,431,714
Profit attributable to:			
Owners of the Company		**11,102,044**	10,301,248
Non-controlling interests		**9,813,223**	7,130,466
Profit for the year		**20,915,267**	17,431,714
Earnings per share			
Basic earnings per share (cents)	28	**2.01**	1.86
Diluted earnings per share (cents)	28	**1.99**	1.85

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

CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	2017 $	2016 $
Profit for the year	**20,915,267**	17,431,714
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences of foreign operations	**(1,634,701)**	(5,966,216)
Net change in fair value of available-for-sale financial assets	**19,057**	742
Effective portion of changes in fair value of cash flow hedges	**(29,009)**	(4,138)
Other comprehensive income for the year, net of tax	**(1,644,653)**	(5,969,612)
Total comprehensive income for the year	**19,270,614**	11,462,102
Total comprehensive income attributable to:		
Owners of the Company	**10,281,163**	6,553,697
Non-controlling interests	**8,989,451**	4,908,405
Total comprehensive income for the year	**19,270,614**	11,462,102

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

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

Group	Share capital $	Treasury shares $	Other reserves $
	← Attributable to		
At 1 January 2016	204,325,609	(4,226,401)	6,357,540
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	–	–	–
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			
Distributions to owners			
Dividends paid (note 17)	–	–	–
Unclaimed dividend reversed	–	–	–
Total distributions to owners	–	–	–
Transfer between reserves			
Appropriation of retained earnings to statutory reserves	–	–	1,458,167
Total transactions with owners	–	–	1,458,167
At 31 December 2016	204,325,609	(4,226,401)	7,815,707

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

owners of the Company						
Fair value reserve	**Translation reserve**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
$	**$**	**$**	**$**	**$**	**$**	**$**
31,649	626,498	6,087	56,884,188	264,005,170	48,633,419	312,638,589
–	–	–	10,301,248	10,301,248	7,130,466	17,431,714
–	(3,745,647)	–	–	(3,745,647)	(2,220,569)	(5,966,216)
742	–	–	–	742	–	742
–	–	(2,646)	–	(2,646)	(1,492)	(4,138)
742	(3,745,647)	(2,646)	–	(3,747,551)	(2,222,061)	(5,969,612)
742	(3,745,647)	(2,646)	10,301,248	6,553,697	4,908,405	11,462,102
–	–	–	–	–	(1,738,506)	(1,738,506)
–	–	–	441	441	–	441
–	–	–	441	441	(1,738,506)	(1,738,065)
–	–	–	(1,458,167)	–	–	–
–	–	–	(1,457,726)	441	(1,738,506)	(1,738,065)
32,391	(3,119,149)	3,441	65,727,710	270,559,308	51,803,318	322,362,626

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	← Attributable to		
Group	**Share capital $**	**Treasury shares $**	**Other reserves $**
At 1 January 2017	204,325,609	(4,226,401)	7,815,707
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	–	–	–
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			
Distributions to owners			
Dividends paid (note 17)	–	–	–
Unclaimed dividend reversed	–	–	–
Total distributions to owners	–	–	–
Transfer between reserves			
Appropriation of retained earnings to statutory reserves	–	–	2,852,066
Total transactions with owners	–	–	2,852,066
At 31 December 2017	204,325,609	(4,226,401)	10,667,773

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

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	owners of the Company →						
	Fair value reserve $	Translation reserve $	Hedging reserve $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
	32,391	(3,119,149)	3,441	65,727,710	270,559,308	51,803,318	322,362,626
	–	–	–	11,102,044	11,102,044	9,813,223	20,915,267
	–	(819,192)	–	–	(819,192)	(815,509)	(1,634,701)
	19,057	–	–	–	19,057	–	19,057
	–	–	(20,746)	–	(20,746)	(8,263)	(29,009)
	19,057	(819,192)	(20,746)	–	(820,881)	(823,772)	(1,644,653)
	19,057	(819,192)	(20,746)	11,102,044	10,281,163	8,989,451	19,270,614
	–	–	–	(2,767,081)	(2,767,081)	(2,305,212)	(5,072,293)
	–	–	–	1,746	1,746	–	1,746
	–	–	–	(2,765,335)	(2,765,335)	(2,305,212)	(5,070,547)
	–	–	–	(2,852,066)	–	–	–
	–	–	–	(5,617,401)	(2,765,335)	(2,305,212)	(5,070,547)
	51,448	(3,938,341)	(17,305)	71,212,353	278,075,136	58,487,557	336,562,693

CONSOLIDATED STATEMENT OF
CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Profit for the year		**20,915,267**	17,431,714
Adjustments for:			
Amortisation of deferred income		**(157,726)**	(119,698)
Depreciation of investment properties	6	**28,893**	19,895
Depreciation of property, plant and equipment	4	**8,742,701**	8,613,611
(Gain)/loss on disposal of property, plant and equipment		**(30,192)**	183,661
Net finance income		**(1,020,627)**	(1,221,216)
Net decrease/(increase) in fair value of financial assets designated at fair value through profit or loss		**42,678**	(174,400)
Income from liquidation of an associate		**–**	(913,948)
Inventories written off		**425,179**	–
Property, plant and equipment written off		**123,440**	2,725,746
Impairment losses on property, plant and equipment		**195,060**	–
Change in fair value of financial derivatives		**–**	101,684
Tax expense		**5,544,498**	6,223,980
Unrealised exchange gain/(loss)		**4,293,358**	(891,269)
		39,102,529	31,979,760
Changes in:			
– Inventories		**(9,073,994)**	(1,452,757)
– Trade and other receivables		**(27,545,608)**	(9,240,182)
– Trade and other payables		**9,607,271**	4,311,580
Cash generated from operations		**12,090,198**	25,598,401
Tax paid		**(6,949,425)**	(5,512,464)
Net cash from operating activities		**5,140,773**	20,085,937

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

CONSOLIDATED STATEMENT OF
CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Note	2017 $	2016 $
Cash flows from investing activities			
Deposits received in relation to assets held for sale		**9,027,500**	8,715,000
Proceeds from liquidation of an associate		**–**	913,948
Interest received		**1,501,622**	1,452,042
Proceeds from disposal of property, plant and equipment		**483,334**	105,733
Purchase of property, plant and equipment		**(50,599,041)**	(14,051,782)
Purchase of investment properties		**(7,061,515)**	–
Net cash used in investing activities		**(46,648,100)**	(2,865,059)
Cash flows from financing activities			
Increase in pledged deposits		**(8,390,821)**	(1,334,632)
Dividends paid to non-controlling interests		**(5,072,293)**	(1,738,506)
Interest paid		**(1,093,316)**	(995,212)
Payment of finance lease liabilities		**(16,008)**	(16,008)
Proceeds from borrowings		**92,506,934**	57,621,605
Repayment of borrowings		**(67,624,907)**	(52,968,519)
Net cash from financing activities		**10,309,589**	568,728
Net (decrease)/increase in cash and cash equivalents		**(31,197,738)**	17,789,606
Cash and cash equivalents at 1 January		**170,887,362**	152,704,114
Effect of exchange rate fluctuations on cash held		**(4,669,785)**	393,642
Cash and cash equivalents at 31 December	15	**135,019,839**	170,887,362

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 March 2018.

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 2017 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 significant accounting policies 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

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 is included in the following notes:

- Note 16 – classification of asset held for sale

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; and
- Note 20 – measurement of impairment loss relating to financial assets

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.

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).

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Measurement of fair values (Continued)

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 Changes in accounting policies

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financial liabilities for the year ended 31 December 2017. Comparative information has not been presented (see note 19).

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.

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.

NOTES TO THE
FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(i) Business combinations (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(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.

(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

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 translation 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

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, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(i) Non-derivative financial assets (Continued)

Loans and receivables (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with short maturity 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 consolidated 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(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.

(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.

NOTES TO THE
FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(iv) Derivative financial instruments, including hedge accounting (Continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

(i) Recognition and measurement (Continued)

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.

(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 and construction-in-progress are not depreciated.

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

NOTES TO THE
FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

(iii) Depreciation (Continued)

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 31 to 32 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets and goodwill (Continued)

(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.

Depreciation method, useful life and residual value are reviewed at the end of each reporting period, and adjusted if appropriate.

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.

NOTES TO THE
FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The cost of inventories is measured on a specific identification basis, and includes expenditure incurred in acquiring the inventories, production or 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 selling expenses.

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.

NOTES TO THE
FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Loans and receivables

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

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 OCI.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(ii) Non-financial assets (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Employee benefits (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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.

NOTES TO THE
FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Tax (Continued)

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.

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.

NOTES TO THE
FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $	Freehold buildings $	Leasehold buildings $	Leasehold improvements $
Cost				
At 1 January 2016	380,618	3,564,904	54,029,654	9,719,140
Additions	–	–	46,920	–
Disposals	(160,066)	–	–	–
Write-offs	–	–	(3,729,595)	(3,690,063)
Reclassification	130,554	(130,554)	–	–
Effect of movements in exchange rates	(74,007)	(16,789)	(1,909,103)	–
At 31 December 2016	277,099	3,417,561	48,437,876	6,029,077
Additions	–	–	10,732,131	–
Disposals	–	–	–	–
Write-offs	–	–	–	–
Reclassification	–	–	2,899,960	(78,636)
Effect of movements in exchange rates	25,180	17,706	(680,600)	–
At 31 December 2017	**302,279**	**3,435,267**	**61,389,367**	**5,950,441**
Accumulated depreciation and impairment losses				
At 1 January 2016	–	2,957,282	18,661,782	4,142,188
Depreciation charge for the year	–	16,362	1,859,319	246,230
Disposals	–	–	–	–
Write-offs	–	–	(2,638,223)	(2,461,274)
Reclassification	–	–	–	–
Effect of movements in exchange rates	–	(8,033)	(370,556)	–
At 31 December 2016	–	2,965,611	17,512,322	1,927,144
Depreciation charge for the year	–	15,113	1,941,818	146,970
Disposals	–	–	–	–
Impairment loss	–	–	–	–
Reclassification	–	–	–	(4,310)
Write-offs	–	–	–	–
Effect of movements in exchange rates	–	7,966	(218,895)	–
At 31 December 2017	**–**	**2,988,690**	**19,235,245**	**2,069,804**
Carrying amounts				
At 1 January 2016	380,618	607,622	35,367,872	5,576,952
At 31 December 2016	277,099	451,950	30,925,554	4,101,933
At 31 December 2017	**302,279**	**446,577**	**42,154,122**	**3,880,637**

Renovations $	Furniture, fittings and office equipment $	Warehouse equipment $	Motor vehicles $	Plant and machinery $	Computers $	Construction-in-progress $	Total $
9,128,916	8,351,345	1,552,123	8,387,405	71,916,228	2,672,531	–	169,702,864
212,860	581,491	46,413	1,945,556	7,475,889	76,915	3,159,448	13,545,492
–	(10,346)	(114,812)	(580,916)	(273,694)	(5,246)	–	(1,145,080)
(3,967,445)	(1,349,488)	(278,465)	–	(4,854,404)	(15,546)	–	(17,885,006)
61,757	(1,156,519)	511,175	–	(107,920)	423,754	267,753	–
(11,241)	(75,408)	(20,201)	(106,793)	(2,174,569)	(17,336)	–	(4,405,447)
5,424,847	6,341,075	1,696,233	9,645,252	71,981,530	3,135,072	3,427,201	159,812,823
113,491	791,079	508,141	960,129	18,098,115	2,633,837	16,703,828	50,540,751
(327,175)	(110,224)	(16,060)	(865,901)	(1,445,594)	(31,109)	–	(2,796,063)
(200,263)	(20,366)	(100,033)	–	(237,382)	(794,697)	–	(1,352,741)
78,636	(51,624)	–	–	50,087	1,537	(2,899,960)	–
7,132	(48,207)	13,823	(17,015)	(750,596)	33,448	43,099	(1,356,030)
5,096,668	**6,901,733**	**2,102,104**	**9,722,465**	**87,696,160**	**4,978,088**	**17,274,168**	**204,848,740**
8,094,199	5,473,147	1,142,503	4,581,211	46,605,738	1,936,670	–	93,594,720
459,146	619,910	118,590	921,005	4,139,676	233,373	–	8,613,611
–	(8,326)	(114,803)	(498,371)	(228,942)	(5,244)	–	(855,686)
(3,810,922)	(1,289,215)	(266,084)	–	(4,677,998)	(15,544)	–	(15,159,260)
303,663	(977,861)	386,539	–	(52,944)	340,603	–	–
(10,658)	(44,943)	(16,571)	(50,153)	(1,171,173)	(14,951)	–	(1,687,038)
5,035,428	3,772,712	1,250,174	4,953,692	44,614,357	2,474,907	–	84,506,347
196,895	605,188	107,885	1,023,539	4,358,325	346,968	–	8,742,701
(327,175)	(109,759)	(16,060)	(742,915)	(1,115,902)	(31,110)	–	(2,342,921)
–	–	–	–	195,060	–	–	195,060
4,310	(27,060)	–	–	25,992	1,068	–	–
(200,263)	(12,870)	(92,000)	–	(213,182)	(710,986)	–	(1,229,301)
6,987	(38,357)	11,615	(4,270)	(381,390)	11,618	–	(604,726)
4,716,182	**4,189,854**	**1,261,614**	**5,230,046**	**47,483,260**	**2,092,465**	**–**	**89,267,160**
1,034,717	2,878,198	409,620	3,806,194	25,310,490	735,861	–	76,108,144
389,419	2,568,363	446,059	4,691,560	27,367,173	660,165	3,427,201	75,306,476
380,486	**2,711,879**	**840,490**	**4,492,419**	**40,212,900**	**2,885,623**	**17,274,168**	**115,581,580**

NOTES TO THE
FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold buildings $	Leasehold improvements $	Renovations $	Furniture, fittings and office equipment $
Cost				
At 1 January 2016	8,517,028	9,719,140	7,767,550	1,136,579
Additions	–	–	70,850	21,063
Disposals	–	–	–	(3,240)
Write-offs	(2,949,810)	(3,690,063)	(3,591,961)	(265,602)
Reclassification	–	–	(267,753)	–
At 31 December 2016	5,567,218	6,029,077	3,978,686	888,800
Additions	10,669,060	–	22,100	–
Disposals	–	–	–	–
Reclassification	2,899,960	(78,636)	78,636	–
Write-offs	–	–	–	–
At 31 December 2017	**19,136,238**	**5,950,441**	**4,079,422**	**888,800**
Accumulated depreciation				
At 1 January 2016	6,959,567	4,142,188	6,818,440	1,072,157
Depreciation charge for the year	129,788	246,230	346,872	15,013
Disposals	–	–	–	(1,944)
Write-offs	(2,094,762)	(2,461,274)	(3,435,549)	(265,114)
At 31 December 2016	4,994,593	1,927,144	3,729,763	820,112
Depreciation charge for the year	262,974	146,970	79,579	12,317
Disposals	–	–	–	–
Reclassification	–	(4,310)	4,310	–
Write-offs	–	–	–	–
At 31 December 2017	**5,257,567**	**2,069,804**	**3,813,652**	**832,429**
Carrying amounts				
At 1 January 2016	1,557,461	5,576,952	949,110	64,422
At 31 December 2016	572,625	4,101,933	248,923	68,688
At 31 December 2017	**13,878,671**	**3,880,637**	**265,770**	**56,371**

Warehouse equipment $	Motor vehicles $	Plant and machinery $	Computers $	Construction-in-progress $	Total $
860,431	1,416,931	453,369	1,893,120	–	31,764,148
–	187,788	–	27,459	3,159,448	3,466,608
(114,812)	(950,580)	(10,500)	(5,246)	–	(1,084,378)
(69,577)	–	(33,910)	–	–	(10,600,923)
–	–	–	–	267,753	–
676,042	654,139	408,959	1,915,333	3,427,201	23,545,455
–	–	–	435,144	10,818,465	21,944,769
(6,416)	–	–	–	–	(6,416)
–	–	–	–	(2,899,960)	–
(78,500)	–	(113,500)	(766,334)	–	(958,334)
591,126	**654,139**	**295,459**	**1,584,143**	**11,345,706**	**44,525,474**
715,661	892,478	341,755	1,273,757	–	22,216,003
37,350	103,952	21,900	139,711	–	1,040,816
(114,803)	(616,561)	(10,500)	(5,244)	–	(749,052)
(68,750)	–	(33,903)	–	–	(8,359,352)
569,458	379,869	319,252	1,408,224	–	14,148,415
30,309	68,440	21,900	151,703	–	774,192
(3,802)	–	–	–	–	(3,802)
–	–	–	–	–	–
(75,567)	–	(103,631)	(682,633)	–	(861,831)
520,398	**448,309**	**237,521**	**877,294**	**–**	**14,056,974**
144,770	524,453	111,614	619,363	–	9,548,145
106,584	274,270	89,707	507,109	3,427,201	9,397,040
70,728	**205,830**	**57,938**	**706,849**	**11,345,706**	**30,468,500**

NOTES TO THE
FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the Group acquired property, plant and equipment with an aggregate cost of $50,540,751 (2016: $13,545,492). At 31 December 2017, $654,819 (2016: $713,109) 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 $166,828 (2016: $257,825), which are under finance leases (note 19).

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

	Group	
	2017	**2016**
	$	**$**
Carrying amounts		
Leasehold buildings	**19,968,317**	21,684,844
Plant and machinery	**3,400,309**	1,744,370
	23,368,626	23,429,214

Impairment of property, plant and equipment

Packaging Business

In 2017, the Group carried out a review of the recoverable amounts of property, plant and equipment. This review led to the recognition of impairment losses of $195,060 arising from the obsolescence of equipment.

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 over a period of 5 to 15 years (2016: 5 to 15 years), based on the 2018 financial budget approved by management.

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.

NOTES TO THE
FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of property, plant and equipment (Continued)

Packaging Business (Continued)

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

	2017	**2016**
	%	**%**
Revenue growth rate		
Singapore	**1 – 6**	1 – 3
People's Republic of China	**-15 – 7**	0 – 14
Pre-tax discount rate		
Singapore	**15**	13
People's Republic of China	**16-18**	17-28

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. The discount rates are a pre-tax measure estimated based on the weighted average cost of capital of comparable companies. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS

Group	Goodwill $	Trademarks $	Total $
Cost			
At 1 January 2016	1,187,136	363,050	1,550,186
Effect of movements in exchange rates	(52,802)	–	(52,802)
At 31 December 2016	1,134,334	363,050	1,497,384
Effect of movements in exchange rates	(18,821)	–	(18,821)
At 31 December 2017	**1,115,513**	**363,050**	**1,478,563**
Accumulated amortisation			
At 1 January 2016/31 December 2016/ 31 December 2017	–	363,050	363,050
Carrying amounts			
At 1 January 2016	1,187,136	–	1,187,136
At 31 December 2016	1,134,334	–	1,134,334
At 31 December 2017	**1,115,513**	**–**	**1,115,513**

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 People's Republic of 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 is based on cash flow projections derived from 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 %
2017	
Packaging	**3 – 4**
2016	
Packaging	3 – 7

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS (CONTINUED)

Annual impairment tests for cash generating units containing goodwill (Continued)

The forecasted revenue growth rate is estimated based on past performance and the expectations of market developments relevant to each of the CGU. The discount rates are a pre-tax measure estimated based on the weighted average cost of capital of comparable companies. The pre-tax discount rates for each CGU ranged between 17 – 19% (2016: 13% – 28%). Gross margins are based on average values achieved in the preceding years. 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.

6. INVESTMENT PROPERTIES

	Group	
	2017	**2016**
	$	**$**
Cost		
At 1 January	**960,915**	983,193
Additions	**7,337,199**	–
Effect of movements in exchange rates	**(254,152)**	(22,278)
At 31 December	**8,043,962**	960,915
Accumulated depreciation		
At 1 January	**190,558**	175,314
Depreciation charge for the year	**28,893**	19,895
Effect of movements in exchange rates	**4,395**	(4,651)
At 31 December	**223,846**	190,558
Carrying amounts		
At 1 January	**770,357**	807,879
At 31 December	**7,820,116**	770,357
Fair value		
At 31 December	**8,516,787**	1,180,255

The investment properties comprise a number of resort apartments and a 5-storey building with an underground basement.

6. INVESTMENT PROPERTIES (CONTINUED)

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.

The valuations as at 31 December 2017 and 31 December 2016 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 2017:

Valuation technique	Unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
Comparison method of valuation (Note 4)	Price per square foot	Significant increases in price per square foot would result in a significantly higher fair value measurement.

7. SUBSIDIARIES

	Company 2017 $	2016 $
Equity investments at cost	**46,718,051**	46,718,051
Impairment losses	**(6,708,957)**	(6,649,192)
	40,009,094	40,068,859

In 2017, 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 management's review, the Company recorded an impairment loss of $59,765 (2016: $120,287) 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

7. SUBSIDIARIES (CONTINUED)

Details of significant subsidiaries are as follows:

	Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group 2017 %	2016 %
	Held by the Company				
@	Topseller Pte Ltd	Marketing and sale of agency lines and proprietary brands	Singapore	**100**	100
@	Tipex Pte Ltd	Supply of provisions and household products	Singapore	**74**	74
^	Socma Trading (M) Sendirian Berhad	Marketing and sale of household and consumer products	Malaysia	**100**	100
@	Fortune Food Manufacturing Pte Ltd	Manufacture of soya bean products and noodles	Singapore	**100**	100
@	Tat Seng Packaging Group Ltd	Manufacture and sale of corrugated boards, corrugated cartons and other packaging products	Singapore	**64**	64
@	Wellmart Management Services Pte Ltd	Franchise ownership, mini-mart, convenience store and provision shop operator	Singapore	**100**	100
	Held by Topseller Pte Ltd:				
@	Coco & Frank Pte Ltd	Manufacture of bakery products and wholesale of confectionery and bakery products	Singapore	**92.5**	–
	Held by Tipex Pte Ltd:				
^	Tips Industry (M) Sdn Bhd	Packaging and sale of paper products	Malaysia	**74**	74
	Held by Socma Trading (M) Sendirian Berhad:				
^	Fresh Fruit Juice Manufacturing (M) Sdn Bhd.	Manufacture of grass jelly products	Malaysia	**100**	100
	Held by PSC Investment Pte Ltd:				
∞	Guangzhou PSC properties Co., Ltd	Property development, property holdings and property related activities	People's Republic of China	**100**	100

NOTES TO THE
FINANCIAL STATEMENTS

7. SUBSIDIARIES (CONTINUED)

	Name of subsidiary	Principal activities	Country of incorporation	Effective equity held by the Group 2017 %	2016 %
	Held by Guangzhou PSC Properties Co., Ltd:				
∞	PSC (China) Property Co., Limited	Property development, property holdings and property related activities	Hong Kong	**100**	100
	Held by Tat Seng Packaging Group Ltd:				
@	United Packaging Industries Pte Ltd	Manufacture and sale of corrugated boards, corrugated cartons and other packaging products	Singapore	**64**	64
^	Tat Seng Packaging (Suzhou) Co., Ltd	Manufacture and sale of corrugated boards, corrugated cartons and other packaging products	People's Republic of China	**64**	64
^	Hefei Dansun Packaging Co., Ltd	Manufacture and sale of corrugated cartons and other packaging products	People's Republic of China	**60.4**	60.4
^	Tianjin Dansun Packaging Co., Ltd	Manufacture and sale of corrugated cartons and other packaging products	People's Republic of China	**42.9**	42.9
	Held by Tat Seng Packaging (Suzhou) Co., Ltd:				
^	Nantong Hengcheng Paper Industry Co., Ltd	Manufacture and sale of corrugated boards	People's Republic of China	**44.8**	44.8
	Held by Nantong Hencheng Paper Industry Co., Ltd:				
^	Nantong Tat Seng Packaging Co., Ltd	Manufacture and sale of corrugated boards	People's Republic of China	**44.8**	44.8

@ Audited by KPMG LLP, Singapore.
^ Audited by other member firms of KPMG International.
∞ Audited by CWC CPA Limited, Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

8. ASSOCIATES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Investment in associates	**1,697,679**	1,697,679	**8,044,492**	8,044,492
Impairment losses	**(1,697,679)**	(1,697,679)	**(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 2017 %	the Group 2016 %	the Company 2017 %	the Company 2016 %
&	China Worldbest Health Solutions Holding Co., Ltd	Inactive	People's Republic of China	**31.3**	31.3	**31.3**	31.3
▽	Health Solutions (S.E. Asia) Sdn Bhd	Provision of healthcare consultancy and management services to the health industry	Malaysia	**28.5**	28.5	**–**	–
▽	HSI Philippines, Inc.	Dormant	Philippines	**38**	38	**–**	–
&	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.
▽ Companies under voluntary liquidation.

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 2017. As such, the Group's interests in associates remained fully impaired at 31 December 2017.

NOTES TO THE
FINANCIAL STATEMENTS

9. OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Non-current investments				
Available-for-sale financial assets	**68,058**	48,998	**68,058**	48,998
Current investments				
Financial assets designated at fair value through profit or loss	**1,998,320**	2,040,998	**1,998,320**	2,040,998
Financial derivatives assets	**–**	1,949	**–**	–
	1,998,320	2,042,947	**1,998,320**	2,040,998

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

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 and the Company'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 were analysed below:

	Contract/ notional amount	Positive fair values	Negative fair values
	$	**$**	**$**
Group			
2017			
Forward exchange contracts used for hedging	**–**	**–**	**–**
2016			
Forward exchange contracts used for hedging	1,163,254	1,949	–

NOTES TO THE
FINANCIAL STATEMENTS

10. DEFERRED TAX ASSETS AND LIABILITIES

Movements in temporary differences during the year are as follows:

	At 1 January 2016 $	Recognised in profit or loss (note 27) $	Effect of movements in exchange rates $	At 31 December 2016 $	Recognised in profit or loss (note 27) $	Effect of movements in exchange rates $	At 31 December 2017 $
Group							
Deferred tax assets							
Property, plant and equipment	115,023	502,384	–	617,407	(82,435)	–	534,972
Trade and other receivables	262,556	(57,473)	(154)	204,929	263,929	49	468,907
Tax value of loss carry forward	907,465	57,549	–	965,014	669,338	–	1,634,352
Trade and other payables	340,357	695,877	(78)	1,036,156	(127,889)	623	908,890
Other items	18,349	(18,567)	218	–	4,178	105	4,283
Total	1,643,750	1,179,770	(14)	2,823,506	727,121	777	3,551,404
Deferred tax liabilities							
Property, plant and equipment	(1,244,702)	130,360	22,027	(1,092,315)	(110,575)	(12,207)	(1,215,097)
Other financial assets	(544,566)	544,566	–	–	–	–	–
Other items	(28,308)	(1,301,362)	1,494	(1,328,176)	(352,018)	(3,635)	(1,683,829)
Total	(1,817,576)	(626,436)	23,521	(2,420,491)	(462,593)	(15,842)	(2,898,926)

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

	Group		Company	
	2017 $	2016 $	2017 $	2016 $
Deferred tax liabilities	**2,859,588**	2,767,550	**–**	–
Deferred tax assets	**3,512,066**	3,170,565	**–**	–

Unrecognised deferred tax assets

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

	Group	
	2017 $	2016 $
Tax losses	**30,196,959**	28,815,393
Capital allowances	**1,731,918**	253,706
Deductible temporary differences	**1,181,512**	1,032,835
	33,110,389	30,101,934

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 $8,521,609 (2016: $8,532,286) 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.

NOTES TO THE
FINANCIAL STATEMENTS

10. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Unrecognised deferred tax assets (Continued)

As at 31 December 2017, deferred tax liability for temporary differences of $34,946,131 (2016: $30,822,230) related to undistributed earnings of certain subsidiaries of the Group were not recognised as the Group has determined that the undistributed profits of its overseas subsidiaries will not be remitted to Singapore in the foreseeable future, but be retained for organic growth and acquisitions.

11. INVENTORIES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Finished goods:				
– at cost	**19,901,646**	18,269,771	**–**	258,144
Packing materials	**716,113**	714,676	**–**	–
Raw materials	**26,631,640**	19,631,560	**–**	–
Work-in-progress	**478,085**	496,546	**–**	–
	47,727,484	39,112,553	**–**	258,144

In 2017, inventories of the Group amounting to $356,056,535 (2016: $301,697,777) were recognised as an expense during the period and included in cost of sales.

In 2017, the Group recognised an allowance for inventory obsolescence of $723,162 (2016: write-back for inventory obsolescence of $661,606) and wrote off inventories amounting to $425,179 (2016: $34,238). 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.

NOTES TO THE
FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2017	2016	2017	2016
		$	$	$	$
Trade receivables		**161,304,209**	129,619,988	**–**	1,780,964
Impairment losses		**(3,006,201)**	(3,440,820)	**–**	(19,366)
Net trade receivables		**158,298,008**	126,179,168	**–**	1,761,598
Deposits		**1,363,783**	5,090,276	**52,775**	15,789
Non-trade receivables		**13,089,723**	14,935,926	**1,118,114**	2,258,777
Impairment losses		**(8,695,945)**	(8,617,818)	**–**	–
Net non-trade receivables		**4,393,778**	6,318,108	**1,118,114**	2,258,777
Amounts due from:					
– subsidiaries	13	**–**	–	**44,587,645**	43,821,180
– associates	14	**–**	–	**–**	–
Trade and other receivables		**164,055,569**	137,587,552	**45,758,534**	47,857,344
Advance to suppliers		**3,190,871**	2,350,108	**–**	–
Tax recoverable		**652,710**	513,856	**–**	–
Prepayments		**641,803**	957,500	**26,163**	43,824
		168,540,953	141,409,016	**45,784,697**	47,901,168

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.

13. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2017	2016
	$	$
Current accounts:		
– trade	**2,297,962**	2,243,507
– impairment losses	**(2,278,712)**	(2,243,507)
	19,250	–
– non-trade	**67,190,290**	66,672,463
– impairment losses	**(22,621,895)**	(22,851,283)
	44,568,395	43,821,180
	44,587,645	43,821,180

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

The Company recorded a reversal of impairment loss of $194,183 (2016: an impairment loss of $166,769) during the year. The impairment loss in 2017 and 2016 were included in other expenses.

NOTES TO THE
FINANCIAL STATEMENTS

14. AMOUNTS DUE FROM ASSOCIATES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Non-trade	**10,972,447**	10,805,429	**1,422,193**	1,422,193
Impairment losses	**(10,972,447)**	(10,805,429)	**(1,422,193)**	(1,422,193)
	–	–	**–**	–

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

The Group recorded a reversal of impairment loss of $Nil (2016: impairment loss of $71,250) during the year. The reversal of impairment losses were included in other expenses. The movement in the balances during the current year also included exchange adjustments.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Cash at bank and in hand	**51,678,119**	56,651,919	**3,491,915**	2,477,396
Fixed deposits with banks	**96,234,380**	118,737,282	**83,323,418**	102,590,478
Cash and cash equivalents in the statement of financial position	**147,912,499**	175,389,201	**86,815,333**	105,067,874
Deposits pledged	**(12,892,660)**	(4,501,839)	**–**	–
Cash and cash equivalents in the statement of cash flows	**135,019,839**	170,887,362	**86,815,333**	105,067,874

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.

NOTES TO THE
FINANCIAL STATEMENTS

16. ASSET HELD FOR SALE

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Carrying amount	**46,064,751**	46,847,160	**–**	–

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 ("Buyer"), 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 Buyer to 30 June 2016 pursuant to the terms of the Sale and Purchase Agreement ("Agreement"). Management remains committed to dispose Million Cube.

17. CAPITAL AND RESERVES

Share capital

	2017	2016
	No. of shares	No. of shares
Group and Company		
In issue at 1 January and 31 December	**570,996,746**	570,996,746

At 31 December 2017, the Company held 17,581,000 (2016: 17,581,000) of its own uncancelled shares.

The total number of issued shares excluding treasury shares as at the end of the year ended 31 December 2017 was 553,415,746 (2016: 553,415,746).

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.

NOTES TO THE
FINANCIAL STATEMENTS

17. CAPITAL AND RESERVES (CONTINUED)

Reserves

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Other reserves	**10,667,773**	7,815,707	**490,913**	490,913
Fair value reserve	**51,448**	32,391	**51,448**	32,387
Translation reserve	**(3,938,341)**	(3,119,149)	**–**	–
Hedging reserve	**(17,305)**	3,441	**–**	–
Retained earnings/(Accumulated losses)	**71,212,353**	65,727,710	**(10,154,146)**	(9,081,287)
	77,975,928	70,460,100	**(9,611,785)**	(8,557,987)

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 2017, the statutory reserve included in other reserves is $9,600,943 (2016: $6,748,878).

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.

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.

NOTES TO THE
FINANCIAL STATEMENTS

17. CAPITAL AND RESERVES (CONTINUED)

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 when the hedged cash flow affects profit or loss.

Dividends

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

Paid by the Company to owners of the Company

	Group and Company	
	2017	**2016**
	$	**$**
First and Final tax-exempt dividend paid of 0.005 cents (2016: Nil) per share in respect of financial year ended 31 December 2016 (2016: Nil)	**2,767,081**	–

Paid by subsidiaries to non-controlling interests

	Group	
	2017	**2016**
	$	**$**
Final tax-exempt dividend paid of 4.92 cents (2016: 4.92 cents) per share in respect of financial year ended 31 December 2016 (2016: in respect of financial year ended 31 December 2015)	**38,376**	38,376
Final tax-exempt dividend paid of 2.00 cent (2016: 1.00 cent) per share in respect of financial year ended 31 December 2016 (2016: in respect of financial year ended 31 December 2015)	**1,133,418**	566,710
Special tax-exempt dividend paid of 1.00 cent (2016:1.00 cent) per share in respect of financial year ended 31 December 2016 (2016: in respect of financial year ended 31 December 2015)	**566,709**	566,710
Interim tax-exempt dividend paid of 1.00 cent (2016: 1.00 cent) per share in respect of financial year ended 31 December 2017 (2016: in respect of financial year ended 31 December 2016)	**566,709**	566,710
	2,305,212	1,738,506

NOTES TO THE FINANCIAL STATEMENTS

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 $
2017					
Revenue	**302,963,465**	**27,009,054**	**187,810**		
Profit/(loss)	**22,649,053**	**967,104**	**(396,399)**		
OCI	**(1,599,269)**	**278,670**	**(174,818)**		
Total comprehensive income/(loss)	**21,049,784**	**1,245,774**	**(571,217)**		
Attributable to NCI:					
– Profit/(loss)	**9,636,007**	**251,447**	**(32,924)**	**(41,307)**	**9,813,223**
– OCI	**(874,200)**	**72,454**	**(1,240)**	**(20,786)**	**(823,772)**
– Total comprehensive income/(loss)	**8,761,807**	**323,901**	**(34,164)**	**(62,093)**	**8,989,451**
Non-current assets	**68,796,096**	**4,452,688**			
Current assets	**199,020,366**	**23,672,726**			
Non-current liabilities	**(1,438,524)**	**(166,356)**			
Current liabilities	**(140,402,856)**	**(2,323,553)**			
Net assets	**125,975,082**	**25,635,505**			
Net assets/(liabilities) attributable to NCI	**51,086,223**	**6,665,231**	**(184,376)**	**920,479**	**58,487,557**
Cash flows used in operating activities	**(7,088,633)**	**(94,742)**			
Cash flows used in investing activities	**(16,059,404)**	**(1,759,781)**			
Cash flows from/(used in) financing activities (dividends to NCI: note 17)	**9,899,913**	**(147,600)**			
Net decrease in cash and cash equivalents	**(13,248,124)**	**(2,002,123)**			

NOTES TO THE
FINANCIAL STATEMENTS

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 $
2016					
Revenue	228,526,857	28,393,284			
Profit/(loss)	15,974,251	1,925,739	(359,775)		
OCI	(4,150,827)	(286,227)	244,651		
Total comprehensive income/(loss)	11,823,424	1,639,512	(115,124)		
Attributable to NCI:					
– Profit/(loss)	6,692,137	500,692	(17,989)	(44,374)	7,130,466
– OCI	(2,101,561)	(74,419)	12,233	(58,314)	(2,222,061)
– Total comprehensive income/(loss)	4,590,576	426,273	(5,756)	(102,688)	4,908,405
Non-current assets	59,891,398	2,653,182			
Current assets	163,500,112	25,569,975			
Non-current liabilities	(2,516,250)	(183,972)			
Current liabilities	(109,433,538)	(3,501,857)			
Net assets	111,441,722	24,537,328			
Net assets/(liabilities) attributable to NCI	44,593,455	6,379,705	(150,211)	980,369	51,803,318
Cash flows from operating activities	18,807,860	3,694,373			
Cash flows used in investing activities	(8,886,547)	(98,053)			
Cash flows used in financing activities (dividends to NCI: note 17)	(1,244,238)	(147,600)			
Net increase in cash and cash equivalents	8,677,075	3,448,720			

NOTES TO THE
FINANCIAL STATEMENTS

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	
	2017	**2016**
	$	**$**
Non-current liabilities		
Secured bank loans	**–**	236,682
Unsecured bank loans	**208,101**	1,074,412
Finance lease liabilities	**13,254**	29,262
	221,355	1,340,356
Current liabilities		
Secured bank loans	**14,067,541**	6,904,929
Unsecured bank loans	**7,809,709**	6,742,493
Bills payable	**38,921,960**	21,718,742
Finance lease liabilities	**16,008**	16,008
Loan from non-controlling interests	**409,246**	416,197
	61,224,464	35,798,369
Total loans and borrowings	**61,445,819**	37,138,725

Terms and debt repayment schedule

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

				2017		**2016**	
	Currency	**Nominal interest rate %**	**Year of maturity**	**Face value $**	**Carrying amount $**	**Face value $**	**Carrying amount $**
Group							
Bills payable (secured)	RMB	–	2018	**38,921,960**	**38,921,960**	–	–
Bills payable (secured)	RMB	–	2017	**–**	**–**	21,718,742	21,718,742
Finance lease liabilities (secured)	SGD	4.48	2019	**32,652**	**29,262**	50,696	45,270
Loan A (secured)	SGD	3.40 – 4.00	2018	**236,682**	**236,682**	696,678	696,678
Loan B (secured)	RMB	5.00	2017	**–**	**–**	1,914,505	1,914,505
Loan C (secured)	RMB	4.79	2017	**–**	**–**	4,530,428	4,530,428
Loan D (secured)	RMB	5.66	2018	**1,882,530**	**1,882,530**	–	–
Loan E (secured)	RMB	4.79	2018	**6,137,040**	**6,137,040**	–	–
Loan F (secured)	RMB	4.79	2018	**5,402,043**	**5,402,043**	–	–
Loan G (secured)	RMB	4.79 – 5.00	2018	**409,246**	**409,246**	–	–
Loan H (unsecured)	RMB	4.57 – 5.00	2017	**–**	**–**	5,879,718	5,879,718
Loan I (unsecured)	RMB	5.46	2018	**432,163**	**432,163**	879,007	879,007
Loan J (unsecured)	RMB	5.46	2019	**624,304**	**624,304**	1,058,180	1,058,180
Loan K (unsecured)	RMB	4.57	2018	**4,092,456**	**4,092,456**	–	–
Loan L (unsecured)	RMB	4.79	2018	**2,868,887**	**2,868,887**	–	–
Loan from non-controlling Interests (unsecured)	RMB	4.79	2017	**409,246**	**409,246**	416,197	416,197
				61,449,209	**61,445,819**	37,144,151	37,138,725

(i) Certain bills payable of the Group are secured on bank deposits of $12,892,660 (2016: $4,501,839) (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

19. LOANS AND BORROWINGS (CONTINUED)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2017 $	Interest 2017 $	Present value of minimum lease payments 2017 $	Future minimum lease payments 2016 $	Interest 2016 $	Present value of minimum lease payments 2016 $
Group						
Within one year	**17,832**	**1,824**	**16,008**	17,832	1,824	16,008
Between one and five years	**14,820**	**1,566**	**13,254**	32,864	3,602	29,262
	32,652	**3,390**	**29,262**	50,696	5,426	45,270

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Liabilities Loans and borrowings $
Balance at 1 January 2017	37,138,725
Changes from financing cash flows	
Payment of finance lease liabilities	(16,008)
Proceeds from loans and borrowings	92,506,934
Repayment of loans and borrowings	(67,624,907)
Total changes from financing cash flows	24,866,019
The effect of changes in foreign exchange rates	(558,925)
Balance at 31 December 2017	61,445,819

Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees given by the Company to banks in respect of banking facilities amounting to $3,273,546 (2016: $3,298,464) granted to a wholly-owned and a non-wholly owned subsidiaries. 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.

NOTES TO THE
FINANCIAL STATEMENTS

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.

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's 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 subsidiaries is $3,273,546 (2016: $3,298,464). 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.

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.

NOTES TO THE
FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Trade and other receivables (Continued)

Risk management policy (Continued)

At the reporting date, credit risk is concentrated mainly in cash and fixed deposits with banks 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	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Consumer business	**30,046,726**	32,230,834	**19,250**	1,761,598
Packaging	**128,251,282**	93,948,334	**–**	–
	158,298,008	126,179,168	**19,250**	1,761,598

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	Impairment	Gross	Impairment
	2017	**2017**	**2016**	**2016**
	$	**$**	**$**	**$**
Group				
Not past due	**141,416,035**	**(2,508)**	112,313,178	–
Past due 0 – 90 days	**16,542,394**	**(144,168)**	13,319,460	(8,081)
Past due 91 – 180 days	**173,537**	**(5,673)**	637,112	(156,839)
Past due 181 – 365 days	**365,084**	**(70,653)**	201,071	(126,736)
More than one year	**2,807,159**	**(2,783,199)**	3,149,167	(3,149,164)
	161,304,209	**(3,006,201)**	129,619,988	(3,440,820)
Company				
Not past due	**–**	**–**	1,453,589	–
Past due 0 – 90 days	**–**	**–**	280,987	–
Past due 91 – 180 days	**–**	**–**	25,633	–
Past due 181 – 365 days	**–**	**–**	2,027	(638)
More than one year	**2,297,962**	**(2,278,712)**	2,262,235	(2,262,235)
	2,297,962	**(2,278,712)**	4,024,471	(2,262,873)

NOTES TO THE
FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Trade and other receivables (Continued)

Impairment losses (Continued)

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	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
At 1 January	**3,440,820**	3,507,816	**2,262,873**	1,922,988
Impairment loss recognised	**–**	66,448	**34,624**	339,885
Impairment loss reversed	**(64,750)**	–	**–**	–
Effect of movements in exchange rates	**(15,185)**	(120,824)	**–**	–
Utilised	**(354,684)**	(12,620)	**(18,785)**	–
At 31 December	**3,006,201**	3,440,820	**2,278,712**	2,262,873

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	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
At 1 January	**19,423,247**	18,931,716	**24,273,476**	24,438,884
Impairment loss recognised	**455,064**	617,522	**–**	–
Impairment loss reversed	**–**	–	**(229,388)**	(165,408)
Effect of movements in exchange rates	**(209,919)**	(125,991)	**–**	–
At 31 December	**19,668,392**	19,423,247	**24,044,088**	24,273,476

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 2017, 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 2016.

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	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Bankers' guarantee	**13,177**	222,888	**–**	210,000
Fixed deposits	**–**	835,000	**–**	835,000
	13,177	1,057,888	**–**	1,045,000

NOTES TO THE
FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (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 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 are rated A1 to Aa1, based on rating agency Moody's ratings.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $147,912,499 and $86,815,333 respectively at 31 December 2017 (2016: $175,389,201 and $105,067,874 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

20. FINANCIAL INSTRUMENTS (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				
2017				
Non-derivative financial liabilities				
Variable rate loans	**19,966,139**	**(20,665,763)**	**(19,991,935)**	**(673,828)**
Fixed rate loans	**2,119,212**	**(2,172,586)**	**(2,172,586)**	**–**
Bills payable	**38,921,960**	**(38,921,960)**	**(38,921,960)**	**–**
Finance lease liabilities	**29,262**	**(32,652)**	**(17,832)**	**(14,820)**
Loan from non-controlling interests	**409,246**	**(428,828)**	**(428,828)**	**–**
Trade and other payables*	**101,063,550**	**(101,063,550)**	**(101,063,550)**	**–**
	162,509,369	**(163,285,339)**	**(162,596,691)**	**(688,648)**
Derivative financial instruments				
Forward exchange contracts used for hedging (gross-settled):	**27,060**			
– Outflow		**(1,829,678)**	**(1,829,678)**	**–**
– Inflow		**1,802,618**	**1,802,618**	**–**
	27,060	**(27,060)**	**(27,060)**	**–**

* *Excludes derivatives and non-refundable deposits (shown separately).*

NOTES TO THE
FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (Continued)

Exposure to liquidity risk (Continued)

	Carrying amount $	Contractual cash flows $	Within 1 year $	Within 1 to 5 years $
Group				
2016				
Non-derivative financial liabilities				
Variable rate loans	12,347,333	(13,013,285)	(11,821,179)	(1,192,106)
Fixed rate loans	2,611,183	(2,723,973)	(2,483,761)	(240,212)
Bills payable	21,718,742	(21,718,742)	(21,718,742)	–
Finance lease liabilities	45,270	(50,696)	(17,832)	(32,864)
Loan from non-controlling interests	416,197	(436,112)	(436,112)	–
Trade and other payables*	93,061,273	(93,061,273)	(93,061,273)	–
	130,199,998	(131,004,081)	(129,538,899)	(1,465,182)
Derivative financial instruments				
Forward exchange contracts used for hedging (gross-settled):	(1,949)			
– Outflow		(778,429)	(778,429)	–
– Inflow		780,378	780,378	–
	(1,949)	1,949	1,949	–
Company				
2017				
Non-derivative financial liabilities				
Trade and other payables	**14,213,494**	**(14,213,494)**	**(14,213,494)**	**–**
2016				
Non-derivative financial liabilities				
Trade and other payables	13,241,860	(13,241,860)	(13,241,860)	–

* *Excludes derivatives and non-refundable deposits (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

20. FINANCIAL INSTRUMENTS (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						
2017						
Other financial assets	**–**	**1,998,320**	**–**	**–**	**–**	**–**
Trade and other receivables	**2,222,523**	**252,314**	**–**	**3,435,432**	**3,349,552**	**74,073**
Cash and cash equivalents	**173,284**	**49,525,613**	**10,503,560**	**842,077**	**11,667,157**	**12,181**
Trade and other payables*	**(1,377,784)**	**–**	**(111,934)**	**(7,534,887)**	**(5,798,818)**	**(155,641)**
Net statement of financial position exposure	**1,018,023**	**51,776,247**	**10,391,626**	**(3,257,378)**	**9,217,891**	**(69,387)**
Forward exchange contracts	**–**	**–**	**–**	**–**	**1,802,618**	**–**
Net exposure	**1,018,023**	**51,776,247**	**10,391,626**	**(3,257,378)**	**11,020,509**	**(69,387)**
2016						
Other financial assets	–	2,040,998	–	–	–	–
Trade and other receivables	2,812,862	73,384	–	4,277,244	1,809,721	149,765
Cash and cash equivalents	181,545	44,283,236	10,324,748	1,006,220	5,897,967	46,053
Trade and other payables*	(1,316,951)	(82,014)	(61,837)	(7,789,868)	(3,447,321)	(221,962)
Net statement of financial position exposure	1,677,456	46,315,604	10,262,911	(2,506,404)	4,260,367	(26,144)
Forward exchange contracts	–	–	–	–	780,378	–
Net exposure	1,677,456	46,315,604	10,262,911	(2,506,404)	5,040,745	(26,144)

* *Excludes non-refundable deposit*

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

Exposure to currency risk (Continued)

	Malaysian Ringgit $	Hong Kong Dollar $	Australian Dollar $	US Dollar $	Other currencies $
Company					
2017					
Other financial assets	**–**	**1,998,320**	**–**	**–**	**–**
Trade and other receivables	**2,141,295**	**66,587**	**–**	**–**	**–**
Cash and cash equivalents	**11,218**	**49,525,613**	**10,503,560**	**1,312,757**	**5,612**
Net exposure	**2,152,513**	**51,590,520**	**10,503,560**	**1,312,757**	**5,612**
2016					
Other financial assets	–	2,040,998	–	–	–
Trade and other receivables	2,738,785	73,384	–	–	–
Cash and cash equivalents	9,532	44,283,236	10,324,748	618,075	–
Net exposure	2,748,317	46,397,618	10,324,748	618,075	–

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

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 2016, as indicated below.

	Group		Company	
	Equity	Profit or loss	Equity	Profit or loss
	$	$	$	$
2017				
Malaysian Ringgit	**–**	**(101,801)**	**–**	**(215,251)**
Hong Kong Dollar	**–**	**(5,177,625)**	**–**	**(5,159,052)**
Australian Dollar	**–**	**(1,039,163)**	**–**	**(1,050,356)**
Singapore Dollar	**–**	**325,738**	**–**	**–**
US Dollar	**(180,262)**	**(921,789)**	**–**	**(131,276)**
Other currencies	**–**	**6,939**	**–**	**(561)**
2016				
Malaysian Ringgit	–	(167,745)	–	(274,832)
Hong Kong Dollar	–	(4,631,560)	–	(4,639,762)
Australian Dollar	–	(1,026,291)	–	(1,032,475)
Singapore Dollar	–	250,640	–	–
US Dollar	(78,038)	(426,037)	–	(61,807)
Other currencies	–	2,614	–	–

NOTES TO THE
FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

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 Nominal amount		Company Nominal amount	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Fixed rate instruments				
Financial liabilities	**(2,148,474)**	(2,656,453)	**–**	–
Variable rate instruments				
Financial assets	**132,688,058**	155,907,011	**83,223,418**	102,590,478
Financial liabilities	**(20,375,385)**	(12,763,530)	**–**	–
	112,312,673	143,143,481	**83,223,418**	102,590,478

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 instruments, a change in interest rates at the reporting date would not affect profit or loss.

NOTES TO THE
FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Interest rate risk (Continued)

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 2016.

	Profit or loss			
	Group		Company	
	100 bp increase $	100 bp decrease $	100 bp increase $	100 bp decrease $
2017				
Variable rate instruments	**1,115,069**	**(1,115,069)**	**832,234**	**(832,234)**
2016				
Variable rate instruments	1,431,435	(1,431,435)	1,025,905	(1,025,905)

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 2016.

	Group		Company	
	10% increase $	10% decrease $	10% increase $	10% decrease $
2017				
Profit before tax	**199,832**	**(199,832)**	**199,832**	**(199,832)**
Equity	**6,806**	**(6,806)**	**6,806**	**(6,806)**
2016				
Profit before tax	204,100	(204,100)	204,100	(204,100)
Equity	4,900	(4,900)	4,900	(4,900)

NOTES TO THE
FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (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 net cash (outflows)/ inflows $	Within 1 year $
Group			
2017			
Forward exchange contracts used for hedging – liabilities	**(27,060)**	**(27,060)**	**(27,060)**
2016			
Forward exchange contracts used for hedging – assets	1,949	1,949	1,949

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 ("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 subsidiaries for the financial years ended 31 December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (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 amount		
	Loans and receivables $	Available-for-sale $	Designated at fair value $
Group			
2017			
Financial assets measured at fair value			
Available-for-sale financial assets	–	68,050	–
Financial assets designated at fair value through profit or loss	–	–	1,998,320
	–	68,050	1,998,320
Financial assets not measured at fair value			
Cash and cash equivalents	147,912,499	–	–
Trade and other receivables#	164,055,569	–	–
	311,968,068	–	–
Financial liabilities measured at fair value			
Financial derivatives liabilities	–	–	(27,060)
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, tax recoverable and prepayments
* Exclude financial derivatives and non-refundable deposit

			Fair value			
Held-for-trading $	Other financial liabilities $	Total $	Level 1 $	Level 2 $	Level 3 $	Total $
–	–	68,050	68,050	–	–	68,050
–	–	1,998,320	1,998,320	–	–	1,998,320
–	–	2,066,370				
–	–	147,912,499				
–	–	164,055,569				
–	–	311,968,068				
–	–	(27,060)	–	(27,060)	–	(27,060)
–	(14,067,541)	(14,067,541)				
–	(8,017,810)	(8,017,810)				
–	(38,921,960)	(38,921,960)				
–	(29,262)	(29,262)				
–	(409,246)	(409,246)				
–	(101,063,550)	(101,063,550)				
–	(162,509,369)	(162,509,369)				

NOTES TO THE
FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

	Carrying amount		
	Loans and receivables $	**Available-for-sale $**	**Designated at fair value $**
Group			
2016			
Financial assets measured at fair value			
Available-for-sale financial assets	–	48,998	–
Financial assets designated at fair value through profit or loss	–	–	2,040,998
Financial derivative assets	–	–	–
	–	48,998	2,040,998
Financial assets not measured at fair value			
Cash and cash equivalents	175,389,201	–	–
Trade and other receivables#	137,587,552	–	–
	312,976,753	–	–
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, tax recoverable and prepayments
* Exclude financial derivatives and non-refundable deposit

			Fair value			
Held-for-trading	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
$	$	$	$	$	$	$
–	–	48,998	48,998	–	–	48,998
–	–	2,040,998	2,040,998	–	–	2,040,998
1,949	–	1,949	–	1,949	–	1,949
1,949	–	2,091,945				
–	–	175,389,201				
–	–	137,587,552				
–	–	312,976,753				
–	(7,141,611)	(7,141,611)				
–	(7,816,905)	(7,816,905)				
–	(21,718,742)	(21,718,742)				
–	(45,270)	(45,270)				
–	(416,197)	(416,197)				
–	(93,061,273)	(93,061,273)				
–	(130,199,998)	(130,199,998)				

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

	Carrying amount		
	Loans and receivables $	**Available-for-sale $**	**Designated at fair value $**
Company			
2017			
Financial assets measured at fair value			
Available-for-sale financial assets	–	68,058	–
Financial assets designated at fair value through profit or loss	–	–	1,998,320
	–	68,058	1,998,320
Financial assets not measured at fair value			
Cash and cash equivalents	86,815,333	–	–
Trade and other receivables#	45,758,534	–	–
	132,573,867	–	–
Financial liabilities not measured at fair value			
Trade and other payables	–	–	–

Exclude prepayments

		Fair value			
Other financial liabilities **$**	**Total** **$**	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
–	68,058	68,058	–	–	68,058
–	1,998,320	1,998,320	–	–	1,998,320
–	2,066,378				
–	86,815,333				
–	45,758,534				
–	132,573,867				
(14,213,494)	(14,213,494)				

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

	Carrying amount		
	Loans and receivables $	Available-for-sale $	Designated at fair value $
Company			
2016			
Financial assets measured at fair value			
Available-for-sale financial assets	–	48,998	–
Financial assets designated at fair value through profit or loss	–	–	2,040,998
	–	48,998	2,040,998
Financial assets not measured at fair value			
Cash and cash equivalents	105,067,874	–	–
Trade and other receivables#	47,857,344	–	–
	152,925,218	–	–
Financial liabilities not measured at fair value			
Trade and other payables	–	–	–

Exclude prepayments

Other financial liabilities $	Total $	Level 1 $	Level 2 $	Level 3 $	Total $
		Fair value			
–	48,998	48,998	–	–	48,998
–	2,040,998	2,040,998	–	–	2,040,998
–	2,089,996				
–	105,067,874				
–	47,857,344				
–	152,925,218				
(13,241,860)	(13,241,860)				

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (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		
Forward exchange contracts	Market comparison technique: 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.	Not applicable.

During the financial years ended 31 December 2017 and 31 December 2016, 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, namely John Chen Seow Phun (Chairman), Lien Kait Long and Lee Po On Mark.

The Scheme 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

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 01/01/2017	Options exercised	Options cancelled	Options outstanding at 31/12/2017	Number of option holders at 31/12/2017	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 2017 have an exercise price of $0.16 (2016: $0.16) and a weighted average contractual life of 1 year (2016: 2 years).

The weighted average share price at the date of the exercise for share options exercised in 2017 was $0.309 (2016: $0.236).

NOTES TO THE
FINANCIAL STATEMENTS

22. DEFERRED INCOME

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Capital grants				
At 1 January	**1,295,099**	1,304,880	**–**	–
Movement during the year	**1,067,548**	168,222	**443,085**	–
Amortisation charge for the year	**(157,726)**	(119,698)	**–**	–
Effect of movements in exchange rates	**(21,474)**	(58,305)	**–**	–
At 31 December	**2,183,447**	1,295,099	**443,085**	–
Current	**163,362**	119,205	**–**	–
Non-current	**2,020,085**	1,175,894	**443,085**	–
	2,183,447	1,295,099	**443,085**	–

Included in deferred income are deferred capital grant relating to subsidiaries received from government 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	
	2017	2016	2017	2016
	$	$	$	$
Trade payables	**71,062,336**	67,819,470	**–**	1,375,387
Amounts due to:				
– subsidiaries (trade)	**–**	–	**–**	771
– subsidiaries (non-trade)	**–**	–	**9,057,370**	9,142,947
Other payables	**45,665,488**	33,702,364	**4,037,965**	936,487
Financial derivatives liabilities	**27,060**	–	**–**	–
Accruals	**18,864,298**	17,434,681	**1,118,159**	1,786,268
	135,619,182	118,956,515	**14,213,494**	13,241,860

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 $34,528,572 (2016: $25,895,242).

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

24. REVENUE

	Group 2017 $	Group 2016 $
Sale of goods	**463,902,133**	399,926,914
Others	**114,882**	51,481
	464,017,015	399,978,395

25. PROFIT FOR THE YEAR

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

	Group 2017 $	Group 2016 $
Allowance made/(reversed) for doubtful receivables:		
– trade receivables	**(11,943)**	66,448
– other receivables	**455,064**	688,772
– amounts due from associates	**–**	(71,250)
Allowance/(write-back) for inventory obsolescence	**723,162**	(661,606)
Amortisation of deferred income	**(157,726)**	(119,698)
Inventories written off	**425,179**	34,238
Audit fees paid to:		
– auditors of the Company	**423,838**	413,800
– other auditors	**180,697**	242,124
Non-audit fees paid to:		
– auditors of the Company	**76,930**	52,362
– other auditors	**196,122**	87,630
Bad debts written off	**15,116**	72,041
Change in fair value of financial derivatives	**–**	101,684
Contribution to defined contribution plans included in staff costs	**4,260,603**	4,008,997
Cost of inventories included in cost of sales	**356,056,535**	301,697,777
Depreciation of investment properties	**28,893**	19,895
Depreciation of property, plant and equipment	**8,742,701**	8,613,611
Exchange gain/(loss), net	**3,873,671**	(1,137,078)
Income from liquidation of an associate	**–**	913,948
(Gain)/Loss on disposal of property, plant and equipment	**(30,192)**	183,661
Operating expenses arising from investment properties	**20,103**	9,988
Operating lease expense	**6,099,898**	6,236,813
Impairment losses on property, plant and equipment	**195,060**	–
Property, plant and equipment written off	**123,440**	2,725,746
Staff costs	**55,381,382**	51,921,150

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCE INCOME AND FINANCE COSTS

	Group 2017 $	Group 2016 $
Recognised in profit or loss		
Interest income:		
– other receivables	**685,064**	688,772
– fixed deposits	**1,427,643**	1,453,045
Dividend income on available-for-sale financial assets	**1,974**	1,963
Net increase in fair value of financial assets designated at fair value through profit or loss	**–**	174,400
Finance income	**2,114,681**	2,318,180
Interest expense:		
– bank borrowings	**(1,090,256)**	(919,751)
– finance lease liabilities	**(1,824)**	(1,824)
Net decrease in fair value of financial assets designated at fair value through profit or loss	**(42,678)**	–
Finance costs	**(1,134,758)**	(921,575)
Net finance income recognised in profit or loss	**979,923**	1,396,605
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	**2,112,707**	2,141,817
– Total interest expense on financial liabilities	**1,092,080**	921,575

27. TAX EXPENSE

	Note	Group 2017 $	Group 2016 $
Tax recognised in profit or loss			
Current tax expense			
Current year		**6,827,180**	5,528,982
Adjustments for prior years		**(1,522,839)**	212,922
Withholding tax expense		**504,685**	1,035,410
		5,809,026	6,777,314
Deferred tax (credit)/expense			
Origination and reversal of temporary differences		**(307,817)**	(102,901)
Adjustments for prior years		**(10,637)**	(450,433)
Change in tax rate		**53,926**	–
	10	**(264,528)**	(553,334)
Total tax expense		**5,544,498**	6,223,980

NOTES TO THE FINANCIAL STATEMENTS

27. TAX EXPENSE (CONTINUED)

	Group 2017 $	Group 2016 $
Reconciliation of effective tax rate		
Profit for the year	**20,915,267**	17,431,714
Total tax expense	**5,544,498**	6,223,980
Profit excluding tax	**26,459,765**	23,655,694
Tax calculated using Singapore tax rate of 17% (2016: 17%)	**4,498,160**	4,021,468
Change in tax rate	**53,926**	–
Effects of tax rates in foreign jurisdiction	**615,277**	1,386,082
Income not subject to tax	**(196,214)**	(720,826)
Non-deductible expenses	**1,787,861**	990,035
Tax rebates and incentives	**(446,175)**	(710,755)
Deferred tax assets not recognised	**1,040,269**	1,002,747
Recognition of tax effect of previously unrecognised tax losses	**(795,210)**	(539,642)
Withholding tax	**504,685**	1,035,410
Over provided in prior years	**(1,533,476)**	(237,511)
Others	**15,395**	(3,028)
	5,544,498	6,223,980

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 2014 to 2016. The subsidiary renewed its HNTE qualification in 2017, and will be entitled to the preferential tax rate of 15% for another three years retrospectively from 2017 to 2019 upon approval by the tax authority and subject to the subsidiary's compliance with the conditions imposed by the tax authority.

28. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2017 was based on the profit attributable to ordinary shareholders of $11,102,044 (2016: profit of $10,301,248), and a weighted average number of ordinary shares outstanding of 553,415,746 (2016: 553,415,746), calculated as follows:

Weighted average number of ordinary shares (basic)

	Note	Group 2017	Group 2016
Issued ordinary shares at 1 January	17	**553,415,746**	553,415,746
Weighted average number of ordinary shares during the year		**553,415,746**	553,415,746

NOTES TO THE
FINANCIAL STATEMENTS

28. EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2017 was based on profit attributable to ordinary shareholders of $11,102,044 (2016: profit of $10,301,248) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 558,302,147 (2016: 556,676,132), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Group	
	2017	**2016**
Weighted average number of ordinary shares (basic)	**553,415,746**	553,415,746
Effect of share options on issue	**4,886,401**	3,260,386
Weighted average number of ordinary shares (diluted) during the year	**558,302,147**	556,676,132

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.

29. OPERATING SEGMENTS

The Group has 2 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Board of Directors reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

I Consumer Essentials

Consumer Business : Supply of provisions and household consumer products, retail franchising, manufacture and sale of soya bean products and noodles.

II Strategic Investments

Packaging : Manufacture and sale of corrugated paper products and other packaging products.

Other operations include investment holding, property investment, health solutions and property-related activities. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2017 and 2016.

Unallocated amounts comprise mainly corporate expenses (primarily the Company's headquarters).

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

29. OPERATING SEGMENTS (CONTINUED)

	Consumer Essentials Consumer Business $	Strategic Investments Packaging $	Others $	Total operations $
Group				
2017				
External revenues	**160,977,463**	**302,924,670**	**114,882**	**464,017,015**
Results from operating activities	**7,543,108**	**28,122,118**	**(954,294)**	**34,710,932**
Unallocated amounts – Other corporate expenses, net of income				**(9,231,090)**
Net finance income				**979,923**
Profit before tax				**26,459,765**
Tax expense				**(5,544,498)**
Profit for the year				**20,915,267**
Other segment information				
Allowance made/(reversed) for doubtful receivables:				
– trade receivables	**57,756**	**(122,506)**	**–**	**(64,750)**
– other receivables	**–**	**–**	**455,064**	**455,064**
Allowance made for inventory obsolescence	**7,566**	**715,596**	**–**	**723,162**
Inventories written off	**425,179**	**–**	**–**	**425,179**
Bad debts written off	**9,615**	**5,501**	**–**	**15,116**
Depreciation of:				
– property, plant and equipment	**2,131,317**	**6,611,384**	**–**	**8,742,701**
– investment properties	**–**	**–**	**28,893**	**28,893**
Property, plant and equipment written off	**105,256**	**18,184**	**–**	**123,440**
Capital expenditure on property, plant and equipment	**34,005,478**	**16,535,273**	**–**	**50,540,751**

NOTES TO THE
FINANCIAL STATEMENTS

29. OPERATING SEGMENTS (CONTINUED)

	Consumer Essentials Consumer Business $	Strategic Investments Packaging $	Others $	Total operations $
Group				
2016				
External revenues	171,428,435	228,498,479	51,481	399,978,395
Results from operating activities	6,609,003	21,965,217	(1,277,280)	27,296,940
Unallocated amounts – Other corporate expenses, net of income				(5,037,851)
Net finance income				1,396,605
Profit before tax				23,655,694
Tax expense				(6,223,980)
Profit for the year				17,431,714
Other segment information				
Allowance made/(reversed) for doubtful receivables:				
– trade receivables	280,619	(214,171)	–	66,448
– other receivables	–	–	688,772	688,772
– amounts due from associates	–	–	(71,250)	(71,250)
Allowance made for inventory obsolescence	(707,079)	45,473	–	(661,606)
Inventories written off	30,018	4,220	–	34,238
Bad debts written off	618	71,423	–	72,041
Depreciation of:				
– property, plant and equipment	2,134,334	6,477,556	1,721	8,613,611
– investment properties	–	–	19,895	19,895
Property, plant and equipment written off	2,708,692	15,066	1,988	2,725,746
Capital expenditure on property, plant and equipment	4,910,237	8,635,255	–	13,545,492

NOTES TO THE
FINANCIAL STATEMENTS

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 $	Japan $	Total $
2017					
External revenue	**141,868,692**	**59,016,439**	**263,017,002**	**114,882**	**464,017,015**
Non-current assets	**54,387,571**	**5,627,264**	**59,498,643**	**7,052,144**	**126,565,622**
2016					
External revenue	147,258,322	59,141,564	193,578,509	–	399,978,395
Non-current assets	24,660,276	3,454,820	50,648,645	–	78,763,741

30. OPERATING LEASES

Leases as lessee

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

	Group		Company	
	2017 $	2016 $	2017 $	2016 $
Within one year	**4,135,484**	5,990,180	**1,124,897**	1,128,597
Between one and five years	**12,232,425**	13,682,214	**4,499,787**	4,428,787
More than five years	**5,407,387**	7,468,427	**4,618,885**	5,684,782
	21,775,296	27,140,821	**10,243,569**	11,242,166

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 (2016: $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 $1,757,667 (2016: $1,758,390) and $325,939 (2016: $379,964) respectively.

NOTES TO THE FINANCIAL STATEMENTS

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	
	2017	2016	2017	2016
	$	$	$	$
Contracted but not provided for	**20,333,546**	31,445,537	**9,857,940**	30,813,479

32. RELATED PARTIES

Key management personnel compensation

Compensation paid/payable to key management personnel comprise:

	Group	
	2017	2016
	$	$
Director fees	**484,000**	543,814
Short-term employee benefits	**7,286,447**	6,511,969
Post-employment benefits	**185,012**	217,034
	7,955,459	7,272,817

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	
	2017	2016
	$	$
Associates		
Sales	**–**	(51,481)

33. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ADOPTION OF NEW STANDARDS

Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I) and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes the clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes the amendments to IFRS 4 *Insurance Contracts* – Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based payment* arising from the amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of Investment Property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an Associate or Joint Venture at Fair Value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 9 and SFRS(I) 16.

The assessment made by the Group is preliminary as not all transition work requirements have been finalised and therefore may be subject to adjustment.

NOTES TO THE
FINANCIAL STATEMENTS

33. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ADOPTION OF NEW STANDARDS (CONTINUED)

SFRS(I) 1

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

Foreign Currency Translation Reserve (FCTR)

The Group considers that restating FCTR to comply with current IAS 21 *The Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods. The Group plans to elect the optional exemption in IFRS 1 to zerorise its cumulative FCTR for all foreign operations at the date of transition and reclassify the cumulative FCTR of $3,119,149 as at 1 January 2017 determined in accordance with FRS at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition. The Group expects the reclassification to result in an increase in cumulative FCTR by $3,938,341 and a reduction in retained earnings by the same amount as at 31 December 2017.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018. Based on the Group's initial assessment, the Group does not expect any significant adjustments on adoption of SFRS(I) 15.

SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively. The Group plans to take advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.

The expected impact on adoption of SFRS(I) 9 are described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

NOTES TO THE
FINANCIAL STATEMENTS

33. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Impairment

SFRS(I) 9 replaces the current incurred loss model with a forward-looking expected credit loss (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI), except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

Under SFRS(I) 9, loss allowances of the Group will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group intends to apply the simplified approach and record lifetime ECL on all trade and other receivables.

The Group has performed a preliminary impact assessment of adopting SFRS(I)9 based on currently available information and the Group does not expect the adoption of SFRS(I)9 to have any significant impact on the financial statements. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts SFRS(I)9 in 2018.

The Group is currently finalising the testing of its expected credit loss model and the quantum of the final transition adjustments may be different upon finalisation.

Applicable to financial statements for the year 2019 and thereafter

The following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)

The Group is still in the process of assessing the impact of the SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

33. FULL CONVERGENCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND ADOPTION OF NEW STANDARDS (CONTINUED)

SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group plans to adopt the standard when it becomes effective in 2019 and expects to apply the standard using the modified retrospective approach. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under SFRS(I) 16.

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

The Group is assessing its portfolio of leases to calculate the impending impact of transition to the new standard. Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

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	Single storey warehouse with mezzanine (Block B) 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	Two-storey factory (Block C) 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 Kulaijaya, Johor, Malaysia	Factory used by a subsidiary for its operations	Freehold
H.S. (M) 4272, PTD 32702 Mukim Bukit Batu, Daerah Kulaijaya, Johor, Malaysia	Under Construction	Freehold
1 Chrome 5-9 Dotonbori, Chuo-ku, Osaka-Shi, Japan	5-storey building with an underground basement for rental income	Freehold
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
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

SUPPLEMENTARY INFORMATION

(SGX LISTING MANUAL DISCLOSURE REQUIREMENTS)

Location	Description	Tenure
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	– 33,233.3 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2017年12月31日

	附注	集团 2017 $	集团 2016 $	公司 2017 $	公司 2016 $
资产					
产业及机器设备	4	**115,581,580**	75,306,476	**30,468,500**	9,397,040
无形资产	5	**1,115,513**	1,134,334	**–**	–
物业投资	6	**7,820,116**	770,357	**–**	–
子公司	7	**–**	–	**40,009,094**	40,068,859
联号公司	8	**–**	–	**–**	–
其他金融资产	9	**68,058**	48,998	**68,058**	48,998
递延税款资产	10	**3,512,066**	3,170,565	**–**	–
非流动资产合计		**128,097,333**	80,430,730	**70,545,652**	49,514,897
其他金融资产	9	**1,998,320**	2,042,947	**1,998,320**	2,040,998
存货	11	**47,727,484**	39,112,553	**–**	258,144
应收账款及其它应收款	12	**168,540,953**	141,409,016	**45,784,697**	47,901,168
现金和现金等同物	15	**147,912,499**	175,389,201	**86,815,333**	105,067,874
持有的待售资产	16	**46,064,751**	46,847,160	**–**	–
流动资产合计		**412,244,007**	404,800,877	**134,598,350**	155,268,184
资产合计		**540,341,340**	485,231,607	**205,144,002**	204,783,081
股东权益					
股本	17	**200,099,208**	200,099,208	**200,099,208**	200,099,208
储备	17	**77,975,928**	70,460,100	**(9,611,785)**	(8,557,987)
归属于公司业主的股东权益		**278,075,136**	270,559,308	**190,487,423**	191,541,221
少数股东权益	18	**58,487,557**	51,803,318	**–**	–
股东权益合计		**336,562,693**	322,362,626	**190,487,423**	191,541,221
负债					
贷款与借贷	19	**221,355**	1,340,356	**–**	–
递延收益	22	**2,020,085**	1,175,894	**443,085**	–
递延应付税款	10	**2,859,588**	2,767,550	**–**	–
非流动负债合计		**5,101,028**	5,283,800	**443,085**	–
贷款与借款	19	**61,224,464**	35,798,369	**–**	–
应付账款和其他应付款	23	**135,619,182**	118,956,515	**14,213,494**	13,241,860
递延收益	22	**163,362**	119,205	**–**	–
本期应付税款		**1,670,611**	2,711,092	**–**	–
流动负债合计		**198,677,619**	157,585,181	**14,213,494**	13,241,860
负债合计		**203,778,647**	162,868,981	**14,656,579**	13,241,860
负债及股东权益合计		**540,341,340**	485,231,607	**205,144,002**	204,783,081

附注内容是财务报表的组成部分之一。

综合
损益表

截至2017年12月31日止年度

	附注	2017 $	2016 $
收入	24	**464,017,015**	399,978,395
售出产品成本		**(359,234,707)**	(304,716,163)
毛利		**104,782,308**	95,262,232
其他收入		**1,521,725**	3,090,175
分销费用		**(44,216,800)**	(42,584,431)
行政费用		**(31,946,484)**	(29,738,784)
其他费用		**(4,660,907)**	(3,770,103)
营业活动之盈利		**25,479,842**	22,259,089
金融收入		**2,114,681**	2,143,780
金融费用		**(1,134,758)**	(747,175)
净金融收入	26	**979,923**	1,396,605
联号公司损失分派（税后）		**–**	–
税前盈利		**26,459,765**	23,655,694
所得税	27	**(5,544,498)**	(6,223,980)
本期盈利	25	**20,915,267**	17,431,714
盈利可归属：			
公司业主		**11,102,044**	10,301,248
少数股东权益		**9,813,223**	7,130,466
本期盈利		**20,915,267**	17,431,714
每股盈利			
每股盈利基额（分）	28	**2.01**	1.86
每股盈利摊薄（分）	28	**1.99**	1.85

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 13 MARCH 2018

SUBSTANTIAL SHAREHOLDERS	NUMBER OF SHARES HELD DIRECT INTEREST	DEEMED INTEREST	SHAREHOLDING PERCENTAGE (%)
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 2018

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 13 MARCH 2018

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%*	NO. OF SHARES	%*
1 – 99	272	3.46	10,376	0.00
100 – 1,000	2,387	30.39	1,375,010	0.25
1,001 – 10,000	3,352	42.67	15,700,216	2.84
10,001 – 1,000,000	1,822	23.20	88,858,850	16.06
1,000,001 and above	22	0.28	447,471,294	80.85
	7,855	100.00	553,415,746	100.00

Note:
* Percentage is based on 553,415,746 shares (excluding 17,581,000 Treasury Shares) as at 13 March 2018.

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 13 March 2018, 42.69% of the issued ordinary shares (excluding Treasury 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 13 MARCH 2018

NO.	NAME	NO. OF SHARES HELD	%*
1.	CGS-CIMB Securities (Singapore) Pte Ltd	143,230,233	25.88
2.	DBS Vickers Securities (Singapore) Pte Ltd	87,261,607	15.77
3.	Goi Seng Hui	83,713,404	15.13
4.	Tang Cheuk Chee	49,449,500	8.94
5.	Phillip Securities Pte Ltd	13,108,325	2.37
6.	DBS Nominees Pte Ltd	11,938,895	2.16
7.	United Overseas Bank Nominees Private Limited	9,512,101	1.72
8.	UOB Kay Hian Pte Ltd	9,457,136	1.71
9.	Citibank Nominees Singapore Pte Ltd	9,392,632	1.70
10.	OCBC Nominees Singapore Private Limited	4,039,181	0.73
11.	Chew Ghim Bok	3,769,000	0.68
12.	Leow Kim Siang or Ng May Choo	3,345,500	0.60
13.	Lim Soh Hua	3,136,900	0.57
14.	Lim & Tan Securities Pte Ltd	3,002,758	0.54
15.	Maybank Kim Eng Securities Pte Ltd	2,469,722	0.45
16.	Siong Beng Seng	2,446,200	0.44
17.	Tan Wai See	1,979,000	0.36
18.	Sim Teng Yam	1,480,000	0.27
19.	Ang Jui Khoon	1,349,400	0.24
20.	Eyu Chin Wat @ Yeo An Hai or Yeo Tan Tan (Yang Dandan)	1,256,000	0.23
		445,337,494	80.49

Note:
* Percentage is based on 553,415,746 shares (excluding 17,581,000 Treasury Shares) as at 13 March 2018.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Fourth Annual General Meeting of Hanwell Holdings Limited (the "**Company**") will be held at 348 Jalan Boon Lay, Singapore 619529 on Friday, 20 April 2018 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 financial year ended 31 December 2017 together with the Auditors' Report thereon.

(Resolution 1)

2. To declare a first and final dividend (tax exempt one-tier) of S$0.0025 per ordinary share for the financial year ended 31 December 2017 (2016: S$0.005).

(Resolution 2)

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

(i) Dr Tang Cheuk Chee **(Resolution 3)**
(ii) Mr Lien Kait Long **(Resolution 4)**

[See Explanatory Note (1)]

4. To approve the payment of Directors' fees of S$279,000 for the financial year ending 31 December 2018 to be paid quarterly in arrears (2017: S$279,000).

(Resolution 5)

[See Explanatory Note (2)]

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 6)

AS SPECIAL BUSINESS

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

6. 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

NOTICE OF
ANNUAL GENERAL MEETING

(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

(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 and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) 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 (3)] **(Resolution 7)**

NOTICE OF
ANNUAL GENERAL MEETING

7. 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 and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless 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 (4)] **(Resolution 8)**

8. 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 and subsidiary holdings) 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 5 April 2018 (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 (5)] **(Resolution 9)**

By Order of the Board

Chew Kok Liang
Company Secretary
Singapore

5 April 2018

NOTICE OF
ANNUAL GENERAL MEETING

Explanatory Notes:

(1) **Resolutions 3 and 4** – Dr Tang Cheuk Chee will, upon re-election as a Director of the Company, remain as an Executive Director of the Company and a member of the Risk Management Committee. Mr Lien Kait Long will, upon re-election as a Director of the Company, remain as Chairman of the Audit and Risk Management Committee and a member of the Nominating and Remuneration Committee. He will be considered as independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(2) **Resolution 5** is to allow the Company to pay Directors' fees to all Non-Executive and Independent Directors in arrears on a quarterly basis for the financial year ending 31 December 2018. In the event that the amount of the Directors' fee proposed is insufficient, approval will be sought at the next year's Annual General Meeting for payments to meet the shortfall.

(3) **Resolution 7**, 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 and subsidiary holdings) 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 and subsidiary holdings) 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.

(4) **Resolution 8**, 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 and subsidiary holdings) in the capital of the Company.

(5) **Resolution 9**, 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 and subsidiary holdings) 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 2017 are set out in greater detail in the Letter to Shareholders attached to the Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

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 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 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 seventy-two (72) hours before the time appointed for holding 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 and 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.

NOTICE OF BOOKS CLOSURE DATE AND PAYMENT DATE FOR FIRST AND FINAL ORDINARY DIVIDEND

NOTICE IS HEREBY GIVEN that subject to the approval of the shareholders of Hanwell Holdings Limited (the "**Company**") for the first and final Dividend being obtained at the Annual General Meeting ("**AGM**"), the Register of Members and the Transfer Books of the Company will be closed on 7 May 2018 for the purpose of determining shareholders' entitlements to the proposed first and final Dividend.

Duly completed transfers in respect of ordinary shares of the Company received by the Company's Share Registrar, M & C Services Private Limited of 112 Robinson Road, #05-01, Singapore 068902 up to 5.00 p.m. on 4 May 2018 will be registered before entitlements to the Proposed first and final Dividend are determined. Shareholders whose securities account with The Central Depository (Pte) Limited are credited with ordinary shares of the Company at 5.00 p.m. on 4 May 2018 will be entitled to the proposed first and final Dividend.

The proposed payment of the first and final dividend, if approved by the shareholders at the AGM will be paid on 22 May 2018.

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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 Investors**") 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/Co Reg No.*: ______________

of ____ (Address)

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*

Name	NRIC/Passport No.*	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her/their*, the Chairman of the Meeting, as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the Forty-Fourth Annual General Meeting (the "**Meeting**") of the Company to be held at 348 Jalan Boon Lay, Singapore 619529 on Friday, 20 April 2018 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/their* discretion.

(Voting will be conducted by poll. Please indicate your vote "For" or "Against" with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
	Ordinary Business		
1.	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017		
2.	Declaration of first and final dividend for the financial year ended 31 December 2017		
3.	Re-election of Dr Tang Cheuk Chee as Director pursuant to Regulation 87		
4.	Re-election of Mr Lien Kait Long as Director pursuant to Regulation 87		
5.	Approval of payment of Directors' fees amounting to S$279,000 for the financial year ending 31 December 2018 to be paid quarterly in arrears		
6.	Re-appointment of KPMG LLP as Auditors of the Company		
	Special Business		
7.	Authority to issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual		
8.	Authority to issue shares under the Hanwell Executives' Share Option Scheme		
9.	Renewal of Share Buyback Mandate		

Dated this __________ day of ______________ 2018

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

____
Signature of Shareholder(s)
and, 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 or two 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 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 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 seventy-two (72)** 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 authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. 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 authorise 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 Investors**") 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.

10. Unless a lesser number of shares is specified by the member on the form itself, the instrument appointing a proxy/proxies shall be deemed to relate to all the shares held by the member in the account for which this form was issued.

    *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 and 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

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 5 April 2018.

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/their name(s) 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.

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HANWELL
HOLDINGS 恒威

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