



**HANWELL**  
HOLDINGS 恒威

READY FOR  
THE NEXT PHASE OF  
**GROWTH**

ANNUAL  
REPORT

**2018**

# FOOD FOR THOUGHT



## VISION

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

## MISSION

Building strong partnerships, growing new markets

Fostering an open and creative culture,  
attracting and nurturing talents

Providing innovative products, portfolio building,  
meeting stakeholders' needs

Achieving operational excellence

Building strong financial capabilities

## TABLE OF CONTENTS

|  | <b>Page</b> |
|--|-------------|
| Vision and Mission                             | <b>01</b>   |
| Executive Chairman's Statement                 | <b>02</b>   |
| Board of Directors                             | <b>04</b>   |
| Group Financial Summary                        | <b>07</b>   |
| Operational Review                             | <b>09</b>   |
| Corporate Social Responsibility                | <b>15</b>   |
| Corporate Information                          | <b>16</b>   |
| Corporate Governance Statement                 | <b>17</b>   |
| Directors' Statement                           | <b>53</b>   |
| Independent Auditors' Report                   | <b>57</b>   |
| Statements of Financial Position               | <b>63</b>   |
| Consolidated Statement of Profit or Loss       | <b>64</b>   |
| Consolidated Statement of Comprehensive Income | <b>65</b>   |
| Consolidated Statement of Changes in Equity    | <b>66</b>   |
| Consolidated Statement of Cash Flows           | <b>70</b>   |
| Notes to the Financial Statements              | <b>71</b>   |
| Supplementary Information                      | <b>166</b>  |
| 资产负债表  | <b>168</b>  |
| 综合损益表  | <b>169</b>  |
| Shareholding Statistics                        | <b>170</b>  |
| Notice of Annual General Meeting               | <b>172</b>  |
| Proxy Form                                     |             |



## EXECUTIVE CHAIRMAN'S STATEMENT

**Although the Group achieved positive results in FY2018, we foresee the FMCG environment to remain competitive in the coming year. To manage the challenges ahead, the Group will continue to innovate and keep up with the economic and technological changes.**

### DEAR SHAREHOLDERS,

FY2018 has been a year encapsulated in uncertainty and volatility underpinned by the ongoing trade tensions between two of the world's major economies – The United States of America and China.

Even though FY2018 was a very challenging year, the Group achieved total revenue of S\$501.55 million, an increase of 8.09% or S\$37.54 million compared to FY2017. The increase was mainly attributable to stronger demand in Packaging Business (**Tat Seng Group**), with both Singapore and China sectors experiencing growth. Additionally, Consumer Business in Malaysia achieved higher revenue as a result of new agency products, more aggressive promotions and working closely with various distribution channels to drive sales.

Gross profit margin decreased by 2.02% from 22.58% to 20.56%, mainly due to reduced margin from Packaging Business and Singapore Consumer Business. This is partially offset by improved margin from Malaysia Consumer Business for new agency products. As a result of the reduction in the gross profit margin, gross profit for the Group decreased by 1.61% from S\$104.78 million to S\$103.10 million despite registering higher revenue.

The Group's net profit after tax for FY2018 was S\$22.23 million as compared to S\$20.92 million reported for FY2017. The net profit attributable to shareholders was S\$13.43 million for FY2018 as compared to S\$11.10 million reported for FY2017.

### DEVELOPMENTS IN FY2018

Notwithstanding an increasingly challenging FMCG operating environment, the Company continues to pursue opportunities to diversify its core retail business. Alongside the Group's business strategy of redeploying capital into potentially higher return real estate opportunities, we have acquired an overseas property in 2018. The property is located at Kyoto City, Higashiyama-ku, Gion Machikitagawa 305, Japan. It has a land area of 90.53 sqm and a total buildable area of 72 sqm for a 5-storey commercial building.

This property is strategically located in Kyoto's tourist destination with close proximity to major shopping malls, restaurants and the Yasaka Shrine. We plan to develop the property into a boutique hotel with food and beverage (F&B) outlets, which is estimated to cost JPY170 million (equivalent to approximately SGD2.08 million). Key milestones for this development are targeted for completion within the next 12 to 18 months, subjected to the relevant authorities' approval.

We view this acquisition as a stepping stone to expand our food business into the Japan market, thereby enlarging our footprint globally.

Tat Seng's overseas subsidiary, Nantong Tat Seng Packaging Co., Ltd. ("**Nantong Tat Seng**") acquired a property in Tongzhou District, Nantong, Jiangsu Province that comprises a 50 year leasehold land with an area of about 74,115 sqm. The new plant of Nantong Tat Seng is ready to commence its operations and management is confident the new state-of-the-art plant will help the Group to seize new business opportunities and further accelerate the strengthening and expansion of its market share in Nantong and surrounding area.

## EXECUTIVE CHAIRMAN'S STATEMENT

Apart from this, one of the top selling brands under Topseller Pte Ltd ("**Topseller**"), Royal Umbrella continues to dominate and has secured top spot as the best-selling rice brand in Singapore\*. As testament to the brand's long-standing popularity, it has been a continual winner of the Reader's Digest Trusted Brands platinum award in 2017 and 2018.

Fortune Food Manufacturing Pte Ltd ("**Fortune Food**") saw its new tofu manufacturing facility garner the Food Safety System Certification 22000 (FSSC 22000) qualification in December 2018. This further reinforces and strengthens the high food safety and quality standards of our tofu products and notably, this demonstrates Fortune Food's capability to meet the International Food Safety Standards and our facility is now poised to distribute its products overseas; thereby deepening and widening Fortune Food's product outreach. Some of the countries that we are able to export our chilled products include the European Union (EU), which is well known for its strict quality standards and regulations.

Moreover, Tipex Pte. Ltd. ("**Tipex**") has been organizing its trademark Life's Beautiful Art Competition under the Beautex brand for the tenth year running. Winning artworks were printed on box tissue with donations totalling more than S\$30,000 and collections from the sales of the box tissues were donated to the Straits Times School Pocket Money Fund. The competition theme for 2018 was Healthy Living, echoing the nation's focus on healthy living and keeping fit.

### FUTURE PROSPECTS

We expect the business environment to remain competitive attributable to escalating raw materials and labour cost. On the foreign exchange front, margins from overseas purchases that are denominated in USD will continue to remain under pressure as the USD is forecasted to stay strong against domestic currencies of our major markets as there is no indication of rate-lowering from the Federal Reserve.

Meanwhile, our Packaging Business is perceived to face challenges presented by volatile raw material prices coupled with trade tension between the US and China. As such, we will continue to enhance operational efficiencies and implement measures through automation for efficient production whilst managing costs prudently and effectively.

We foresee FMCG retail sales growth to remain muted in FY2019 against the backdrop of rising costs and changing consumer demographics and spending patterns. Online business is likely to grow positively spurred by progressive consumers' preference and business partners' inclination to trade on various e-commerce platforms.

In this light, our business strategy in 2019 would be to forge ahead with new product launches coupled with greater diversification whilst exploring more markets to boost our exports and sales; thereby seeking more opportunities to improve our margins, particularly in the chilled tofu business segment.

More importantly, we strive to improve costs efficiency so as to keep our price competitive without compromising on the quality of our products.

### ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend my gratitude to Mr Lien Kait Long, a past director who has retired on 20 April 2018. I wish to express appreciation for Mr Lien's invaluable contribution to the Company during the tenure of his directorship.

At the same time, we would like to take this opportunity to extend a warm welcome to our new directors Mr Kong WeiLi and Mr Siu Wai Kam, who joined us in June 2018, as well as Mr Goh Yang Jun, Jasper that came onboard in December 2018. We certainly look forward to working cohesively with them so as to bring the Group to greater heights and I firmly believe that together we can manage obstacles in this fiercely competitive environment and find the key to deal with the challenges that we face for a more sustainable future for the Group.

On this note, I would like to thank our customers, business partners, management and staff for their contribution and dedication over the past year; enabling the Group to forge ahead despite current headwinds. Last but not least, I would like to express my appreciation to our shareholders, who have supported us over the years.

Thank you again for the trust you have placed upon us and we certainly look forward to steadfastly striving towards achieving better results in the years to come.

**DR ALLAN YAP**

Executive Chairman

\* Based on Nielsen Retail Audit moving annual totals (MAT) conducted in September 2018.

## BOARD OF DIRECTORS



### **DR ALLAN YAP** 63 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 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** 65 DEPUTY CHAIRMAN/NON-EXECUTIVE & 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** 47 EXECUTIVE DIRECTOR

Date of first appointment as director: 01 August 2011

Date of last re-election as director: 20 April 2018

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 GOI KOK MING (WEI GUOMING) 45 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 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 63 NON-EXECUTIVE & 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 Remuneration Committee and Nominating Committee of the Company and has been appointed as Chairman of the Audit Committee and Risk Management Committee from 19 June 2018.

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.



### MR SIU WAI KAM 47 NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Date of first appointment as director: 19 June 2018

Date of last re-election as director: NA

Mr Siu Wai Kam is the Non-Executive and Independent Director, a member of Audit Committee, Remuneration Committee, Risk Management Committee and Nominating Committee of the Company.

Since June 2013, Mr Siu has been the Assistant Director, Communications & IT of the Singapore Institute of Technology. Mr Siu has more than 19 years of experience in the information technology field. His expertise includes project management, system architecture and security, cloud computing, IT governance, strategy planning and risk management. Mr Siu is also a Non-Executive and Independent Director of Tat Seng Packaging Group Ltd, a company listed on the Singapore Exchange Securities Trading Limited.

Mr Siu holds a Master of Philosophy in Electronic Engineering and a Bachelor degree in Electronic Engineering, both from City University of Hong Kong.

## BOARD OF DIRECTORS



### **MR KONG WEILI** 52 NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Date of first appointment as director: 19 June 2018

Date of last re-election as director: NA

Mr Kong WeiLi is the Non-Executive and Independent Director, a member of Audit Committee, Remuneration Committee, Risk Management Committee and Nominating Committee of the Company.

Currently, Mr Kong is the Plant Financial Controller of Sanmina-SCI Systems Singapore Pte. Ltd. It is a subsidiary of a US MNC Sanmina Corporation that provides high end technology solutions to Original Equipment Manufacturers primarily in the communication networks, computing and storage, medical, defense and aerospace, industrial and semiconductor sectors. Mr Kong 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 Sanmina and during the period from 2008 to 2015, Mr Kong worked as Financial Controller of SMOE Pte Ltd (a subsidiary of Sembcorp Marine Ltd) a company specializing in Turnkey EPCIC, Offshore platforms and Topside modules fabrication, installation and integration. Mr Kong has more than 25 years' experience and leadership skills in accounting, finance and risk management.

Mr Kong is a Fellow member of the Institute of Singapore Chartered Accountants and CPA Australia.



### **MR GOH YANG JUN, JASPER** 37 NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Date of first appointment as director: 26 December 2018

Date of last re-election as director: NA

Mr Goh Yang Jun, Jasper is the Non-Executive and Independent Director, a member of Audit Committee, Remuneration Committee, Risk Management Committee and Nominating Committee of the Company.

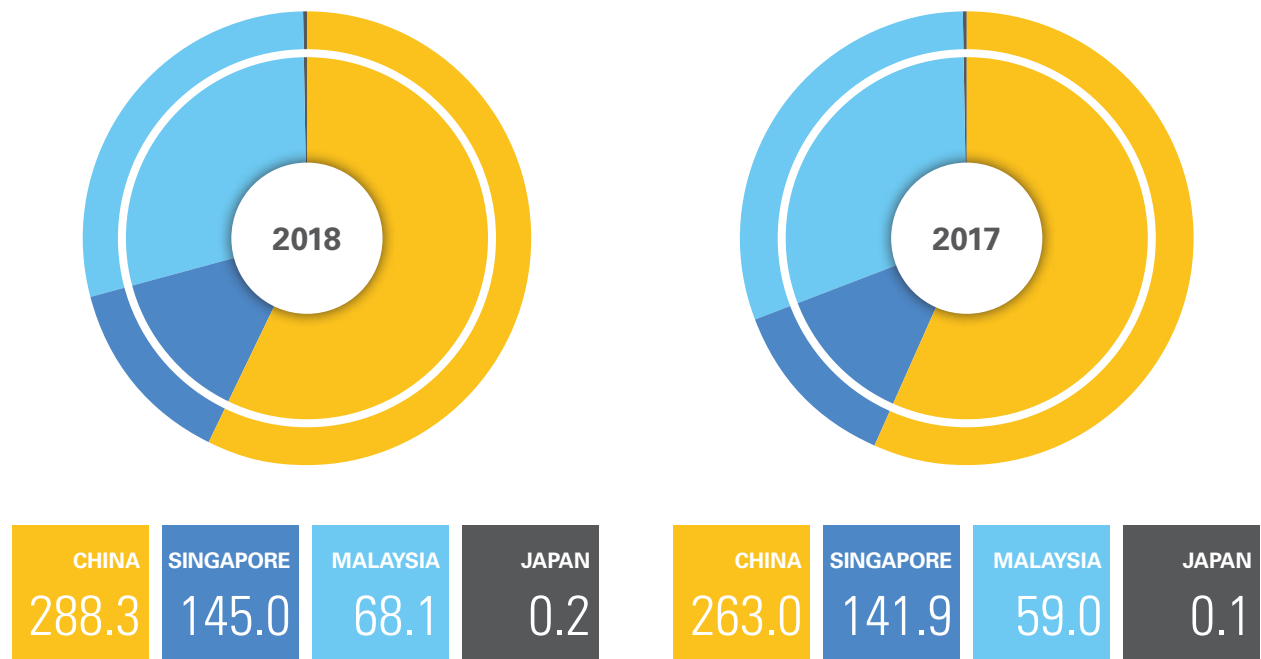
Mr Goh has more than 10 years of work experience since graduating from the National University of Singapore in 2007 with a Bachelor of Science – Applied Mathematics & Economics, specialising in Financial Mathematics and Operation Research (Management Science).

Mr Goh is currently the Managing Partner of Back Office Partners Pte Ltd and Lead Business Development, Asterisk Computer (FE) Pte Ltd. Mr Goh is also a Non-Executive and Independent Director of Tat Seng Packaging Group Ltd, a company listed on the Singapore Exchange Securities Trading Limited.

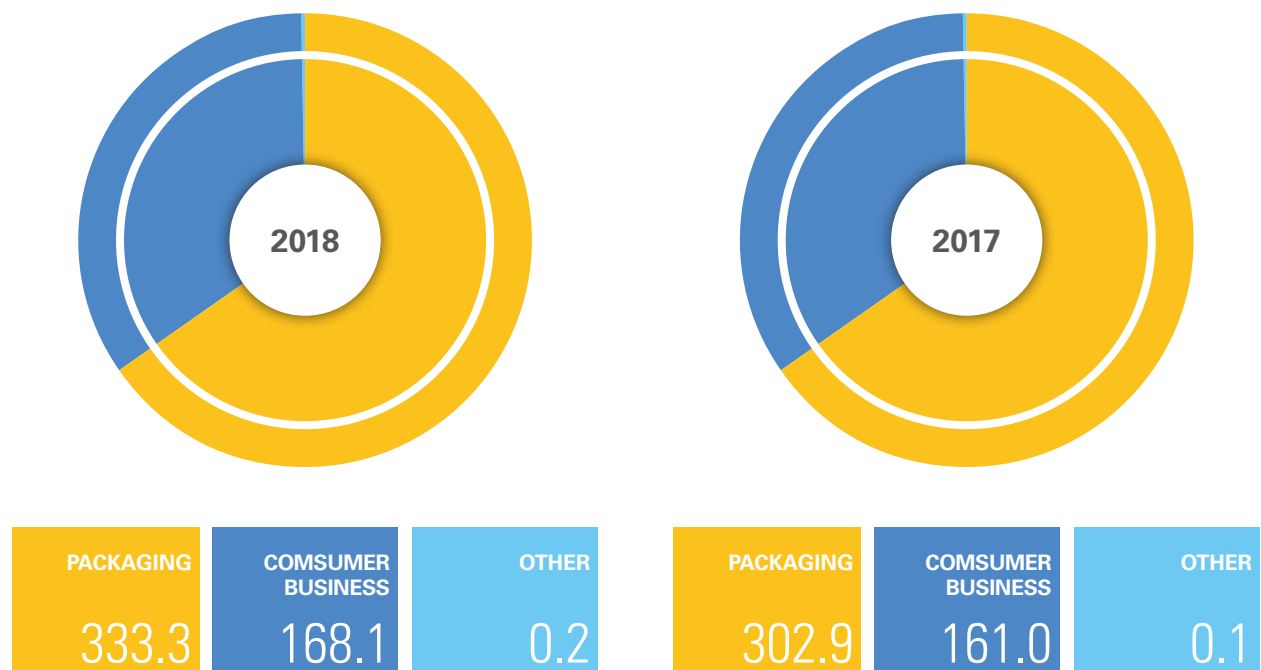


## GROUP FINANCIAL SUMMARY

### TURNOVER BY GEOGRAPHICAL SEGMENTS (\$ MILLION)

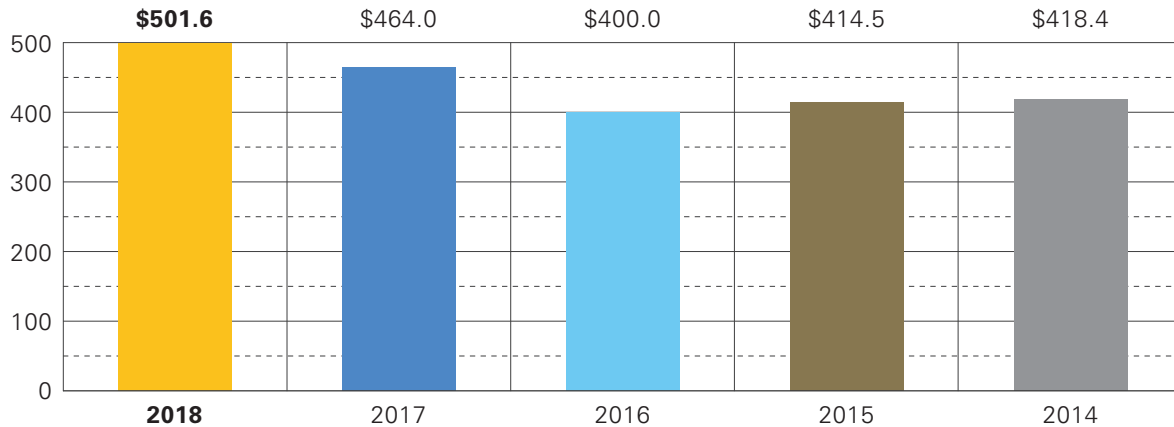


### TURNOVER BY BUSINESS SEGMENTS (\$ MILLION)

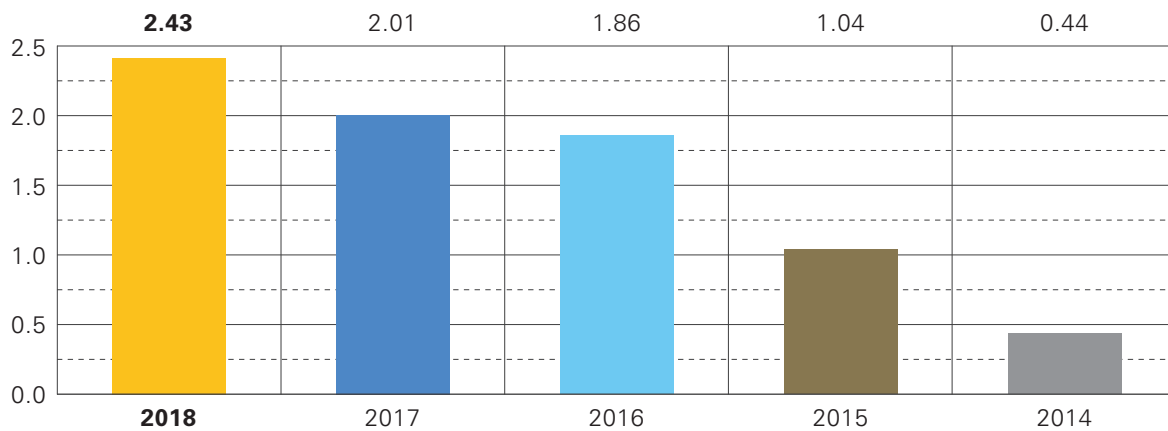


# GROUP FINANCIAL SUMMARY

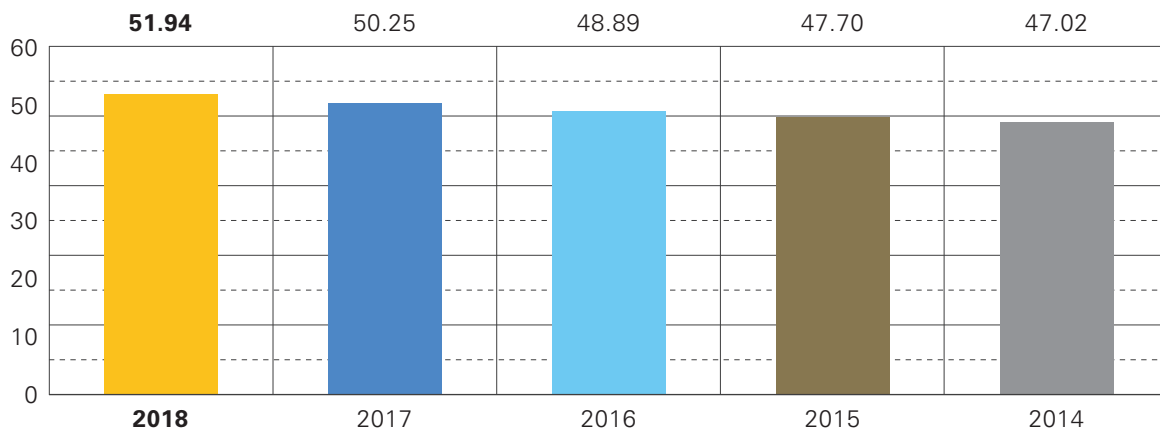
## TURNOVER (\$ MILLION)



## BASIC EARNING PER SHARE (CENTS)



## NAV PER SHARE (CENTS)



# OPERATIONAL REVIEW



## TOPSELLER PTE LTD

Topseller Pte Ltd (“**Topseller**”) is a key contributor towards Hanwell’s performance through distributing and developing leading consumer essentials that comprise Royal Umbrella rice, Golden Peony rice, Gitangkim rice, Okome rice, Taj Ponni rice, Taj Basmati rice, Harmuni rice and oil, Golden Circle oil, Soylite oil, Fortune Tofu and Noodles. Our non-food brands include Promax detergent, Singpo detergent and TP706 dishwashing liquid. Leveraging on our extensive distribution network, our products enjoy strong presence in supermarkets, grocery stores, caterers, institutions, ship chandlers, hotels, restaurants, food courts, hawker centres and online retailers in Singapore.

With the consumer pattern trending towards online retail, we continue to experience strong growth in this business channel. Alongside our online marketing strategy, we have also turned to social media platforms to interact and maintain connectivity with our consumers. We have actively launched various social media platforms for our proprietary brands

and will continue to actively build brand awareness and engagement with our consumers. We also continue to collaborate with our retailers by working closely to synergize marketing efforts for better customer satisfaction.

Supported by strategic marketing activities, our rice turned in an encouraging performance. Royal Umbrella continued to be the Singapore’s number 1 rice brand market leader\*. This is further endorsed by Reader’s Digest for being one of Reader’s Digest Trusted Brands for 15 years (from 2004 to 2018) with Royal Umbrella awarded Platinum Award for the last 2 years running (2017 and 2018).

As consumers become increasingly health conscious, we have introduced a Low GI (glycaemic-index) Basmati Long-Grain Rice under our Taj Basmati brand to meet consumers’ growing needs. In addition, a series of healthy (red rice and brown rice) and organic (brown rice and berry rice) rice are also launched in nitrogen flush containers maintaining the freshness of rice and catering to consumers healthy lifestyle and convenience.

\* According to Nielsen MAT Sept 18 retail audit

## OPERATIONAL REVIEW

Nevertheless, our rice was somewhat affected by the global increase in cost of rice, particularly Thai rice. And, the strengthening of the USD further impacted our purchase costs. The Company managed to mitigate some of these cost pressure through managing price discounts prudently.

Our oil performance is largely supported by our food service distribution channel. We continue to work with Health Promotion Board (HPB) to distribute HPB approved blended oil to be part of the move to promote healthy living amongst Singapore residents.

During 2018, we launched dual-tub Tofu and enhanced the Omega3 Tofu with vegetarian DHA. This is the first dual tub format introduced in the Singapore market and cater to the smaller family size and individual consumption pattern. Enhanced with DHA, we are providing more nutritional benefits to our consumers in this new format.

Separately, our distributorship for Greenfields, Pauls, GSK and Lion also registered good growth performance in 2018.

In addition to our business achievements, we are proud to be an organization that places great emphasis on corporate social responsibility where we conduct business that is environmentally sustainable. In this aspect, we partner with Chaoren Pokphand (CP) closely – a Thai conglomerate based in Bangkok that adopts good agricultural practices (GAP) from the preparation of land and grain to the production and processing of rice. This is to ensure that environmental resources can be sustained even as we produce palatable rice through harnessing scientifically proven advanced production equipment and R&D methods.



### SOCMA TRADING (M) SENDIRIAN BERHAD

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

In the thick of a challenging economic environment during the financial year, SOCMA registered revenue growth of 13.2% in comparison to previous year. The growth of 13.2% was attributable to an existing snack segment and new agency from Meiji. The Confectionery segment benefitted from Perfetti Van Melle which contributed 7.8% revenue growth and continued to keep its number one position as the dominant market player position in Malaysia.

The Snack segment results were achieved from two buying periods of 2018 Chinese New Year as well as 2019 New Year celebrations. During the financial year, our principal, Tai Sun has continued to support the sampling awareness efforts for Nature's Wonder's range. Our newly recruited agency, Meiji started on 2 January 2018 and SOCMA has successfully completed the vendor transfer from its previous distributor by mid-February 2018.

On 1 June 2018, the newly elected Malaysia government implemented zero-based Goods and Services Tax ("GST") from June to August 2018. Sales & Service Tax ("SST") was re-introduced to replace GST from 1 September 2018. In anticipation of the initial SST implementation challenges on the market, we are cognizant of the buoyant consumers' spending by aggressively promoting our products during the 3 month tax-free holiday from 1 June to 31 August 2018. Such promotions had benefitted SOCMA's business tremendously. A majority of our products experienced retail price change upon SST implementation.

To meet the growing rise towards the online channel, we created SOCMA mall on Shopee platform and continue our efforts to strengthen our online business for new channel and market share expansion. On the retail front, there is an increasing demand for convenience and lower prices for key consumable products. Small format store (Minimarket and CVS) is leading the channel growth with store expansion, focusing on in-store café, grab & go and healthy snacking options. Hypermarket has been the only shrinking channel compared to 2017.

We are continuously looking and exploring new business partnerships with complementary portfolios. While generating good business growth, we are faced with challenges with staff retention in Sales & Marketing Department due to the competitive business environment.

Commencing December 2018, SOCMA will be implementing new software for all merchandisers that will facilitate prompt communication, execution and real time online reporting for our planned merchandising activities. This software will be a strong control tool to maximize the effectiveness of our merchandising team.

#### FORTUNE FOOD MANUFACTURING PTE LTD

Fortune Food Manufacturing Pte Ltd ("Fortune Food") specializes in the production of soya bean-based products such as tofu and tau kwa, which are distributed under the brand name of Fortune. Besides producing soya bean-based food products, Fortune Food is also involved in supplying pasteurized soy-based food products for third-party brands in the form of original equipment manufacturer (OEM) services.

Fortune Food places great emphasis on food quality and food safety to ensure that products, processes and systems in the food supply chain are in compliance with accepted food safety standards. In 2018, the Company was awarded an additional food safety certification as testament to our commitment in this aspect. Our manufacturing facility obtained the Food Safety System Certification 22000 (FSSC 22000) qualification in December 2018, which will help boost consumer confidence in the quality of our food produced. FSSC 22000 is an even more stringent certification to HACCP certification.



## OPERATIONAL REVIEW

Fortune Food selects only the finest non-GMO soybeans from North America for manufacturing its food products delivering the highest quality tofu for our consumers. During the year, we focused on new product development as part of our strategy to continually keep up with changing consumer tastes and trends. We successfully launched and introduced the Dual Tub tofu format that caters to smaller family needs and enhanced our Omega Tofu variant to include vegetarian DHA capability.

Moving forward, we will continue to maintain high standard of food safety in our production of premium quality tofu. R&D efforts will be focused to bring more nutritional products to meet our consumers' healthy lifestyle.

### TIPEX PTE. LTD.

Tipex Pte. Ltd. ("**Tipex**") has successfully established itself as a reputable manufacturer and distributor of tissue paper products in the local market. Household brands under Tipex include Beautex, Mood, Hibis, Comfy and Parity. Moreover, Tipex also carries a variety of washroom hygiene products, such as cleaning agents and dispensers, baby and adult diapers under the brands of PetPet, Fitti and Certainty. In recent years, Tipex has also branched into the household and automobile cleaning industry marketing products through Mr. CLEAN. Despite enjoying a significant market share in Singapore, Tipex's distribution network spans across global markets from Brunei, Vietnam, Maldives, India, Philippines, New Zealand and Australia.

2018 has been an economically challenging year coupled with volatility and uncertainty. Singapore retail business has been sluggish in growth attributable to a competitive business environment and a matured retail sales environment that stemmed from a changing consumption pattern moving towards online spending preference. Cost pressures from operation and raw materials resulted in margin pressure, while an increasingly saturated market spurred price competition. Despite these challenges, Tipex managed to soften the impact brought about by external challenges through increased promotional activities and offer packs to support sales.

On top of this, Tipex has tapped on social media platforms actively, such as Facebook and Instagram, reaching out to existing and potential customers and raising brand awareness. These avenues provide us with the opportunities to deepen and broaden our customer base, even as we nurture relationships with our younger customers through real-time online interaction. Besides the ability to widen our engagement with customers, social media also offered us a cost advantage vis-à-vis traditional media to market and promote our products and special offers.

We have expanded our online presence through initiatives where we advertise on various modes of electronic platforms to capture market share. For our online retail campaign, we have included more promotional activities, and created special online packs of 3-ply toilet rolls and 3-ply box tissues for sale in all major online market places.

**Beautex<sup>®</sup>**  
*Choices for better lives*

The leading Singapore brand that improves your lifestyle  
and embraces environmental sustainability.

- 100% Virgin Pulp from Responsible Sources
- Premium Quality
- High Absorbent Capability
- Softness Guaranteed

Sales results from this segment have been encouraging. We believe that online selling is the new direction for retail businesses.

#### TAT SENG PACKAGING GROUP LTD

Leveraging on Hanwell's 64.0% stake in Singapore-listed Tat Seng Packaging Group Ltd ("**Tat Seng**"), Hanwell has gained access to the corrugated paper packaging business in Singapore and China markets.

Tat Seng Group has registered revenue of S\$333.3 million in FY2018, translating to an increase of 10.0% or S\$30.3 million in comparison to S\$303.0 million in FY2017.

In FY2018, Tat Seng focused on automation efforts to increase production speed and efficiency. Through investment in new machines and upgrading existing machines, Tat Seng was able to achieve lower production cost per unit and reducing reliance on labour. Higher sales were achieved by procuring new customers whilst retaining existing ones with improvement in technology.

During the year in review, total revenue of China's operations gained by 9.6% or S\$25.2 million in Tat Seng Group's reporting currency (SGD) for FY2018, mainly attributable to its China subsidiaries' ability to remain competitive. The increase of revenue was also partly contributed by higher sales volume.

Total revenue achieved by the Singapore entities in FY2018 surged by 12.8% or S\$5.1 million from S\$39.9 million in the previous year due to higher demand from its customers.

Despite improvement in revenue, Tat Seng Group's gross profit slipped by 1.5% to S\$60.5 million in 2018. The decrease in gross profit margin of 2.1% arose from higher raw material costs as compared to FY2017.

Depressed margins caused by rising raw material costs had propelled Tat Seng to seek alternative raw material sources beyond its traditional suppliers in order to arrest the declining profit margin.

Tat Seng's subsidiary, Nantong Tat Seng Packaging Co., Ltd ("**Nantong Tat Seng**") has successfully set up a new plant in Tongzhou District, Nantong, Jiangsu Province. The new plant is ready to commence its operations; whilst another Tat Seng's subsidiary, Nantong Hengcheng Paper Industry Co., Ltd. ("**Nantong Hengcheng**") will cease its manufacturing activity. In delivering synergies and value for customers, Nantong Tat Seng will take over the existing clientele of Nantong Hengcheng and management is confident the new state-of-the-art plant will serve as a platform for the Group to gain access to new business opportunities and further accelerate the strengthening and expansion of its market share in Nantong and surrounding area.

Arising from the extreme uncertainties brought about by the trade tensions between the two major powers – China and the United States of America, Tat Seng expects its operating environment to be more challenging. As a result, this may impact the market conditions in both China and Singapore, leading to further cost escalation of raw materials. Moreover, Tat Seng's Singapore entities may experience higher raw material costs due to volatile fluctuation in currency exchange between USD and SGD. As for Tat Seng's China entities, increasing environmental awareness and stringent anti-pollution measures implemented by the Chinese government will inevitably lead to increase of raw materials, labour and production costs.

In consideration of the macro economic environment filled with a myriad of challenges, the Group will continue to exercise vigilance on its credit exposure, capitalize more on automation to be manpower lean and maintain a healthy financial position so as to stay resilient.



# OPERATIONAL REVIEW



## SEGMENTAL REVIEW OF TAT SENG Singapore Operations

Revenue achieved by the Singapore segment hiked by 12.8% to S\$45million in FY2018 mainly due to higher customer demand. Tat Seng's strategic efforts to expand market share through the automation of our processes. Tat Seng Group's corrugators have been upgraded to fulfill its existing production order and deliver better quality products.

## China Operations

Total revenue contributed by Tat Seng's China operations increased by 9.6% or S\$25.2 million to S\$288.3 million in 2018. This was partly due to Tat Seng's China subsidiaries' higher sales volume during the year that accounted for the revenue improvement.

Both Tat Seng's Hefei plant and Tianjin plant have registered higher output due to enhancement in manufacturing processes to meet the orders of existing and new customers, thus delivering positive results.

## Outlook

Topseller does not see an easing of purchasing cost of rice in 2019. Coupled with the strong USD against SGD, we expect to continue to see margin pressure for our rice category. We will work closely with our suppliers and also review pricing and promotion strategy to mitigate some of the margin pressure from higher rice costs during the coming year.

SOCMA had launched Taokaenoi Tempura seaweed salted egg original and spicy flavours in November 2018. We foresee this new launch will generate incremental sales for Taokaenoi in Year 2019. We will be launching Mentos Caramel original and white in February 2019. With these new products launch, we forecast sales growth to be positive.

Tipex has initiated the rebranding campaign for our Beautex and Mood paper product brands. This marketing effort is targeted at refreshing our brand image to stay in line with current consumer trends. The campaign is scheduled to be completed tentatively in 2Q2019, setting the tone for Tipex's overall direction for the new year.



## 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

Tipex has partnered with The Straits Times School Pocket Money Fund to increase participation for its Corporate Social Responsibility (CSR) initiatives. "Beautex: Life's Beautiful" Art Competition 2018 was organised, with the theme of "Healthy Living" for participants. The objective is to advocate the importance of healthy living through the hosting of an art competition and to contribute their share towards a healthier and inclusive society.

### RICE FROM THE HEART

"Rice from the Heart campaign" has always been the CSR initiatives for the Royal Umbrella brand. Chinese Development Assistance Council (CDAC) is the beneficiary of this campaign. Since 2015, Royal Umbrella brand has been matching 100gm rice with every 10kg of Royal Umbrella rice sold in a Mega promotion with Esso Mobil. In 2018, 1,200kg of rice was donated to CDAC for the underprivileged families and delivered to the needy in January 2019.



### SPONSORSHIP TO NKF

During 2018, we worked with the National Kidney Foundation (NKF) to sponsor our rice and oil to reach to their patients. Under NKF, there are 35 dialysis centers island wide. Patients with kidney failure will undergo dialysis so as to sustain their lives. Patients on Hemodialysis have to go for their treatment at the dialysis centre three times a week, and each session is around 4 hours. NKF believes in the provision of holistic care for their patients. A goodie bag is given to each patient during NKF parties to celebrate the center's anniversary. We have sponsored 780 packets of 1kg Taj Basmati rice & 780 bottles Golden Circle Sunflower 250ml oil.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**DR ALLAN YAP**  
**DR JOHN CHEN SEOW PHUN**  
**DR TANG CHEUK CHEE**  
**MR LEE PO ON MARK**  
**MR GOI KOK MING (WEI GUOMING)**  
**MR KONG WEILI**  
**MR SIU WAI KAM**  
**MR GOH YANG JUN, JASPER**

Executive Chairman  
 Deputy Chairman, Non-Executive and Independent Director  
 Executive Director  
 Non-Executive and Independent Director  
 Non-Executive Director  
 Non-Executive and Independent Director  
 Non-Executive and Independent Director  
 Non-Executive and Independent Director

## SENIOR MANAGEMENT

**MR YEO SEE LIANG EUGENE**

Chief Operating Officer | Hanwell Holdings Limited  
 Executive Director | Socma Trading (M) Sendirian Berhad  
 Group Financial Controller | Hanwell Holdings Limited  
 Group Vice President | Hanwell Holdings Limited  
 Vice President | Tipex Pte. Ltd.  
 Managing Director/Chief Executive Officer | Tat Seng Packaging Group Ltd  
 Executive Director | Tat Seng Packaging Group Ltd

**MS WONG YUEN MAY SANDY**  
**MR TANG CHI MING DANNY**  
**MR SIM SEE HIANG RICHARD**  
**MR LOH SEE MOON**  
**MDM CHEONG POH HUA**

## COMPANY SECRETARY

**MR CHEW KOK LIANG**

## 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

## AUDIT COMMITTEE

**MR LEE PO ON MARK** (Chairman)  
**DR JOHN CHEN SEOW PHUN**  
**MR KONG WEILI**  
**MR SIU WAI KAM**  
**MR GOH YANG JUN, JASPER**

## SHARE REGISTRAR

**M & C SERVICES PRIVATE LIMITED**  
 112 Robinson Road #05-01  
 Singapore 068902  
 Tel: +65 6227 6660  
 Fax: +65 6225 1452

## REMUNERATION COMMITTEE

**DR JOHN CHEN SEOW PHUN** (Chairman)  
**MR LEE PO ON MARK**  
**MR KONG WEILI**  
**MR SIU WAI KAM**  
**MR GOH YANG JUN, JASPER**

## AUDITORS

**KPMG LLP**  
**PUBLIC ACCOUNTANTS AND CHARTERED ACCOUNTANTS**  
 16 Raffles Quay #22-00  
 Hong Leong Building  
 Singapore 048581

## NOMINATING COMMITTEE

**DR JOHN CHEN SEOW PHUN** (Chairman)  
**MR LEE PO ON MARK**  
**MR KONG WEILI**  
**MR SIU WAI KAM**  
**MR GOH YANG JUN, JASPER**

(Engagement Partner since  
 financial year ended 31 December 2017  
 Mr Yap Wee Kee)

## RISK MANAGEMENT COMMITTEE

**MR LEE PO ON MARK** (Chairman)  
**DR TANG CHEUK CHEE**  
**MR KONG WEILI**  
**MR SIU WAI KAM**  
**MR GOH YANG JUN, JASPER**

## PRINCIPAL BANKERS

**UNITED OVERSEAS BANK LTD**  
**DBS BANK LTD**  
**STANDARD CHARTERED BANK**

# CORPORATE GOVERNANCE STATEMENT

Hanwell Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) are committed to setting and maintaining high standards of corporate governance as well as promoting corporate transparency by adhering closely to the principles and guidelines set out in the Code of Corporate Governance 2012 Code (“**2012 Code**”). Whilst the Company is not yet required to comply with the revised Code of Corporate Governance 2018 (“**2018 Code**”), the Company has, where possible, taken steps to adhere to its intent.

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 2012 Code and should be read as a whole, instead of being read separately under the different principles of the 2012 Code. The Company has complied in all material aspects with the principles and guidelines set out in the 2012 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               | –                         |
| Lee Po On Mark       | Chairman        | Member               | Member                 | Chairman                  |
| Kong WeiLi           | Member          | Member               | Member                 | Member                    |
| Siu Wai Kam          | Member          | Member               | Member                 | Member                    |
| Goh Yang Jun, Jasper | Member          | 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 2018

The attendance of the Directors at scheduled meetings of the Board and Board Committees during financial year ended 31 December 2018 is disclosed below:

|  | Board    | Board Committees |            |              |                 |
|--|----------|------------------|------------|--------------|-----------------|
|  |          | Audit            | Nominating | Remuneration | Risk Management |
| <b>Number of scheduled meetings held</b> | <b>4</b> | <b>4</b>         | <b>1</b>   | <b>1</b>     | <b>2</b>        |
| <b>Name of Directors</b>                 |          |                  |            |              |                 |
| Allan Yap                                | 2        | 1*               | –          | –            | –               |
| Tang Cheuk Chee                          | 4        | 4*               | –          | 1*           | 2               |
| John Chen Seow Phun                      | 4        | 4                | 1          | 1            | –               |
| Lien Kait Long**                         | 1        | 1                | 1          | 1            | 2               |
| Lee Po On Mark***                        | 4        | 4                | 1          | 1            | –               |
| Goi Kok Ming (Wei Guoming)               | 4        | 3*               | –          | –            | –               |
| Kong WeiLi****                           | 2        | 2                | –          | –            | –               |
| Siu Wai Kam*****                         | 2        | 2                | –          | –            | –               |
| Goh Yang Jun, Jasper*****                | –        | –                | –          | –            | –               |

\* Attendance by invitation of the relevant committee

\*\* Retired as Director on 20 April 2018

\*\*\* Appointed as Chairman of the Audit Committee and Risk Management Committee on 19 June 2018

\*\*\*\* Appointed as Director on 19 June 2018

\*\*\*\*\* Appointed as Director on 26 December 2018

# CORPORATE GOVERNANCE STATEMENT

## 1 BOARD MATTERS (CONTINUED)

### 1.3 Board and Board Committees Meetings held in Financial Year 2018 (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;
- 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.

# CORPORATE GOVERNANCE STATEMENT

## 1 BOARD MATTERS (CONTINUED)

### 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 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") and the revision to 2018 Code and amendments to the SGX-ST Listing Rules.

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.

### 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 eight (8) Directors of whom one (1) is Executive Chairman, one (1) is Executive Director, one (1) is Non-Executive Director and five (5) are Non-Executive and Independent Directors. All Directors exercise independent judgement and make decisions objectively and in the best interest of the Company.

# CORPORATE GOVERNANCE STATEMENT

## 1 BOARD MATTERS (CONTINUED)

### 1.6 Board Composition and Guidance (Continued)

As at the date of this report, the Board comprises eight (8) 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                        | <ul style="list-style-type: none"> <li>• China Enterprises Limited (Chairman, Chief Executive Officer and Director)</li> <li>• Master Glory Group Limited (Chairman and Executive Director)</li> <li>• Rosedale Hotel Holdings Limited (Chairman and Executive Director)</li> <li>• Tat Seng Packaging Group Ltd (Executive Chairman)</li> </ul>  | Burcon NutraScience Corporation (Chairman, CEO and Director)               |
| John Chen Seow Phun | <ul style="list-style-type: none"> <li>• Deputy Chairman, Non-Executive and Independent Director</li> <li>• Chairman of Nominating and Remuneration Committees</li> <li>• Member of Audit Committee</li> </ul> | 09 Jun 2003                           | 22 April 2016                        | <ul style="list-style-type: none"> <li>• Fu Yu Corporation Limited (Non-Executive Chairman and Independent Director)</li> <li>• Hiap Seng Engineering Ltd (Independent Director)</li> <li>• HLH Group Limited (Independent Director)</li> <li>• Matex International Limited (Non-Executive Chairman and Independent Director)</li> <li>• OKP Holdings Limited (Lead Independent Director)</li> <li>• Pavillon Holdings Ltd (Executive Chairman)</li> <li>• Tat Seng Packaging Group Ltd (Deputy Chairman, Non-Executive Director and Independent Director)</li> </ul> | –  |
| Tang Cheuk Chee     | <ul style="list-style-type: none"> <li>• Executive Director</li> <li>• Member of Risk Management Committee</li> </ul>  | 01 Aug 2011                           | 20 April 2018                        | <ul style="list-style-type: none"> <li>• Tat Seng Packaging Group Ltd (Executive Director)</li> </ul>   | –  |

# 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 |
|----------------------------|--|---------------------------------------|--------------------------------------|---|--|
| Lee Po On Mark             | <ul style="list-style-type: none"> <li>• Non-Executive and Independent Director</li> <li>• Chairman of Audit and Risk Management Committees</li> <li>• Member of Nominating and Remuneration Committees</li> </ul> | 10 Aug 2012                           | 22 April 2016                        | <ul style="list-style-type: none"> <li>• Tat Seng Packaging Group Ltd (Non-Executive and Independent Director)</li> <li>• Television Broadcasts Limited (Executive Director and Group Chief Executive Officer)</li> </ul> | –  |
| Goi Kok Ming (Wei Guoming) | <ul style="list-style-type: none"> <li>• Non-Executive Director</li> </ul>   | 10 Aug 2012                           | 21 April 2017                        | <ul style="list-style-type: none"> <li>• GSH Corporation Limited (Executive Director)</li> </ul>  | –  |
| Kong WeiLi                 | <ul style="list-style-type: none"> <li>• Non-Executive and Independent Director</li> <li>• Member of Audit, Nominating, Remuneration and Risk Management Committees</li> </ul>                                     | 19 Jun 2018                           | NA                                   | <ul style="list-style-type: none"> <li>• Tat Seng Packaging Group Ltd (Non-Executive and Independent Director)</li> </ul>   | –  |
| Siu Wai Kam                | <ul style="list-style-type: none"> <li>• Non-Executive and Independent Director</li> <li>• Member of Audit, Nominating, Remuneration and Risk Management Committees</li> </ul>                                     | 19 Jun 2018                           | NA                                   | <ul style="list-style-type: none"> <li>• Tat Seng Packaging Group Ltd (Non-Executive and Independent Director)</li> </ul>   | –  |
| Goh Yang Jun, Jasper       | <ul style="list-style-type: none"> <li>• Non-Executive and Independent Director</li> <li>• Member of Audit, Nominating, Remuneration and Risk Management Committees</li> </ul>                                     | 26 Dec 2018                           | NA                                   | <ul style="list-style-type: none"> <li>• Tat Seng Packaging Group Ltd (Non-Executive and Independent Director)</li> </ul>   | –  |

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.

The Board has adopted a Board Diversity Policy on 9 November 2018 to assist the NC and the Board in identifying prospective candidates for Directorship that meet the criteria as determined by the NC and that support the diversity's objectives.

Having considered the retirement of Mr Lien Kait Long ("**Mr Lien**") on 20 April 2018 and the impending retirement of Mr Lee Po On Mark ("**Mr Mark Lee**") pursuant to Regulation 87 of the Constitution of the Company at the forthcoming AGM on 26 April 2019, NC has taken steps to identify and evaluate potential candidates with the right caliber, qualification, soft skills, suitability and working experience. During the financial year 2018, NC had conducted interviews to ascertain several candidates' capabilities as well as assessing their independence from management, business and substantial shareholders based on the principles and guidelines of 2012 Code. After due deliberation, the NC recommended the following candidates to the Board as non-executive and independent directors and were appointed during the financial year 2018. Each of whom was concurrently appointed as a member of the AC, NC, RC and RMC respectively.

Kong WeiLi (appointed on 19 June 2018)

Siu Wai Kam (appointed on 19 June 2018)

Goh Yang Jun, Jasper (appointed on 26 December 2018)

# CORPORATE GOVERNANCE STATEMENT

## 1 BOARD MATTERS (CONTINUED)

### 1.6 Board Composition and Guidance (Continued)

The Company has arranged for these incoming directors to receive comprehensive and tailored induction on joining the Board. The induction programme includes separate in-house briefing on duties as a director, how to discharge these duties, and an orientation program to ensure that they are familiar with the Company's business and governance practices. The Company has sent these first-time directors to the training for listed entity director (LED) programme conducted by the Singapore Institute of Directors.

### 1.7 Independent Members of the Board of Directors

Currently, the Board consists of eight (8) Directors, five (5) of whom are Non-Executive and Independent Directors. There is a strong element of independence with Independent Directors making up more than half of the Board. The NC is of the view that given that there is a majority 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 2012 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 2012 Code.

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. 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 ("**Dr John Chen**"), Mr Lien and Mr Mark Lee. A similar review was carried out internally in 2017 as well as 2018 and the NC is satisfied that there has been no change to the circumstance since the findings and documents presented by the Consultant, except for their personal directors' disclosures and unanimously agree and confirm that Dr John Chen and Mr Mark Lee are independent. The factors that were taken into consideration in determining the independence of Dr John Chen (who has served on the Board beyond nine (9) years) and Mr Mark Lee are set out under Principle 2 of the 2012 Code on page 23 of this report.

Similarly, the NC has reviewed the independence of Directors, namely Mr Kong WeiLi ("**Mr Kong**"), Mr Siu Wai Kam ("**Mr Siu**") and Mr Goh Yang Jun, Jasper ("**Mr Jasper Goh**") who were appointed in 2018 and the NC is satisfied that there has been no change to the findings and documents presented by these independent directors. Each member of the NC has abstained from voting on any resolution related to their re-election.

# CORPORATE GOVERNANCE STATEMENT

## 1 BOARD MATTERS (CONTINUED)

### 1.7 Independent Members of the Board of Directors (Continued)

The Board recognised the need to embrace the tenets of good corporate governance that includes refreshing the composition of the board by appointing additional independent directors. The Company believes that such efforts are more likely to engender investor confidence and achieving long-term sustainable business performance.

Dr John Chen, Mr Mark Lee, Mr Kong, Mr Siu and Mr Jasper Goh 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 FY2018. 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. Furthermore, Mr Mark Lee has decided not to seek for re-election pursuant to Regulation 87 of the Constitution of the Company at its forthcoming AGM to be held on 26 April 2019.

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 in meeting agreed goals and objectives of the Group.

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.

### 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.

# CORPORATE GOVERNANCE STATEMENT

## 1 BOARD MATTERS (CONTINUED)

### 1.8 Chairman and Chief Executive Officer (Continued)

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 Company has appointed Independent Directors who form a majority of the Board. Hence, these Independent Directors will contribute to a balance of views from the Board. Notwithstanding the Company does not have a Lead Independent Director, the Board believes that with a majority of Independent Directors, Shareholders who have concerns could seek to approach them where contact through the normal channels of the Executive Chairman or the Executive Director has failed to resolve or such contact is inappropriate.

The Independent Directors meet amongst themselves without the presence of the other Directors when required, and 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.

# CORPORATE GOVERNANCE STATEMENT

## 1 BOARD MATTERS (CONTINUED)

### 1.9 Board Membership

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

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

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

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

As at the date of this report, the NC comprises five (5) members all of whom are Independent:

Dr John Chen Seow Phun (Chairman, Non-Executive and Independent Director)  
Mr Lee Po On Mark (Member, Non-Executive and Independent Director)  
Mr Kong WeiLi (Member, Non-Executive and Independent Director)  
Mr Siu Wai Kam (Member, Non-Executive and Independent Director)  
Mr Goh Yang Jun, Jasper (Member, Non-Executive and Independent Director)

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

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;

# CORPORATE GOVERNANCE STATEMENT

## 1 BOARD MATTERS (CONTINUED)

### 1.9 Board Membership (Continued)

- 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.

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 2012 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 FY2018;
- (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;

# CORPORATE GOVERNANCE STATEMENT

## 1 BOARD MATTERS (CONTINUED)

### 1.9 Board Membership (Continued)

- (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 2012 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 John Chen Seow Phun who will retire pursuant to Regulation 87 of the Constitution of the Company whilst Mr Kong WeiLi, Mr Siu Wai Kam and Mr Goh Yang Jun, Jasper will retire pursuant to Regulation 93 of the Constitution of the Company. Mr Lee Po On Mark has decided to retire and not to seek for re-election pursuant to Regulation 87 of the Constitution of the Company. The details of the Directors seeking for re-election are found in Table A set out on page 48 to page 52 of this Annual Report.

Currently, the Company does not appoint any alternate directors.

### 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.

# CORPORATE GOVERNANCE STATEMENT

## 1 BOARD MATTERS (CONTINUED)

### 1.10 Board Performance (Continued)

- (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 2018.
- (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 2018.
- (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 2018.

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.



# CORPORATE GOVERNANCE STATEMENT

## 1 BOARD MATTERS (CONTINUED)

### 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 tabled 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.

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 assist 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 to discharge their duties and responsibilities.

# CORPORATE GOVERNANCE STATEMENT

## 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.

As at the date of this report, the RC comprises five (5) members all of whom are Independent:

Dr John Chen Seow Phun (Chairman, Non-Executive and Independent Director)  
Mr Lee Po On Mark (Member, Non-Executive and Independent Director)  
Mr Kong WeiLi (Member, Non-Executive and Independent Director)  
Mr Siu Wai Kam (Member, Non-Executive and Independent Director)  
Mr Goh Yang Jun, Jasper (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;
- 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 2012 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 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.

# CORPORATE GOVERNANCE STATEMENT

## 2 REMUNERATION MATTERS (CONTINUED)

### 2.1 Procedure for Developing Remuneration Policies (Continued)

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, profit sharing (where applicable) and benefits-in-kind.

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.

### 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.

Currently, the Company has no employee share option schemes or other long-term incentive schemes in place and will consider adopting the same as and when the Board deem 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.

# CORPORATE GOVERNANCE STATEMENT

## 2 REMUNERATION MATTERS (CONTINUED)

### 2.2 Level and Mix of Remuneration (Continued)

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. Although the Company did not 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, the Company is in the process of reviewing the necessity to include such contractual provisions to reclaim such incentive components of remuneration paid in prior years to the Executive Chairman, Executive Director and key management personnel where incidents occur in exceptional circumstances such as misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

### 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 2018 is set out below:

| Directors                                 | Base Salary (%) | Bonus (%) | Profit Sharing (%) | Directors' Fee (%) | Allowance <sup>(2)</sup> (%) | TOTAL (S\$)            |
|---|-----------------|-----------|--------------------|--------------------|------------------------------|------------------------|
| <b>Range S\$1,500,001 to S\$1,750,000</b> |                 |           |                    |                    |                              |                        |
| Allan Yap                                 | 50.12           | 6.51      | 42.24              | –                  | 1.13                         | 1,628,011              |
| <b>Range S\$750,001 to S\$1,000,000</b>   |                 |           |                    |                    |                              |                        |
| Tang Cheuk Chee                           | 56.50           | 7.97      | 30.95              | –                  | 4.58                         | 767,832                |
| <b>Range S\$250,000 and below</b>         |                 |           |                    |                    |                              |                        |
| John Chen Seow Phun                       | –               | –         | –                  | 100 <sup>(1)</sup> | –                            | 161,500 <sup>(3)</sup> |
| Lien Kait Long                            | –               | –         | –                  | 100 <sup>(1)</sup> | –                            | 88,500 <sup>(3)</sup>  |
| Lee Po On Mark                            | –               | –         | –                  | 100 <sup>(1)</sup> | –                            | 137,250 <sup>(3)</sup> |
| Kong WeiLi                                | –               | –         | –                  | 100 <sup>(1)</sup> | –                            | 8,667 <sup>(4)</sup>   |
| Siu Wai Kam                               | –               | –         | –                  | 100 <sup>(1)</sup> | –                            | 8,667 <sup>(4)</sup>   |
| Goh Yang Jun, Jasper <sup>(5)</sup>       | –               | –         | –                  | 100 <sup>(1)</sup> | –                            | –                      |
| Goi Kok Ming (Wei Guoming)                | –               | –         | –                  | 100                | –                            | 40,000                 |

# CORPORATE GOVERNANCE STATEMENT

## 2 REMUNERATION MATTERS (CONTINUED)

### 2.3 Disclosure on Remuneration (Continued)

- (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 20 April 2018 at the respective AGMs of:
  - (i) the Company; and
  - (ii) Tat Seng Packaging Group Ltd.
- (4) Although additional non-executive and independent directors were appointed during 2018, the total amount of directors' fees to be paid quarterly in arrears that was approved by the shareholders at the last AGM held on 20 April 2018 was sufficient to cover directors' fees to all non-executive and independent directors during FY2018.
- (5) No director fee was payable to Mr Goh Yang Jun, Jasper as he was appointed on 26 December 2018. From the date of his appointment to 31 December 2018, there was no board or board committee held.

Shareholders' approval will be sought at the forthcoming AGM of the Company on 26 April 2019 for the payment of Directors' Fee proposed (to be paid quarterly in arrears) for the financial year ending 31 December 2019 amounting to an aggregate of S\$267,000.

### 2.4 Remuneration of Employees Related to Directors

As at 31 December 2018, 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 2018 is set out below:

| Key Management Personnel              | Base Salary (%) | Bonus (%) | Profit Sharing (%) | Directors' Fee (%) | Allowance <sup>(1)</sup> (%) | TOTAL (%) |
|---------------------------------------|-----------------|-----------|--------------------|--------------------|------------------------------|-----------|
| <b>Range S\$200,001 to S\$250,000</b> |                 |           |                    |                    |                              |           |
| Tang Chi Ming Danny <sup>(2)</sup>    | 79.25           | 9.90      | –                  | –                  | 10.85                        | 100       |

- (1) Employer's CPF contribution and other compensation are included.
- (2) 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 August 2018, Mr Tang is responsible for and in charge of Agency Brand Management of Topseller Pte Ltd and Management Information Systems 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 2018.

# CORPORATE GOVERNANCE STATEMENT

## 2 REMUNERATION MATTERS (CONTINUED)

### 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 2018 is as follows:

| Key Management Personnel              | Base Salary (%)      | Bonus (%) | Profit Sharing (%) | Directors' Fee (%)  | Allowance <sup>(2)</sup> (%) | TOTAL (%) |
|---------------------------------------|----------------------|-----------|--------------------|---------------------|------------------------------|-----------|
| <b>Range S\$250,001 to S\$500,000</b> |                      |           |                    |                     |                              |           |
| Yeo See Liang Eugene                  | 45.90 <sup>(3)</sup> | 11.73     | 28.64              | 0.69 <sup>(1)</sup> | 13.04                        | 100       |
| Tong Ying Ling Denise                 | 75.92 <sup>(3)</sup> | 12.65     | –                  | –                   | 11.43                        | 100       |
| <b>Range S\$250,000 and below</b>     |                      |           |                    |                     |                              |           |
| Wong Yuen May Sandy                   | 70.15                | 20.46     | –                  | –                   | 9.39                         | 100       |
| Sim See Hiang Richard                 | 70.70 <sup>(3)</sup> | 6.15      | 7.61               | –                   | 15.54                        | 100       |
| Tang Chi Ming Danny <sup>(4)</sup>    | 79.25                | 9.90      | –                  | –                   | 10.85                        | 100       |

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 2018 was S\$1,315,000 (FY2017: S\$1,325,000).

(1) Directors' Fee from the subsidiary.

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

(3) Including remuneration from subsidiary.

(4) Mr Tang 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 August 2018, Mr Tang is responsible for and in charge of Agency Brand Management of Topseller Pte Ltd and Management Information Systems 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.

No termination, retirement and post-employment or other long-term incentives have been granted to the directors during the financial year ended 31 December 2018.

## 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.

# CORPORATE GOVERNANCE STATEMENT

## 3 ACCOUNTABILITY AND AUDIT (CONTINUED)

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.

### 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.

# CORPORATE GOVERNANCE STATEMENT

## 3 ACCOUNTABILITY AND AUDIT (CONTINUED)

### 3.1 Risk Management and Internal Controls (Continued)

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 put in place a RMC comprises the following members:

Mr Lee Po On Mark (Chairman, Non-Executive and Independent Director)

Mr Kong WeiLi (Member, Non-Executive and Independent Director)

Mr Siu Wai Kam (Member, Non-Executive and Independent Director)

Mr Goh Yang Jun, Jasper (Member, Non-Executive and Independent Director)

Dr Tang Cheuk Chee (Member, 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.

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*, strategic, 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 2018, the Group has engaged Nexia TS Risk Advisory 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.



# CORPORATE GOVERNANCE STATEMENT

## 3 ACCOUNTABILITY AND AUDIT (CONTINUED)

### 3.1 Risk Management and Internal Controls (Continued)

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 FY2018, 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 2018.

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

### 3.2 Audit Committee

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

The AC comprises six (6) members all of whom are Independent:

Mr Lee Po On Mark (Chairman, Non-Executive and Independent Director)  
Dr John Chen Seow Phun (Member, Non-Executive and Independent Director)  
Mr Kong WeiLi (Member, Non-Executive and Independent Director)  
Mr Siu Wai Kam (Member, Non-Executive and Independent Director)  
Mr Goh Yang Jun, Jasper (Member, Non-Executive and Independent)

The AC members were selected based on their expertise and prior experience in the area of financial management and at least three (3) 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 such expertise and experience to discharge their responsibilities as members of the AC.

# CORPORATE GOVERNANCE STATEMENT

## 3 ACCOUNTABILITY AND AUDIT (CONTINUED)

### 3.2 Audit Committee (Continued)

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;
- 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.

# CORPORATE GOVERNANCE STATEMENT

## 3 ACCOUNTABILITY AND AUDIT (CONTINUED)

### 3.2 Audit Committee (Continued)

The AC met four (4) times in the financial year ended 31 December 2018 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 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\$614,463 and S\$126,474 respectively for the financial year ended 31 December 2018.

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.

# CORPORATE GOVERNANCE STATEMENT

## 3 ACCOUNTABILITY AND AUDIT (CONTINUED)

### 3.2 Audit Committee (Continued)

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 FY2018 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 57 to 60 of this Annual Report.

### 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.

The whistle-blowing policy can be found at the Company's website at <http://www.hanwell.com.sg>.

There were no reported incidents pertaining to whistle-blowing for FY2018.

# CORPORATE GOVERNANCE STATEMENT

## 3 ACCOUNTABILITY AND AUDIT (CONTINUED)

### 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 Nexia TS Risk Advisory Pte Ltd ("Internal Auditors") during the financial year 2018. 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.

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 FY2018 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.

# CORPORATE GOVERNANCE STATEMENT

## 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;
- notices of and explanatory memoranda for AGM and Extraordinary General Meeting ("**EGM**");
- 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.

## CORPORATE GOVERNANCE STATEMENT

### 4 SHAREHOLDER RIGHTS AND RESPONSIBILITIES (CONTINUED)

#### SHAREHOLDER RIGHTS (CONTINUED)

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 fixed dividend policy. The Board of Directors' policy is to recommend dividends consistent with the Company's objective, *inter alia*, of maximising shareholders' value.

Dividend payments are affected by internal and external factors such as level of the Company's future earnings, results of operations, capital requirements, cash flows, financial conditions, plans for expansion, general political, economic and business conditions including legal or contractual restrictions that may impact the Company from time to time and matters which the Board may act in the best interest of the Company.

The Board will carefully consider and evaluate the aforementioned before proposing any dividend.

**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.

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.

From FY2018 onwards, hard copies of all annual reports and/or shareholders' circulars shall only be sent to shareholders upon specific requests by them for it. This will not only prevent unnecessary cutting down of trees, but also allow us to preach what we practice as part of our efforts to reducing reliance on paper.

As a leading fast moving consumer goods company in Singapore, we pride ourselves upon our ability to create sustainable value through our numerous business activities. Sustainability, in the manner we conduct our day-to-day dealings with customers, suppliers, employees and society, has been and will always be one of the key corporate values motivating and inspiring us to consistently do our best. Details of which could be found in the Company's next Sustainability Report 2018 that would be announced through SGXNet in May 2019.

# CORPORATE GOVERNANCE STATEMENT

## 4 SHAREHOLDER RIGHTS AND RESPONSIBILITIES (CONTINUED)

### SHAREHOLDER RIGHTS (CONTINUED)

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 for ordinary resolutions 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 and EGM. Results of each resolution put to vote at the AGM and EGM with the detailed voting results, including the total number and/or percentage of votes cast for or against each resolution tabled in the AGM and EGM, will be announced immediately at the end of each AGM and EGM and via SGXNet after market close.

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, officers and employees 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, officers and employees of the commencement date for each close window period.



## CORPORATE GOVERNANCE **STATEMENT**

### **5 DEALINGS IN SECURITIES (CONTINUED)**

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, officers 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 FY2018.

# CORPORATE GOVERNANCE STATEMENT

Table A

The Directors named below are retiring and being eligible, offer themselves for re-election at the upcoming AGM:–

| Name of Director   | John Chen Seow Phun   | Kong WeiLi  | Siu Wai Kam   | Goh Yang Jun, Jasper  |
|--|---|---|---|---|
| Date of Appointment  | 9 June 2003   | 19 June 2018  | 19 June 2018  | 26 December 2018  |
| Date of last re-appointment (if applicable)  | 22 April 2016   | N.A.  | N.A.  | N.A.  |
| Age  | 65  | 52  | 47  | 37  |
| Country of principal residence   | Singapore   | Singapore   | Singapore   | Singapore   |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)  | The Board of Directors of the Company is of the opinion that Dr John Chen can continue to contribute positively to the Company after reviewing the NC's recommendation and Dr John Chen's extensive experience. | The Board of Directors of the Company is of the opinion that Mr Kong can contribute positively to the Company after reviewing the NC's recommendation and Mr Kong's qualifications, experience and suitability. | The Board of Directors of the Company is of the opinion that Mr Siu can contribute positively to the Company after reviewing the NC's recommendation and Mr Siu's qualifications, experience and suitability. | The Board of Directors of the Company is of the opinion that Mr Jasper Goh can contribute positively to the Company after reviewing the NC's recommendation and Mr Jasper Goh's qualifications, experience and suitability. |
| Whether appointment is executive, and if so, the area of responsibility  | Non-Executive   | Non-Executive   | Non-Executive   | Non-Executive   |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)  | Deputy Chairman, Non-Executive and Independent Director, Chairman of Nominating Committee and Remuneration Committee and Member of Audit Committee.   | Non-Executive and Independent Director, Member of Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee.  | Non-Executive and Independent Director, Member of Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee.  | Non-Executive and Independent Director, Member of Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee.  |
| Professional qualifications  | Dr John Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada.   | Mr Kong is a Fellow member of the Institute of Singapore Chartered Accountants and CPA Australia.   | Mr Siu graduated from the City University of Hong Kong in 1997 with a Bachelor of Electronic Engineering. In 1999, Mr Siu obtained his Master of Philosophy from the same University.                         | Mr Jasper Goh graduated from the National University of Singapore in 2007 with a Bachelor of Science in Applied Mathematics & Operation Research (Management Science).  |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | None  | None  | None  | None  |
| Conflict of interest (including any competing business)  | None  | None  | None  | None  |

# CORPORATE GOVERNANCE STATEMENT

| Name of Director  | John Chen Seow Phun   | Kong WeiLi  | Siu Wai Kam   | Goh Yang Jun, Jasper  |
|---|---|---|---|---|
| Working experience and occupation(s) during the past 10 years   | Dr John 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. Dr John Chen was a Minister of State for Communications from 1997 to 1999. From 1999 to 2001, Dr John Chen was the Minister of State for National Department. Dr John 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. Dr John Chen taught at the National University of Singapore from 1983 to 1991.  | <p><u>From June 2018 to present:</u><br/>Plant Financial Controller with Sanmina-SCI Systems Singapore Pte. Ltd.</p> <p><u>From July 2017 to May 2018:</u><br/>Senior Finance Analyst with Maximus Asia Pte Ltd.</p> <p><u>December 2008 to September 2015:</u><br/>Financial Controller with SMOE Pte Ltd (a subsidiary of Sembcorp Marine Ltd).</p> | <p>Mr Siu has more than 19 years of experience in Information Technology field. Mr Siu holds a senior position in the IT Department of a Singapore University.</p> <p><u>June 2013 to present:</u><br/>Assistant Director, Communications and Information Technology, Singapore Institute of Technology.</p> <p><u>Dec 2005 to May 2013:</u><br/>Senior Manager, Integrated IT Services, Singapore Management University.</p> | <p>Mr Jasper Goh has more than 10 years of working experience.</p> <p><u>From 2015 to present:</u><br/>Managing Partner of Back Office Partners Pte Ltd<br/>Lead Business Development of Asterisk Computer (FE) Pte Ltd.</p> <p><u>From 2010 to 2014:</u><br/>Independent Consultant and Business Development with staff support (self-employed).</p> <p><u>From 2007 to 2009:</u><br/>Relationship Manager, ABN AMRO Business Banking.</p> |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer | Yes   | Yes   | Yes   | Yes   |
| Shareholding interest in the listed issuer and its subsidiaries   | No<br>Dr John Chen does not hold any shares in Hanwell Holdings Limited and its subsidiaries.   | No<br>Mr Kong does not hold any shares in Hanwell Holdings Limited and its subsidiaries.  | No<br>Mr Siu does not hold any shares in Hanwell Holdings Limited and its subsidiaries.   | No<br>Mr Jasper Goh does not hold any shares in Hanwell Holdings Limited and its subsidiaries.  |
| Other Principal Commitments* Including Directorships#   | <p><u>Past (for the last 5 years)</u><br/>National University Health System Pte. Ltd.</p> <p><u>Present</u><br/>1. JCL Business Development Pte Ltd<br/>2. Unigold Asia Limited<br/>3. Pavillon Holdings Ltd<br/>4. OKP Holdings Limited<br/>5. Hiap Seng Engineering Ltd<br/>6. Hanwell Holdings Limited<br/>7. Matex International Limited<br/>8. SAC Capital Private Limited<br/>9. Tat Seng Packaging Group Ltd<br/>10. HLH Group Limited<br/>11. Fu Yu Corporation Limited<br/>12. DATAESP Private Ltd.<br/>13. JLM Foundation Ltd.<br/>14. SAC Advisors Private Limited<br/>15. Pavillon Financial Leasing Co., Ltd<br/>16. Pavillon Business Development (Shanghai) Co., Ltd</p> | <p><u>Past (for the last 5 years)</u><br/>Straits Overseas Pte Ltd<br/>Straits Offshore Pte Ltd</p> <p><u>Present</u><br/>Hanwell Holdings Limited<br/>Tat Seng Packaging Group Ltd</p>   | <p><u>Past (for the last 5 years)</u><br/>Singsoft Pte. Ltd.</p> <p><u>Present</u><br/>Hanwell Holdings Limited<br/>Tuwards Pte. Ltd.<br/>Tat Seng Packaging Group Ltd</p>  | <p><u>Past (for the last 5 years)</u><br/>None</p> <p><u>Present</u><br/>Hanwell Holdings Limited<br/>Tat Seng Packaging Group Ltd</p>  |

#### Information required

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.

# CORPORATE GOVERNANCE STATEMENT

|     | Question  | John Chen Seow Phun | Kong WeiLi | Siu Wai Kam | Goh Yang Jun, Jasper |
|-----|---|---------------------|------------|-------------|----------------------|
| (a) | Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?   | No                  | No         | No          | No                   |
| (b) | Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No                  | No         | No          | No                   |
| (c) | Whether there is any unsatisfied judgment against him?  | No                  | No         | No          | No                   |
| (d) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?  | No                  | No         | No          | No                   |
| (e) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?  | No                  | No         | No          | No                   |
| (f) | Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?  | No                  | No         | No          | No                   |
| (g) | Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?   | No                  | No         | No          | No                   |

## CORPORATE GOVERNANCE STATEMENT

|       | Question  | John Chen Seow Phun | Kong WeiLi | Siu Wai Kam | Goh Yang Jun, Jasper |
|-------|---|---------------------|------------|-------------|----------------------|
| (h)   | Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?  | No                  | No         | No          | No                   |
| (i)   | Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?   | No                  | No         | No          | No                   |
| (j)   | Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-  |                     |            |             |                      |
| (i)   | any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or  | No                  | No         | No          | No                   |
| (ii)  | any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or  | No                  | No         | No          | No                   |
| (iii) | any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or  | No                  | No         | No          | No                   |
| (iv)  | any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere.  | No                  | No         | No          | No                   |
|       | in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?   |                     |            |             |                      |
| (k)   | Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No                  | No         | No          | No                   |

# CORPORATE GOVERNANCE STATEMENT

| Question   | John Chen Seow Phun   | Kong WeiLi   | Siu Wai Kam   | Goh Yang Jun, Jasper   |
|--|---|--|---|--|
| <b>Disclosure applicable to the appointment of Director only.</b>  |   |  |   |  |
| Any prior experience as a director of an issuer listed on the Exchange?  | Yes   | Yes  | Yes   | Yes  |
| If yes, please provide details of prior experience.  | <p>Dr John Chen is presently a:-</p> <ul style="list-style-type: none"> <li>• Non-Executive Chairman and Independent Director of Fu Yu Corporation Limited, an issuer listed on the Exchange</li> <li>• Independent Director of Hiap Seng Engineering Ltd, an issuer listed on the Exchange</li> <li>• Independent Director of HLH Group Limited, an issuer listed on the Exchange</li> <li>• Non-Executive Chairman and Independent Director of Matex International Limited, an issuer listed on the Exchange</li> <li>• Lead Independent Director of OKP Holdings Limited, an issuer listed on the Exchange</li> <li>• Executive Chairman of Pavillon Holdings Ltd, an issuer listed on the Exchange</li> <li>• Deputy Chairman, Non-Executive and Independent Director of Tat Seng Packaging Group Ltd, an issuer listed on the Exchange</li> <li>• Deputy Chairman, Non-Executive and Independent Director of Hanwell Holdings Limited, an issuer listed on the Exchange</li> </ul> | Subsequent to Mr Kong's appointment on 19 June 2018 as a Non-Executive and Independent Director of Hanwell Holdings Limited, an issuer listed on the Exchange, he attended SID training. | Subsequent to Mr Siu's appointment on 19 June 2018 as a Non-Executive and Independent Director of Hanwell Holdings Limited, an issuer listed on the Exchange, he attended SID training. | Subsequent to Mr Jasper Goh's appointment on 26 December 2018 as a Non-Executive and Independent Director of Hanwell Holdings Limited, an issuer listed on the Exchange, he attended SID training. |
| If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.     | N.A.  | N.A.   | N.A.  | N.A.   |
| Please provide details of relevant experience and the nominating committee reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). | Has been a director of several public listed companies for many years   | Has attended SID training  | Has attended SID training   | Has attended SID training  |

# 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 2018.

In our opinion:

- (a) the financial statements set out on pages 63 to 168 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 2018 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 (International); 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

Goi Kok Ming (Wei Guoming)

Lee Po On Mark

Kong WeiLi (Appointed on 19 June 2018)

Siu Wai Kam (Appointed on 19 June 2018)

Goh Yang Jun, Jasper (Appointed on 26 December 2018)

# DIRECTORS' STATEMENT

## 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:

| Name of Director  | Direct Interest                |                          | Deemed Interest                |                          |
|---|--------------------------------|--------------------------|--------------------------------|--------------------------|
|   | At beginning of financial year | At end of financial year | At beginning of financial year | At end of financial year |
| <b>Ordinary shares of the Company</b>   |                                |                          |                                |                          |
| 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               |
| <b>Share options of the ultimate holding company (Hanwell Holdings Limited)</b> |                                |                          |                                |                          |
| 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.

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 of the financial year, or date of appointment if later, 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 2019.

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 five directors, John Chen Seow Phun (Chairman), Lee Po On Mark, Kong WeiLi, Siu Wai Kam and Goh Yang Jun, Jasper.

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 expired on 21 January 2019.



# DIRECTORS' STATEMENT

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

| Date of grant of options | Exercise price of the option | Options outstanding at 01/01/2018 | Options exercised | Options cancelled | Options outstanding at 31/12/2018 | Number of option holders at 31/12/2018 | Exercise period         |
|--------------------------|------------------------------|-----------------------------------|-------------------|-------------------|-----------------------------------|--|-------------------------|
| 22/01/2009               | \$0.16                       | 10,150,000                        | –                 | –                 | 10,150,000                        | 2                                      | 22/01/2010 – 21/01/2019 |

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

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

| Name of Director    | Options granted for financial year ended 31 December 2018 | Aggregate options granted since commencement of Scheme to 31 December 2018 | Aggregate options exercised since commencement of Scheme to 31 December 2018 | Aggregate options expired since commencement of Scheme to 31 December 2018 | Aggregate options outstanding as at 31 December 2018 |
|---------------------|---|--|--|--|--|
| Allan Yap           | –   | 11,000,000   | (1,000,000)  | –  | 10,000,000   |
| John Chen Seow Phun | –   | 1,400,000  | (1,000,000)  | (400,000)  | –  |
| Total               | –   | 12,400,000   | (2,000,000)  | (400,000)  | 10,000,000   |

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

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

## Audit Committee

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

- Lee Po On Mark (Chairman), Non-Executive and Independent Director
- John Chen Seow Phun, Non-Executive and Independent Director
- Kong WeiLi, Non-Executive and Independent Director
- Siu Wai Kam, Non-Executive and Independent Director
- Goh Yang Jun, Jasper, Non-Executive and Independent Director

## DIRECTORS' STATEMENT

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*

29 March 2019

# 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 2018, 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 63 to 168.

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 Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 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.

# INDEPENDENT AUDITORS' REPORT

## **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 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.

As at 31 December 2018, the Group has received HKD200 million, or 65% of the agreed sale consideration. A further HKD2.2 million was received in March 2019.

Prolonged completion with no further development to 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 correspondences 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 considered 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 assessed 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, both the buyer and the Group remain committed to complete the transaction. 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 2018.

# INDEPENDENT AUDITORS' REPORT

## **Valuation of property, plant and equipment**

(Refer to Note 4 to the financial statements)

### *Risk*

As at 31 December 2018, the market capitalisation of the Group was \$96 million, which is lower by approximately \$254 million than the carrying amount of the net assets attributable to shareholders of the Group of \$350 million. The shortfall 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\$87 million as at 31 December 2018, which approximates 59% of the Group's property, plant and equipment balances. The Group also holds S\$49 million of leasehold buildings owned by the Company. The remaining balances relate to equipment and machinery used 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.

### *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.

We also assessed whether the disclosures in the financial statements appropriately described the subjectivity and judgements inherent in the recoverable amount computation, including the inter-relationship between the key unobservable inputs and the recoverable amounts.

### *Our findings*

We found the key assumptions used for the Group's cash flow projections to be mildly optimistic. The disclosures found to be appropriate in terms of their description of the assumptions and estimates made by management and the sensitivity to changes thereon.

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.

# INDEPENDENT AUDITORS' REPORT

## 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 request for longer 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*

On the application of the expected credit loss model, we assessed the Group's estimation techniques and assumptions used to determine the amount of expected credit losses on the trade receivables outstanding as at reporting date.

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. We compared the historical allowance for bad debts to the actual amounts written off.

### *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, Group Financial Summary, Operational Review, Corporate Social Responsibility, Corporate Information, Corporate Governance Statement, Directors' Statement, Supplementary Information, 资产负债表, 综合损益表 and Shareholding Statistic.*

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 SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

# INDEPENDENT AUDITORS' REPORT

## *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.
- 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.

# INDEPENDENT AUDITORS' REPORT

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**

29 March 2019



# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

| Note  | 2018<br>\$ | Group<br>2017<br>\$ | 1 Jan 2017<br>\$ | 2018<br>\$  | Company<br>2017<br>\$ | 1 Jan 2017<br>\$ |             |
|---|------------|---------------------|------------------|-------------|-----------------------|------------------|-------------|
| <b>Assets</b>                                       |            |                     |                  |             |                       |                  |             |
| Property, plant and equipment                       | 4          | 146,867,579         | 115,581,580      | 75,306,476  | 38,540,410            | 30,468,500       | 9,397,040   |
| Intangible assets                                   | 5          | 1,095,411           | 1,115,513        | 1,134,334   | –                     | –                | –           |
| Investment properties                               | 6          | 11,065,492          | 7,820,116        | 770,357     | –                     | –                | –           |
| Subsidiaries  | 7          | –                   | –                | –           | 40,000,787            | 40,009,094       | 40,068,859  |
| Other financial assets                              | 9          | 63,079              | 68,058           | 48,998      | 63,079                | 68,058           | 48,998      |
| Deferred tax assets                                 | 10         | 3,849,215           | 3,512,066        | 3,170,565   | –                     | –                | –           |
| <b>Non-current assets</b>                           |            | <b>162,940,776</b>  | 128,097,333      | 80,430,730  | <b>78,604,276</b>     | 70,545,652       | 49,514,897  |
| Other financial assets                              | 9          | 2,496,412           | 1,998,320        | 2,042,947   | 2,496,412             | 1,998,320        | 2,040,998   |
| Inventories   | 11         | 50,054,959          | 47,727,484       | 39,112,553  | –                     | –                | 258,144     |
| Trade and other receivables                         | 12         | 159,508,720         | 168,540,953      | 141,409,016 | 47,808,126            | 45,784,697       | 47,901,168  |
| Cash and cash equivalents                           | 15         | 152,401,520         | 147,912,499      | 175,389,201 | 83,230,568            | 86,815,333       | 105,067,874 |
| Assets held for sale                                | 16         | 44,730,268          | 46,064,751       | 46,847,160  | –                     | –                | –           |
| <b>Current assets</b>                               |            | <b>409,191,879</b>  | 412,244,007      | 404,800,877 | <b>133,535,106</b>    | 134,598,350      | 155,268,184 |
| <b>Total assets</b>                                 |            | <b>572,132,655</b>  | 540,341,340      | 485,231,607 | <b>212,139,382</b>    | 205,144,002      | 204,783,081 |
| <b>Equity</b>                                       |            |                     |                  |             |                       |                  |             |
| Share capital                                       | 17         | 200,099,208         | 200,099,208      | 200,099,208 | 200,099,208           | 200,099,208      | 200,099,208 |
| Reserves  | 17         | 87,367,596          | 77,975,928       | 70,460,100  | (1,363,046)           | (9,611,785)      | (8,557,987) |
| <b>Equity attributable to owners of the Company</b> |            | <b>287,466,804</b>  | 278,075,136      | 270,559,308 | <b>198,736,162</b>    | 190,487,423      | 191,541,221 |
| <b>Non-controlling interests</b>                    | 18         | <b>61,953,333</b>   | 58,487,557       | 51,803,318  | –                     | –                | –           |
| <b>Total equity</b>                                 |            | <b>349,420,137</b>  | 336,562,693      | 322,362,626 | <b>198,736,162</b>    | 190,487,423      | 191,541,221 |
| <b>Liabilities</b>                                  |            |                     |                  |             |                       |                  |             |
| Loans and borrowings                                | 19         | 18,491,181          | 221,355          | 1,340,356   | –                     | –                | –           |
| Deferred income                                     | 22         | 2,148,883           | 2,020,085        | 1,175,894   | 382,244               | 443,085          | –           |
| Deferred tax liabilities                            | 10         | 2,687,670           | 2,859,588        | 2,767,550   | –                     | –                | –           |
| <b>Non-current liabilities</b>                      |            | <b>23,327,734</b>   | 5,101,028        | 5,283,800   | <b>382,244</b>        | 443,085          | –           |
| Loans and borrowings                                | 19         | 68,677,688          | 61,224,464       | 35,798,369  | –                     | –                | –           |
| Trade and other payables, including derivatives     | 23         | 128,866,186         | 135,619,182      | 118,956,515 | 12,970,342            | 14,213,494       | 13,241,860  |
| Deferred income                                     | 22         | 277,865             | 163,362          | 119,205     | 50,634                | –                | –           |
| Current tax liabilities                             |            | 1,563,045           | 1,670,611        | 2,711,092   | –                     | –                | –           |
| <b>Current liabilities</b>                          |            | <b>199,384,784</b>  | 198,677,619      | 157,585,181 | <b>13,020,976</b>     | 14,213,494       | 13,241,860  |
| <b>Total liabilities</b>                            |            | <b>222,712,518</b>  | 203,778,647      | 162,868,981 | <b>13,403,220</b>     | 14,656,579       | 13,241,860  |
| <b>Total equity and liabilities</b>                 |            | <b>572,132,655</b>  | 540,341,340      | 485,231,607 | <b>212,139,382</b>    | 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 2018

|  | Note | 2018<br>\$           | 2017<br>\$    |
|--|------|----------------------|---------------|
| Revenue                                  | 24   | <b>501,552,609</b>   | 464,017,015   |
| Cost of sales                            |      | <b>(398,456,720)</b> | (359,234,707) |
| <b>Gross profit</b>                      |      | <b>103,095,889</b>   | 104,782,308   |
| Other income                             |      | <b>3,404,292</b>     | 1,521,725     |
| Distribution expenses                    |      | <b>(43,040,320)</b>  | (44,216,800)  |
| Administrative expenses                  |      | <b>(32,898,665)</b>  | (31,946,484)  |
| Other expenses                           |      | <b>(3,466,175)</b>   | (4,660,907)   |
| <b>Results from operating activities</b> |      | <b>27,095,021</b>    | 25,479,842    |
| Finance income                           |      | <b>2,821,771</b>     | 2,114,681     |
| Finance costs                            |      | <b>(1,488,900)</b>   | (1,134,758)   |
| <b>Net finance income</b>                | 26   | <b>1,332,871</b>     | 979,923       |
| Share of loss of associates (net of tax) |      | -                    | -             |
| <b>Profit before tax</b>                 |      | <b>28,427,892</b>    | 26,459,765    |
| Tax expense                              | 27   | <b>(6,200,627)</b>   | (5,544,498)   |
| <b>Profit for the year</b>               | 25   | <b>22,227,265</b>    | 20,915,267    |
| <b>Profit attributable to:</b>           |      |                      |               |
| Owners of the Company                    |      | <b>13,433,910</b>    | 11,102,044    |
| Non-controlling interests                |      | <b>8,793,355</b>     | 9,813,223     |
| <b>Profit for the year</b>               |      | <b>22,227,265</b>    | 20,915,267    |
| <b>Earnings per share</b>                |      |                      |               |
| Basic earnings per share (cents)         | 28   | <b>2.43</b>          | 2.01          |
| Diluted earnings per share (cents)       | 28   | <b>2.41</b>          | 1.99          |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

|  | 2018<br>\$         | 2017<br>\$  |
|--|--------------------|-------------|
| <b>Profit for the year</b>   | <b>22,227,265</b>  | 20,915,267  |
| <b>Other comprehensive income – items that are or may be reclassified subsequently to profit or loss</b> |                    |             |
| Foreign currency translation differences of foreign operations   | <b>(4,052,988)</b> | (1,634,701) |
| Available-for-sale financial assets – net change in fair value   | –                  | 19,057      |
| Effective portion of changes in fair value of cash flow hedges   | <b>17,199</b>      | (29,009)    |
| <b>Other comprehensive income for the year, net of tax</b>   | <b>(4,035,789)</b> | (1,644,653) |
| <b>Other comprehensive income – items that will not be reclassified subsequently to profit or loss</b>   |                    |             |
| Equity investment FVOCI – net change in fair value   | <b>(6,086)</b>     | –           |
| Movement in reserve  | <b>(294,583)</b>   | –           |
| <b>Other comprehensive income for the year, net of tax</b>   | <b>(300,669)</b>   | –           |
| <b>Total comprehensive income for the year</b>   | <b>17,890,807</b>  | 19,270,614  |
| <b>Total comprehensive income attributable to:</b>   |                    |             |
| Owners of the Company  | <b>10,775,023</b>  | 10,281,163  |
| Non-controlling interests  | <b>7,115,784</b>   | 8,989,451   |
| <b>Total comprehensive income for the year</b>   | <b>17,890,807</b>  | 19,270,614  |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

|  | ← Attributable to   |                       |                      |
|--|---------------------|-----------------------|----------------------|
|  | Share capital<br>\$ | Treasury shares<br>\$ | Other reserves<br>\$ |
| <b>Group</b>   |                     |                       |                      |
| At 1 January 2017  | 204,325,609         | (4,226,401)           | 7,815,707            |
| Impact of adoption of SFRS(I) 1                                | –                   | –                     | –                    |
| At 1 January 2017, as restated                                 | 204,325,609         | (4,226,401)           | 7,815,707            |
| <b>Total comprehensive income for the year</b>                 |                     |                       |                      |
| Profit for the year  | –                   | –                     | –                    |
| <b>Other comprehensive income</b>                              |                     |                       |                      |
| Foreign currency translation differences of foreign operations | –                   | –                     | –                    |
| Available-for-sale financial assets – net change in fair value | –                   | –                     | –                    |
| Effective portion of changes in fair value of cash flow hedges | –                   | –                     | –                    |
| <b>Total other comprehensive income</b>                        | –                   | –                     | –                    |
| <b>Total comprehensive income for the year</b>                 | –                   | –                     | –                    |
| <b>Transactions with owners, recognised directly in equity</b> |                     |                       |                      |
| <b>Distributions to owners</b>                                 |                     |                       |                      |
| Dividends paid (note 17)                                       | –                   | –                     | –                    |
| Unclaimed dividend reversed                                    | –                   | –                     | –                    |
| <b>Total distributions to owners</b>                           | –                   | –                     | –                    |
| <b>Transfer between reserves</b>                               |                     |                       |                      |
| Transfer to reserve fund                                       | –                   | –                     | 2,852,066            |
| <b>Total transactions with owners</b>                          | –                   | –                     | 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 2018

owners of the Company →

| Fair value<br>reserve<br>\$ | Translation<br>reserve<br>\$ | Hedging<br>reserve<br>\$ | Retained<br>earnings<br>\$ | Total<br>\$ | Non-controlling<br>interests<br>\$ | Total equity<br>\$ |
|-----------------------------|------------------------------|--------------------------|----------------------------|-------------|------------------------------------|--------------------|
| 32,391                      | (3,119,149)                  | 3,441                    | 65,727,710                 | 270,559,308 | 51,803,318                         | 322,362,626        |
| -                           | 3,119,149                    | -                        | (3,119,149)                | -           | -                                  | -                  |
| 32,391                      | -                            | 3,441                    | 62,608,561                 | 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                      | (819,192)                    | (17,305)                 | 68,093,204                 | 278,075,136 | 58,487,557                         | 336,562,693        |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

|  | ← Attributable to      |                          |                         |
|--|------------------------|--------------------------|-------------------------|
|  | Share<br>capital<br>\$ | Treasury<br>shares<br>\$ | Other<br>reserves<br>\$ |
| <b>Group</b>   |                        |                          |                         |
| At 1 January 2018  | 204,325,609            | (4,226,401)              | 10,667,773              |
| <b>Total comprehensive income for the year</b>                 |                        |                          |                         |
| Profit for the year  | –                      | –                        | –                       |
| <b>Other comprehensive income</b>                              |                        |                          |                         |
| Foreign currency translation differences of foreign operations | –                      | –                        | –                       |
| Net change in fair value equity investments at FVOCI           | –                      | –                        | –                       |
| Effective portion of changes in fair value of cash flow hedges | –                      | –                        | –                       |
| Movement in reserve  | –                      | –                        | (294,583)               |
| <b>Total other comprehensive income</b>                        | –                      | –                        | (294,583)               |
| <b>Total comprehensive income for the year</b>                 | –                      | –                        | (294,583)               |
| <b>Transactions with owners, recognised directly in equity</b> |                        |                          |                         |
| <b>Distributions to owners</b>                                 |                        |                          |                         |
| Dividends paid (note 17)                                       | –                      | –                        | –                       |
| Unclaimed dividend reversed                                    | –                      | –                        | –                       |
| <b>Total distributions to owners</b>                           | –                      | –                        | –                       |
| <b>Transfer between reserves</b>                               |                        |                          |                         |
| Transfer to reserve fund                                       | –                      | –                        | 1,171,319               |
| <b>Total transactions with owners</b>                          | –                      | –                        | 1,171,319               |
| At 31 December 2018  | 204,325,609            | (4,226,401)              | 11,544,509              |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

owners of the Company →

| Fair value<br>reserve<br>\$ | Translation<br>reserve<br>\$ | Hedging<br>reserve<br>\$ | Retained<br>earnings<br>\$ | Total<br>\$ | Non-controlling<br>interests<br>\$ | Total<br>equity<br>\$ |
|-----------------------------|------------------------------|--------------------------|----------------------------|-------------|------------------------------------|-----------------------|
| 51,448                      | (819,192)                    | (17,305)                 | 68,093,204                 | 278,075,136 | 58,487,557                         | 336,562,693           |
| –                           | –                            | –                        | 13,433,910                 | 13,433,910  | 8,793,355                          | 22,227,265            |
| –                           | (2,369,217)                  | –                        | –                          | (2,369,217) | (1,683,771)                        | (4,052,988)           |
| (6,086)                     | –                            | –                        | –                          | (6,086)     | –                                  | (6,086)               |
| –                           | –                            | 10,999                   | –                          | 10,999      | 6,200                              | 17,199                |
| –                           | –                            | –                        | –                          | (294,583)   | –                                  | (294,583)             |
| (6,086)                     | (2,369,217)                  | 10,999                   | –                          | (2,658,887) | (1,677,571)                        | (4,336,458)           |
| (6,086)                     | (2,369,217)                  | 10,999                   | 13,433,910                 | 10,775,023  | 7,115,784                          | 17,890,807            |
| –                           | –                            | –                        | (1,383,545)                | (1,383,545) | (3,650,008)                        | (5,033,553)           |
| –                           | –                            | –                        | 190                        | 190         | –                                  | 190                   |
| –                           | –                            | –                        | (1,383,355)                | (1,383,355) | (3,650,008)                        | (5,033,363)           |
| –                           | –                            | –                        | (1,171,319)                | –           | –                                  | –                     |
| –                           | –                            | –                        | (2,554,674)                | (1,383,355) | (3,650,008)                        | (5,033,363)           |
| 45,362                      | (3,188,409)                  | (6,306)                  | 78,972,440                 | 287,466,804 | 61,953,333                         | 349,420,137           |

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

|  | Note | 2018<br>\$          | 2017<br>\$   |
|--|------|---------------------|--------------|
| <b>Cash flows from operating activities</b>  |      |                     |              |
| Profit for the year  |      | 22,227,265          | 20,915,267   |
| Adjustments for:   |      |                     |              |
| Amortisation of deferred income  |      | (240,754)           | (157,726)    |
| Depreciation of investment properties  | 6    | 46,735              | 28,893       |
| Depreciation of property, plant and equipment  | 4    | 9,992,942           | 8,742,701    |
| Loss/(gain) on disposal of property, plant and equipment                                       |      | 36,237              | (30,192)     |
| Net finance income   |      | (832,491)           | (1,020,627)  |
| Net (increase)/decrease in fair value of financial assets at fair value through profit or loss |      | (498,092)           | 42,678       |
| Inventories written off  |      | 195,465             | 425,179      |
| Property, plant and equipment written off  |      | 211,635             | 123,440      |
| Impairment losses on property, plant and equipment   |      | 737,721             | 195,060      |
| Tax expense  |      | 6,200,628           | 5,544,498    |
| Unrealised exchange loss   |      | 887,588             | 4,293,358    |
|  |      | <b>38,964,879</b>   | 39,102,529   |
| Changes in:  |      |                     |              |
| – Inventories  |      | (3,132,030)         | (9,073,994)  |
| – Trade and other receivables  |      | 6,393,426           | (27,545,608) |
| – Trade and other payables   |      | (4,359,281)         | 9,607,271    |
| Cash generated from operations   |      | <b>37,866,994</b>   | 12,090,198   |
| Tax paid   |      | (6,736,454)         | (6,949,425)  |
| <b>Net cash from operating activities</b>  |      | <b>31,130,540</b>   | 5,140,773    |
| <b>Cash flows from investing activities</b>  |      |                     |              |
| Deposits received in relation to assets held for sale  |      | –                   | 9,027,500    |
| Interest received  |      | 1,425,556           | 1,501,622    |
| Proceeds from disposal of property, plant and equipment  |      | 282,409             | 483,334      |
| Purchase of property, plant and equipment  |      | (44,616,824)        | (50,599,041) |
| Purchase of investment properties  |      | (2,952,322)         | (7,061,515)  |
| <b>Net cash used in investing activities</b>   |      | <b>(45,861,181)</b> | (46,648,100) |
| <b>Cash flows from financing activities</b>  |      |                     |              |
| Increase/(decreased) in pledged deposits   |      | 1,890,077           | (8,390,821)  |
| Dividends paid   |      | (5,033,553)         | (5,072,293)  |
| Interest paid  |      | (1,489,959)         | (1,093,316)  |
| Payment of finance lease liabilities   |      | (16,008)            | (16,008)     |
| Proceeds from borrowings   |      | 145,771,726         | 92,506,934   |
| Repayment of borrowings  |      | (117,521,304)       | (67,624,907) |
| <b>Net cash from financing activities</b>  |      | <b>23,600,979</b>   | 10,309,589   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                                    |      | <b>8,870,338</b>    | (31,197,738) |
| Cash and cash equivalents at 1 January   |      | 135,019,839         | 170,887,362  |
| Effect of exchange rate fluctuations on cash held  |      | (2,491,240)         | (4,669,785)  |
| <b>Cash and cash equivalents at 31 December</b>  | 15   | <b>141,398,937</b>  | 135,019,839  |

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 March 2019.

## 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 2018 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 (International) (SFRS(I)). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in note 33.

### 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 SFRS(I) 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.4 Use of estimates and judgements (Continued)

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 SFRS(I), 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).

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.4 Use of estimates and judgements (Continued)

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

### 3.1 Basis of consolidation

#### (i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

#### **Acquisitions from 1 January 2017**

For acquisitions from 1 January 2017, the Group measures goodwill at the date of acquisition as:

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of consolidation (Continued)

- (i) Business combinations (Continued)

#### ***Acquisitions from 1 January 2017 (Continued)***

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 SFRS(I)s.

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.

#### ***Acquisitions before 1 January 2017***

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition of SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

- (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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of consolidation (Continued)

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(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 investment 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.

### 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 translated 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Foreign currency (Continued)

#### (i) Foreign currency transactions (Continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated 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. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at fair value through other comprehensive income ("FVOCI") (2017: 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, including 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.

Foreign currency differences are recognised in OCI. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised 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.

### 3.3 Financial instruments

#### (i) Recognition and initial measurement

##### ***Non-derivative financial assets and financial liabilities***

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Financial instruments (Continued)

- (ii) Classification and subsequent measurement

#### ***Non-derivative financial assets – Policy applicable from 1 January 2018***

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

#### *Financial assets at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### *Debt investments at FVOCI*

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### *Equity investments at FVOCI*

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

#### *Financial assets at FVTPL*

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Financial instruments (Continued)

- (ii) Classification and subsequent measurement (Continued)

#### ***Financial assets: Business model assessment – Policy applicable from 1 January 2018***

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### ***Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Financial instruments (Continued)

- (ii) Classification and subsequent measurement (Continued)

***Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018 (Continued)***

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

***Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 January 2018***

*Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

*Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

*Debt investments at FVOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

*Equity investments at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

***Non-derivative financial assets – Policy applicable before 1 January 2018***

The Group classifies non-derivative financial assets into the following categories: financial assets at FVTPL, loans and receivables and available-for-sale financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Financial instruments (Continued)

- (ii) Classification and subsequent measurement (Continued)

***Non-derivative financial liabilities: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018***

*Financial assets at FVTPL*

A financial asset was classified at FVTPL if it was classified as held for trading or was designated as such upon initial recognition. Financial assets were designated at FVTPL 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. Directly attributable transaction costs were recognised in profit or loss as incurred. Financial assets at FVTPL were measured at fair value, and changes therein, which took into account any dividend income, were recognised in profit or loss.

Financial assets designated at FVTPL comprised equity investments that otherwise would have been classified as available-for-sale.

*Loans and receivables*

Loans and receivables were 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.

*Available-for-sale financial assets*

Available-for-sale financial assets were non-derivative financial assets that were designated as available for sale or were not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they were measured at fair value and changes therein.

Available-for-sale financial assets comprised equity investments.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Financial instruments (Continued)

- (ii) Classification and subsequent measurement (Continued)

***Non-derivative financial liabilities: Subsequent measurement and gains and losses – Policy applicable before 1 January 2018 (Continued)***

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings, and trade and other payables.

- (iii) Derecognition

***Financial assets***

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

***Financial liabilities***

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

- (iv) Offsetting

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Financial instruments (Continued)

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the 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.

(vi) Derivative financial instruments and hedge accounting

***Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018***

The Group holds derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly 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 generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedging relationships designated under FRS 39 that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of SFRS(I) 9.

*Cash flow hedges*

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Financial instruments (Continued)

- (vi) Derivative financial instruments and hedge accounting (Continued)

#### ***Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018 (Continued)***

##### *Cash flow hedges (Continued)*

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expired, terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

- (vii) 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Financial instruments (Continued)

- (vii) Share capital (*Continued*)

#### ***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.

- (viii) 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 issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'loans and borrowings'.

#### ***Intra-group financial guarantees in the separate financial statements – Policy applicable before 1 January 2018***

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

### 3.4 Property, plant and equipment

- (i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, 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:

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Property, plant and equipment (Continued)

#### (i) Recognition and measurement (Continued)

- 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.

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 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 over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. 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.

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                             |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Property, plant and equipment (Continued)

#### (iii) Depreciation (Continued)

|  |   |
|--|---|
| • furniture, fittings and office equipment | 3 to 13 <sup>1</sup> / <sub>3</sub> 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.

#### (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 is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 measured at cost less accumulated depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. 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 are not recognised in the Group's statement of financial position.

### 3.8 Inventories

#### (i) Trading goods

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

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

#### (ii) Manufactured corrugated paper products

Inventories are measured at the lower of cost and net realisable value. 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Impairment

- (i) Non-derivative financial assets

#### ***Policy applicable from 1 January 2018***

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised costs;
- debt investments measured at FVOCI; and
- intra-group financial guarantee contracts (FGC).

Loss allowances of the Group are measured on either of the following basis:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

#### *Simplified approach*

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

#### *General approach*

The Group applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held)

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### *Measurement of ECLs*

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

#### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

#### *Presentation of allowance for ECLs in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

For debt investments at FVOCI, loss allowances are charged to profit or loss and recognised in OCI.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Impairment (Continued)

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

#### *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

#### **Policy applicable before 1 January 2018**

A financial asset not carried at fair value through profit or loss, including an interest in an associate, was assessed at the end of each reporting period to determine whether there was objective evidence that it is impaired. A financial asset was 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) were impaired included 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 would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged.

#### *Loans and receivables*

The Group considers evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant loans and receivables were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Loans and receivables that were not individually significant were 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 were such that the actual losses were likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost was 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 were recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continued to be recognised. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Impairment (Continued)

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

#### **Policy applicable before 1 January 2018 (Continued)**

##### *Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was 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. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in OCI.

- (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, investment properties 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Impairment (Continued)

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

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

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

### 3.10 Non-current assets held for sale

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

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

### 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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

#### (i) Goods and services sold

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.13 Revenue (Continued)

(ii) Rental income

Rental income from investment property is recognised as 'revenue' on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as 'other income'.

### 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.

#### **Determining whether an arrangement contains a lease**

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- *the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and*
- *the arrangement contains a right to use the asset(s).*

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.16 Finance income and finance costs

The Group's finance income and finance costs include:

- *interest income;*
- *interest expense;*
- *dividend income;*
- *the net gain or loss on financial assets at FVTPL;*

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the amortised cost of the financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.17 Tax (Continued)

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

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

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

Segment results that are reported to the Group's Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

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

### 3.20 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in note 34.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 4. PROPERTY, PLANT AND EQUIPMENT

| Group   | Freehold land<br>\$ | Freehold buildings<br>\$ | Leasehold buildings<br>\$ | Leasehold improvements<br>\$ | Renovations<br>\$ |
|---|---------------------|--------------------------|---------------------------|------------------------------|-------------------|
| <b>Cost</b>   |                     |                          |                           |                              |                   |
| At 1 January 2017                                     | 277,099             | 3,417,561                | 48,437,876                | 6,029,077                    | 5,424,847         |
| Additions   | –                   | –                        | 10,732,131                | –                            | 113,491           |
| Disposals   | –                   | –                        | –                         | –                            | (327,175)         |
| Write-offs  | –                   | –                        | –                         | –                            | (200,263)         |
| Reclassification                                      | –                   | –                        | 2,899,960                 | (78,636)                     | 78,636            |
| Effect of movements in exchange rates                 | 25,180              | 17,706                   | (680,600)                 | –                            | 7,132             |
| At 31 December 2017                                   | 302,279             | 3,435,267                | 61,389,367                | 5,950,441                    | 5,096,668         |
| Additions   | –                   | –                        | 8,491,824                 | –                            | 396,507           |
| Disposals   | –                   | –                        | –                         | –                            | –                 |
| Reclassification                                      | –                   | –                        | 15,848,627                | –                            | (10,600)          |
| Write-offs  | –                   | –                        | –                         | –                            | (58,580)          |
| Effect of movements in exchange rates                 | 1,430               | 1,006                    | (1,281,274)               | –                            | 421               |
| At 31 December 2018                                   | 303,709             | 3,436,273                | 84,448,544                | 5,950,441                    | 5,424,416         |
| <b>Accumulated depreciation and impairment losses</b> |                     |                          |                           |                              |                   |
| At 1 January 2017                                     | –                   | 2,965,611                | 17,512,322                | 1,927,144                    | 5,035,428         |
| Depreciation charge for the year                      | –                   | 15,113                   | 1,941,818                 | 146,970                      | 196,895           |
| Disposals   | –                   | –                        | –                         | –                            | (327,175)         |
| Impairment loss                                       | –                   | –                        | –                         | –                            | –                 |
| Reclassification                                      | –                   | –                        | –                         | (4,310)                      | 4,310             |
| Write-offs  | –                   | –                        | –                         | –                            | (200,263)         |
| Effect of movements in exchange rates                 | –                   | 7,966                    | (218,895)                 | –                            | 6,987             |
| At 31 December 2017                                   | –                   | 2,988,690                | 19,235,245                | 2,069,804                    | 4,716,182         |
| Depreciation charge for the year                      | –                   | 15,731                   | 2,286,907                 | 146,969                      | 172,082           |
| Disposals   | –                   | –                        | –                         | –                            | –                 |
| Impairment loss                                       | –                   | –                        | –                         | –                            | –                 |
| Reclassification                                      | –                   | –                        | –                         | –                            | (10,600)          |
| Write-offs  | –                   | –                        | –                         | –                            | (58,580)          |
| Effect of movements in exchange rates                 | –                   | 237                      | (473,155)                 | –                            | 329               |
| At 31 December 2018                                   | –                   | 3,004,658                | 21,048,997                | 2,216,773                    | 4,819,413         |
| <b>Carrying amounts</b>                               |                     |                          |                           |                              |                   |
| At 1 January 2017                                     | 277,099             | 451,950                  | 30,925,554                | 4,101,933                    | 389,419           |
| At 31 December 2017                                   | 302,279             | 446,577                  | 42,154,122                | 3,880,637                    | 380,486           |
| At 31 December 2018                                   | 303,709             | 431,615                  | 63,399,547                | 3,733,668                    | 605,003           |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| Furniture,<br>fittings<br>and office<br>equipment<br>\$ | Warehouse<br>equipment<br>\$ | Motor<br>vehicles<br>\$ | Plant and<br>machinery<br>\$ | Computers<br>\$ | Construction<br>in progress<br>\$ | Installation<br>in progress<br>\$ | Total<br>\$ |
|---|------------------------------|-------------------------|------------------------------|-----------------|-----------------------------------|-----------------------------------|-------------|
| 6,341,075   | 1,696,233                    | 9,645,252               | 71,192,516                   | 3,135,072       | 3,427,201                         | 789,014                           | 159,812,823 |
| 791,079   | 508,141                      | 960,129                 | 13,240,398                   | 2,633,837       | 16,703,828                        | 4,857,717                         | 50,540,751  |
| (110,224)   | (16,060)                     | (865,901)               | (1,445,594)                  | (31,109)        | –                                 | –                                 | (2,796,063) |
| (20,366)  | (100,033)                    | –                       | (237,382)                    | (794,697)       | –                                 | –                                 | (1,352,741) |
| (51,624)  | –                            | –                       | 488,918                      | 1,537           | (2,899,960)                       | (438,831)                         | –           |
| (48,207)  | 13,823                       | (17,015)                | (746,161)                    | 33,448          | 43,099                            | (4,435)                           | (1,356,030) |
| 6,901,733   | 2,102,104                    | 9,722,465               | 82,492,695                   | 4,978,088       | 17,274,168                        | 5,203,465                         | 204,848,740 |
| 955,329   | 574,310                      | 1,043,273               | 4,110,022                    | 349,469         | 10,114,300                        | 18,843,798                        | 44,878,832  |
| (4,116)   | (144,210)                    | (240,716)               | (1,734,739)                  | –               | –                                 | –                                 | (2,123,781) |
| 306,703   | –                            | –                       | 1,796,607                    | –               | (11,158,208)                      | (6,783,129)                       | –           |
| (145,798)   | (222,959)                    | (118,709)               | (1,564,044)                  | (448,178)       | –                                 | –                                 | (2,558,268) |
| (57,926)  | 638                          | (84,197)                | (1,558,315)                  | 1,416           | (354,831)                         | (457,689)                         | (3,789,321) |
| 7,955,925   | 2,309,883                    | 10,322,116              | 83,542,226                   | 4,880,795       | 15,875,429                        | 16,806,445                        | 241,256,202 |
| 3,772,712   | 1,250,174                    | 4,953,692               | 44,614,357                   | 2,474,907       | –                                 | –                                 | 84,506,347  |
| 605,188   | 107,885                      | 1,023,539               | 4,358,325                    | 346,968         | –                                 | –                                 | 8,742,701   |
| (109,759)   | (16,060)                     | (742,915)               | (1,115,902)                  | (31,110)        | –                                 | –                                 | (2,342,921) |
| –   | –                            | –                       | 195,060                      | –               | –                                 | –                                 | 195,060     |
| (27,060)  | –                            | –                       | 25,992                       | 1,068           | –                                 | –                                 | –           |
| (12,870)  | (92,000)                     | –                       | (213,182)                    | (710,986)       | –                                 | –                                 | (1,229,301) |
| (38,357)  | 11,615                       | (4,270)                 | (381,390)                    | 11,618          | –                                 | –                                 | (604,726)   |
| 4,189,854   | 1,261,614                    | 5,230,046               | 47,483,260                   | 2,092,465       | –                                 | –                                 | 89,267,160  |
| 638,210   | 172,167                      | 1,027,728               | 5,014,267                    | 518,881         | –                                 | –                                 | 9,992,942   |
| (1,208)   | (132,381)                    | (223,829)               | (1,447,717)                  | –               | –                                 | –                                 | (1,805,135) |
| 57,605  | –                            | 33,417                  | 646,699                      | –               | –                                 | –                                 | 737,721     |
| 10,600  | –                            | –                       | –                            | –               | –                                 | –                                 | –           |
| (132,522)   | (205,129)                    | (22,753)                | (1,479,473)                  | (448,176)       | –                                 | –                                 | (2,346,633) |
| (42,298)  | 408                          | (40,039)                | (901,584)                    | (1,330)         | –                                 | –                                 | (1,457,432) |
| 4,720,241   | 1,096,679                    | 6,004,570               | 49,315,452                   | 2,161,840       | –                                 | –                                 | 94,388,623  |
| 2,568,363   | 446,059                      | 4,691,560               | 26,578,159                   | 660,165         | 3,427,201                         | 789,014                           | 75,306,476  |
| 2,711,879   | 840,490                      | 4,492,419               | 35,009,435                   | 2,885,623       | 17,274,168                        | 5,203,465                         | 115,581,580 |
| 3,235,684   | 1,213,204                    | 4,317,546               | 34,226,774                   | 2,718,955       | 15,875,429                        | 16,806,445                        | 146,867,579 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Company                          | Leasehold<br>buildings<br>\$ | Leasehold<br>improvements<br>\$ | Renovations<br>\$ | Furniture,<br>fittings<br>and office<br>equipment<br>\$ |
|----------------------------------|------------------------------|---------------------------------|-------------------|---|
| <b>Cost</b>                      |                              |                                 |                   |   |
| At 1 January 2017                | 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   |
| Additions                        | 8,430,698                    | –                               | 8,200             | 271,858   |
| Disposals                        | –                            | –                               | –                 | (2,899)   |
| Reclassification                 | 11,345,706                   | –                               | –                 | –   |
| Write-offs                       | –                            | –                               | –                 | –   |
| At 31 December 2018              | 38,912,642                   | 5,950,441                       | 4,087,622         | 1,157,759   |
| <b>Accumulated depreciation</b>  |                              |                                 |                   |   |
| At 1 January 2017                | 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   |
| Depreciation charge for the year | 531,216                      | 146,969                         | 71,837            | 25,793  |
| Disposals                        | –                            | –                               | –                 | (1,208)   |
| Write-offs                       | –                            | –                               | –                 | –   |
| At 31 December 2018              | 5,788,783                    | 2,216,773                       | 3,885,489         | 857,014   |
| <b>Carrying amounts</b>          |                              |                                 |                   |   |
| At 1 January 2017                | 572,625                      | 4,101,933                       | 248,923           | 68,688  |
| At 31 December 2017              | 13,878,671                   | 3,880,637                       | 265,770           | 56,371  |
| At 31 December 2018              | 33,123,859                   | 3,733,668                       | 202,133           | 300,745   |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| Warehouse<br>equipment<br>\$ | Motor<br>vehicles<br>\$ | Plant and<br>machinery<br>\$ | Computers<br>\$ | Construction<br>in progress<br>\$ | Total<br>\$ |
|------------------------------|-------------------------|------------------------------|-----------------|-----------------------------------|-------------|
| 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  |
| 90,500                       | 32,339                  | -                            | 320,000         | -                                 | 9,153,595   |
| (131,085)                    | -                       | (179,000)                    | -               | -                                 | (312,984)   |
| -                            | -                       | -                            | -               | (11,345,706)                      | -           |
| (162,121)                    | -                       | (460)                        | (1,495)         | -                                 | (164,076)   |
| 388,420                      | 686,478                 | 115,999                      | 1,902,648       | -                                 | 53,202,009  |
| 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  |
| 21,759                       | 66,155                  | 10,731                       | 174,625         | -                                 | 1,049,085   |
| (119,257)                    | -                       | (160,927)                    | -               | -                                 | (281,392)   |
| (161,115)                    | -                       | (459)                        | (1,494)         | -                                 | (163,068)   |
| 261,785                      | 514,464                 | 86,866                       | 1,050,425       | -                                 | 14,661,599  |
| 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  |
| 126,635                      | 172,014                 | 29,133                       | 852,223         | -                                 | 38,540,410  |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the Group acquired property, plant and equipment with an aggregate cost of \$44,878,832 (2017: \$50,540,751; 1 Jan 2017: \$13,545,492). At 31 December 2018, \$1,044,069 (2017: \$654,819; 1 Jan 2017: \$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 \$75,831 (2017: \$166,828; 1 Jan 2017: \$257,825), which are under finance lease (note 19).

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

|                          | 2018<br>\$        | Group<br>2017<br>\$ | 1 Jan 2017<br>\$ |
|--------------------------|-------------------|---------------------|------------------|
| <b>Carrying amounts</b>  |                   |                     |                  |
| Leasehold buildings      | <b>22,446,074</b> | 19,968,317          | 21,684,844       |
| Plant and machinery      | <b>1,729,342</b>  | 3,400,309           | 1,744,370        |
| Construction in progress | <b>11,122,714</b> | –                   | –                |
| Installation in progress | <b>13,828,240</b> | –                   | –                |
|                          | <b>49,126,370</b> | 23,368,626          | 23,429,214       |

### Impairment of property, plant and equipment

In 2018, 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 \$737,721 arising from the obsolescence of equipment.

The recoverable amounts of the property, plant and equipment is determined using its value-in-use or its fair value less costs of disposal. Cash flow projections used in these calculations were over a period of 5 to 15 years (2017: 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 or marginally profitable 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Impairment of property, plant and equipment (Continued)

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

|                              | 2018<br>% | 2017<br>% |
|------------------------------|-----------|-----------|
| <i>Revenue growth rate</i>   |           |           |
| Singapore                    | 4         | 1 – 6     |
| People's Republic of China   | 6 – 13    | -15 – 7   |
| <i>Pre-tax discount rate</i> |           |           |
| Singapore                    | 12        | 15        |
| People's Republic of China   | 16 – 17   | 16 – 18   |

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 plant and machinery from which appropriate deductions may then be made for the age, condition, economic or functional obsolescence and environmental factors.                      |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 5. INTANGIBLE ASSETS

|  | Goodwill<br>\$ | Trademarks<br>\$ | Club<br>Membership<br>\$ | Total<br>\$ |
|--|----------------|------------------|--------------------------|-------------|
| <b>Group</b>                           |                |                  |                          |             |
| Cost                                   |                |                  |                          |             |
| At 1 January 2017                      | 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   |
| Effect of movements in exchange rates  | (32,102)       | –                | –                        | (32,102)    |
| Write off during the year*             | –              | (363,050)        | –                        | (363,050)   |
| Reclassification                       | –              | –                | 95,000                   | 95,000      |
| At 31 December 2018                    | 1,083,411      | –                | 95,000                   | 1,178,411   |
| <b>Accumulated amortisation</b>        |                |                  |                          |             |
| At 1 January 2017 and 31 December 2017 | –              | 363,050          | –                        | 363,050     |
| Amortisation                           | –              | –                | 3,000                    | 3,000       |
| Write off during the year*             | –              | (363,050)        | –                        | (363,050)   |
| Reclassification                       | –              | –                | 80,000                   | 80,000      |
| At 31 December 2018                    | –              | –                | 83,000                   | 83,000      |
| <b>Carrying amounts</b>                |                |                  |                          |             |
| At 1 January 2017                      | 1,134,334      | –                | –                        | 1,134,334   |
| At 31 December 2017                    | 1,115,513      | –                | –                        | 1,115,513   |
| At 31 December 2018                    | 1,083,411      | –                | 12,000                   | 1,095,411   |

\* Write off during the year relates to trademark that are historical balances brought forward and have been fully amortised with no impact on the financials.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 5. INTANGIBLE ASSETS (CONTINUED)

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

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

|                              | Group     |           |
|------------------------------|-----------|-----------|
|                              | 2018<br>% | 2017<br>% |
| <i>Revenue growth rate</i>   |           |           |
| Singapore                    | 4         | 1 – 6     |
| People's Republic of China   | 6 – 13    | -15 – 7   |
| <i>Pre-tax discount rate</i> |           |           |
| Singapore                    | 16        | 17        |
| People's Republic of China   | 19        | 19        |

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. 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             |            |
|---------------------------------------|-------------------|------------|
|                                       | 2018<br>\$        | 2017<br>\$ |
| <b>Cost</b>                           |                   |            |
| At 1 January                          | 8,043,962         | 960,915    |
| Additions                             | 2,952,322         | 7,337,199  |
| Effect of movements in exchange rates | 340,506           | (254,152)  |
| At 31 December                        | <b>11,336,790</b> | 8,043,962  |
| <b>Accumulated depreciation</b>       |                   |            |
| At 1 January                          | 223,846           | 190,558    |
| Depreciation charge for the year      | 46,735            | 28,893     |
| Effect of movements in exchange rates | 717               | 4,395      |
| At 31 December                        | <b>271,298</b>    | 223,846    |
| <b>Carrying amounts</b>               |                   |            |
| At 1 January                          | <b>7,820,116</b>  | 770,357    |
| At 31 December                        | <b>11,065,492</b> | 7,820,116  |
| <b>Fair value</b>                     |                   |            |
| At 31 December                        | <b>12,922,369</b> | 8,516,787  |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 6. INVESTMENT PROPERTIES (CONTINUED)

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

### 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 2018 and 31 December 2017 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 2018:

| 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

|                            | 2018<br>\$        | Company<br>2017<br>\$ | 1 Jan 2017<br>\$ |
|----------------------------|-------------------|-----------------------|------------------|
| Equity investments at cost | 46,718,051        | 46,718,051            | 46,718,051       |
| Impairment losses          | (6,717,264)       | (6,708,957)           | (6,649,192)      |
|                            | <b>40,000,787</b> | 40,009,094            | 40,068,859       |

In 2018, 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 \$8,307 (2017: \$59,765; 1 Jan 2017: \$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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 7. SUBSIDIARIES (CONTINUED)

Details of significant subsidiaries are as follows:

| Name of subsidiaries                               | Principal activities   | Country of incorporation | Effective equity interest held by the Group |           |                    |
|--|--|--------------------------|---|-----------|--------------------|
|  |  |                          | 2018<br>%                                   | 2017<br>% | 1 Jan<br>2017<br>% |
| <b>Held by the Company</b>                         |  |                          |   |           |                    |
| @ Topseller Pte Ltd                                | Marketing and sale of agency lines and proprietary brands                                  | Singapore                | 100   | 100       | 100                |
| @ Tipex Pte Ltd                                    | Supply of provisions and household products  | Singapore                | 74  | 74        | 74                 |
| ^ Socma Trading (M) Sendirian Berhad               | Marketing and sale of household and consumer products                                      | Malaysia                 | 100   | 100       | 100                |
| @ Fortune Food Manufacturing Pte Ltd               | Manufacture of soya bean products and noodles  | Singapore                | 100   | 100       | 100                |
| @ Tat Seng Packaging Group Ltd                     | Manufacture and sale of corrugated boards, corrugated cartons and other packaging products | Singapore                | 64  | 64        | 64                 |
| <b>Held by Topseller Pte Ltd:</b>                  |  |                          |   |           |                    |
| @ Coco & Frank Pte Ltd                             | Manufacture of bakery products and wholesale of confectionery and bakery products          | Singapore                | 92.5  | 92.5      | –                  |
| <b>Held by Tipex Pte Ltd:</b>                      |  |                          |   |           |                    |
| ^ Tips Industry (M) Sdn Bhd                        | Packaging and sale of paper products   | Malaysia                 | 74  | 74        | 74                 |
| <b>Held by Socma Trading (M) Sendirian Berhad:</b> |  |                          |   |           |                    |
| ^ Fresh Fruit Juice Manufacturing (M) Sdn Bhd.     | Manufacture of grass jelly products  | Malaysia                 | 100   | 100       | 100                |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 7. SUBSIDIARIES (CONTINUED)

| Name of subsidiaries                                      | Principal activities   | Country of incorporation   | Effective equity interest held by the Group |           |                    |
|---|--|----------------------------|---|-----------|--------------------|
|   |  |                            | 2018<br>%                                   | 2017<br>% | 1 Jan<br>2017<br>% |
| <b>Held by PSC Investment Pte Ltd:</b>                    |  |                            |   |           |                    |
| ∞ Guangzhou PSC Properties Co., Ltd                       | Property development, property holdings and property related activities                    | People's Republic of China | 100   | 100       | 100                |
| <b>Held by Guangzhou PSC Properties Co., Ltd:</b>         |  |                            |   |           |                    |
| α PSC (China) Property Co., Limited                       | Property development, property holdings and property related activities                    | Hong Kong                  | 100   | 100       | 100                |
| <b>Held by Tat Seng Packaging Group Ltd:</b>              |  |                            |   |           |                    |
| @ United Packaging Industries Pte Ltd                     | Manufacture and sale of corrugated boards, corrugated cartons and other packaging products | Singapore                  | 64  | 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        | 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      | 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      | 42.9               |
| <b>Held by Tat Seng Packaging (Suzhou) Co., Ltd:</b>      |  |                            |   |           |                    |
| ^ Nantong Hengcheng Paper Industry Co., Ltd               | Manufacture and sale of corrugated boards  | People's Republic of China | 44.8  | 44.8      | 44.8               |
| <b>Held by Nantong Hengcheng Paper Industry Co., Ltd:</b> |  |                            |   |           |                    |
| ^ Nantong Tat Seng Packaging Co., Ltd                     | Manufacture and sale of corrugated boards  | People's Republic of China | 44.8  | 44.8      | 44.8               |

@ Audited by KPMG LLP, Singapore.

^ Audited/limited review performed by other member firms of KPMG International.

∞ Audited by Moore Stephens CPA Limited.

α Audited by CWC CPA Limited.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 8. ASSOCIATES

|                          | Group       |             |             | Company     |             |             |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                          | 2018        | 2017        | 1 Jan 2017  | 2018        | 2017        | 1 Jan 2017  |
|                          | \$          | \$          | \$          | \$          | \$          | \$          |
| Investment in associates | 1,697,679   | 1,697,679   | 1,697,679   | 8,044,492   | 8,044,492   | 8,044,492   |
| Impairment losses        | (1,697,679) | (1,697,679) | (1,697,679) | (8,044,492) | (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 |      |            |             |      |            |
|---|--|----------------------------|------------------------------|------|------------|-------------|------|------------|
|   |  |                            | the Group                    |      |            | the Company |      |            |
|   |  |                            | 2018                         | 2017 | 1 Jan 2017 | 2018        | 2017 | 1 Jan 2017 |
|   |  |                            | %                            | %    | %          | %           | %    | %          |
| & China Worldbest Health Solutions Holding Co., Ltd | Inactive   | People's Republic of China | <b>31.3</b>                  | 31.3 | 31.3       | <b>31.3</b> | 31.3 | 31.3       |
| ∇ Health Solutions (S.E. Asia) Sdn Bhd              | Provision of healthcare consultancy and management services to the health industry | Malaysia                   | <b>28.5</b>                  | 28.5 | 28.5       | -           | -    | -          |
| ∇ HSI Philippines, Inc.                             | Dormant  | Philippines                | <b>38</b>                    | 38   | 38         | -           | -    | -          |
| & Longkou Luzhibei Preserved Fruit Company Limited  | Manufacture and distribution of preserved fruits                                   | People's Republic of China | <b>40</b>                    | 40   | 40         | -           | -    | -          |

& Not required to be audited by law of country of incorporation.

∇ Companies under voluntary liquidation.

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 2018. As such, the Group's interests in associates remained fully impaired at 31 December 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 9. OTHER FINANCIAL ASSETS

|  | 2018             | Group<br>2017 | 1 Jan 2017 | 2018             | Company<br>2017 | 1 Jan 2017 |
|--|------------------|---------------|------------|------------------|-----------------|------------|
|  | \$               | \$            | \$         | \$               | \$              | \$         |
| <b>Non-current investments</b>           |                  |               |            |                  |                 |            |
| Equity investments – available-for-sale  | –                | 68,058        | 48,998     | –                | 68,058          | 48,998     |
| Equity investments – at FVOCI            | <b>63,079</b>    | –             | –          | <b>63,079</b>    | –               | –          |
|  | <b>63,079</b>    | 68,058        | 48,998     | <b>63,079</b>    | 68,058          | 48,998     |
| <b>Current investments</b>               |                  |               |            |                  |                 |            |
| Equity investments – designated at FVTPL | <b>2,496,412</b> | 1,998,320     | 2,040,998  | <b>2,496,412</b> | 1,998,320       | 2,040,998  |
| Financial derivatives assets             | –                | –             | 1,949      | –                | –               | –          |
|  | <b>2,496,412</b> | 1,998,320     | 2,042,947  | <b>2,496,412</b> | 1,998,320       | 2,040,998  |

### Equity investments designated as at FVOCI

At 1 January 2018, the Group designated the investments shown below as equity investments as at FVOCI because these equity investments represent investments that the Group intends to hold for the long-term for strategic purposes. In 2017, these investments were classified as available-for-sale.

|                                       | Fair value at<br>31 Dec 2018 | Dividend income<br>recognised<br>during 2018 |
|---------------------------------------|------------------------------|--|
| Investment in a financial institution | 63,079                       | 2,288  |

No strategic investments were disposed of during 2018, and there were no transfers of any cumulative gain or loss within equity relating to these investments.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 10. DEFERRED TAX ASSETS AND LIABILITIES

Movements in temporary differences during the year are as follows:

|                                 | At<br>1 January<br>2017<br>\$ | Recognised<br>in profit or<br>loss (note 27)<br>\$ | Effect of<br>movements<br>in exchange<br>rates<br>\$ | At<br>31 December<br>2017<br>\$ | Recognised<br>in profit or<br>loss<br>(note 27)<br>\$ | Effect of<br>movements<br>in exchange<br>rates<br>\$ | At<br>31 December<br>2018<br>\$ |
|---------------------------------|-------------------------------|--|--|---------------------------------|---|--|---------------------------------|
| <b>Group</b>                    |                               |  |  |                                 |   |  |                                 |
| <b>Deferred tax assets</b>      |                               |  |  |                                 |   |  |                                 |
| Property, plant and equipment   | 617,407                       | (82,435)   | –  | 534,972                         | 177,217   | –  | <b>712,189</b>                  |
| Trade and other receivables     | 204,929                       | 263,929  | 49   | 468,907                         | (280,064)   | (66)   | <b>188,777</b>                  |
| Tax value of loss carry forward | 965,014                       | 669,338  | –  | 1,634,352                       | 196,576   | –  | <b>1,830,928</b>                |
| Trade and other payables        | 1,036,156                     | (127,889)  | 623  | 908,890                         | 253,327   | (46)   | <b>1,162,171</b>                |
| Other items                     | –                             | 4,178  | 105  | 4,283                           | (4,347)   | 64   | –                               |
| <b>Total</b>                    | <b>2,823,506</b>              | <b>727,121</b>                                     | <b>777</b>   | <b>3,551,404</b>                | <b>342,709</b>  | <b>(48)</b>  | <b>3,894,065</b>                |
| <b>Deferred tax liabilities</b> |                               |  |  |                                 |   |  |                                 |
| Property, plant and equipment   | (1,092,315)                   | (110,575)  | (12,207)   | (1,215,097)                     | 140,295   | 1,942  | <b>(1,072,860)</b>              |
| Other items                     | (1,328,176)                   | (352,018)  | (3,635)  | (1,683,829)                     | 24,666  | (497)  | <b>(1,659,660)</b>              |
| <b>Total</b>                    | <b>(2,420,491)</b>            | <b>(462,593)</b>                                   | <b>(15,842)</b>                                      | <b>(2,898,926)</b>              | <b>164,961</b>  | <b>1,445</b>   | <b>(2,732,520)</b>              |

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

|                          | 2018<br>\$         | Group<br>2017<br>\$ | 1 Jan 2017<br>\$ | 2018<br>\$ | Company<br>2017<br>\$ | 1 Jan 2017<br>\$ |
|--------------------------|--------------------|---------------------|------------------|------------|-----------------------|------------------|
| Deferred tax assets      | <b>3,849,215</b>   | 3,512,066           | 3,170,565        | –          | –                     | –                |
| Deferred tax liabilities | <b>(2,687,670)</b> | (2,859,588)         | (2,767,550)      | –          | –                     | –                |

### Unrecognised deferred tax assets

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

|                                  | 2018<br>\$        | Group<br>2017<br>\$ | 1 Jan 2017<br>\$  |
|----------------------------------|-------------------|---------------------|-------------------|
| Tax losses                       | <b>26,918,842</b> | 30,196,959          | 28,815,393        |
| Capital allowances               | <b>462,802</b>    | 1,731,918           | 253,706           |
| Deductible temporary differences | <b>748,581</b>    | 1,181,512           | 1,032,835         |
| <b>Total</b>                     | <b>28,130,225</b> | <b>33,110,389</b>   | <b>30,101,934</b> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 10. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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 \$7,685,156 (2017: \$8,521,609; 1 Jan 2017: \$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.

As at 31 December 2018, deferred tax liability for temporary differences of \$47,416,631 (2017: \$34,946,131; 1 Jan 2017: \$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    |            |                  |
|-------------------|-------------------|------------|------------------|------------|------------|------------------|
|                   | 2018<br>\$        | 2017<br>\$ | 1 Jan 2017<br>\$ | 2018<br>\$ | 2017<br>\$ | 1 Jan 2017<br>\$ |
| Finished goods:   |                   |            |                  |            |            |                  |
| – at cost         | <b>20,994,513</b> | 19,901,646 | 18,269,771       | –          | –          | 258,144          |
| Packing materials | <b>830,841</b>    | 716,113    | 714,676          | –          | –          | –                |
| Raw materials     | <b>27,764,552</b> | 26,631,640 | 19,631,560       | –          | –          | –                |
| Work-in-progress  | <b>465,053</b>    | 478,085    | 496,546          | –          | –          | –                |
|                   | <b>50,054,959</b> | 47,727,484 | 39,112,553       | –          | –          | 258,144          |

In 2018, inventories of the Group amounting to \$396,147,868 (2017: \$356,056,535; 1 Jan 2017: \$301,697,777) were recognised as an expense during the period and included in cost of sales.

In 2018, the Group recognised a write-back for inventory obsolescence of \$231,789 (2017: allowance for inventory obsolescence of \$723,162; 1 Jan 2017: write-back for inventory obsolescence of \$661,606) and wrote off inventories amounting to \$195,465 (2017: \$425,179; 1 Jan 2017: \$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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 12. TRADE AND OTHER RECEIVABLES

| Note                        | Group              |             |                  | Company           |                   |                  |
|-----------------------------|--------------------|-------------|------------------|-------------------|-------------------|------------------|
|                             | 2018<br>\$         | 2017<br>\$  | 1 Jan 2017<br>\$ | 2018<br>\$        | 2017<br>\$        | 1 Jan 2017<br>\$ |
| Trade receivables           | <b>152,934,992</b> | 161,304,209 | 129,619,988      | –                 | –                 | 1,780,964        |
| Impairment losses           | <b>(1,543,028)</b> | (3,006,201) | (3,440,820)      | –                 | –                 | (19,366)         |
| Net trade receivables       | <b>151,391,964</b> | 158,298,008 | 126,179,168      | –                 | –                 | 1,761,598        |
| Deposits                    | <b>1,038,870</b>   | 1,363,783   | 5,090,276        | <b>62,824</b>     | 52,775            | 15,789           |
| Non-trade receivables       | <b>11,196,297</b>  | 13,089,723  | 14,935,926       | <b>542,535</b>    | 1,118,114         | 2,258,777        |
| Impairment losses           | <b>(9,475,709)</b> | (8,695,945) | (8,617,818)      | –                 | –                 | –                |
| Net non-trade receivables   | <b>1,720,588</b>   | 4,393,778   | 6,318,108        | <b>542,535</b>    | 1,118,114         | 2,258,777        |
| Amounts due from:           |                    |             |                  |                   |                   |                  |
| – subsidiaries              | 13                 | –           | –                | –                 | <b>47,180,302</b> | 44,587,645       |
| Trade and other receivables | <b>154,151,422</b> | 164,055,569 | 137,587,552      | <b>47,785,661</b> | 45,758,534        | 47,857,344       |
| Advance to suppliers        | <b>3,845,271</b>   | 3,190,871   | 2,350,108        | –                 | –                 | –                |
| Tax recoverable             | <b>609,766</b>     | 652,710     | 513,856          | –                 | –                 | –                |
| Prepayments                 | <b>902,261</b>     | 641,803     | 957,500          | <b>22,465</b>     | 26,163            | 43,824           |
|                             | <b>159,508,720</b> | 168,540,953 | 141,409,016      | <b>47,808,126</b> | 45,784,697        | 47,901,168       |

## 13. AMOUNTS DUE FROM SUBSIDIARIES

|                              | 2018<br>\$          | Company<br>2017<br>\$ | 1 Jan 2017<br>\$ |
|------------------------------|---------------------|-----------------------|------------------|
| <b>Interest bearing loan</b> | <b>10,325,607</b>   | –                     | –                |
| Current accounts:            |                     |                       |                  |
| – trade                      | –                   | 2,297,962             | 2,243,507        |
| – impairment losses          | –                   | (2,278,712)           | (2,243,507)      |
|                              | –                   | 19,250                | –                |
| – non-trade                  | <b>58,021,620</b>   | 67,190,290            | 66,672,463       |
| – impairment losses          | <b>(21,166,925)</b> | (22,621,895)          | (22,851,283)     |
|                              | <b>36,854,695</b>   | 44,568,395            | 43,821,180       |
|                              | <b>47,180,302</b>   | 44,587,645            | 43,821,180       |

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

The Company recorded an impairment loss of \$1,343,611 (2017: reversal of impairment loss \$194,183; 1 Jan 2017: an impairment loss of \$166,769) during the year and wrote-off an amount due from a subsidiary amounting to \$5,077,293 (2017: \$Nil; 1 Jan 2017: \$Nil). The impairment loss, reversal of impairment loss and write-off in 2018 and 2017 respectively were included in other expenses.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 14. AMOUNTS DUE FROM ASSOCIATES

|                   | 2018                | Group<br>2017 | 1 Jan 2017   | 2018               | Company<br>2017 | 1 Jan 2017  |
|-------------------|---------------------|---------------|--------------|--------------------|-----------------|-------------|
|                   | \$                  | \$            | \$           | \$                 | \$              | \$          |
| Non-trade         | <b>10,983,121</b>   | 10,972,447    | 10,805,429   | <b>1,422,193</b>   | 1,422,193       | 1,422,193   |
| Impairment losses | <b>(10,983,121)</b> | (10,972,447)  | (10,805,429) | <b>(1,422,193)</b> | (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 (2017: \$Nil; 1 Jan 2017: \$71,250) during the year. The movement in the balances during the current year also included exchange adjustments.

## 15. CASH AND CASH EQUIVALENTS

|  | 2018                | Group<br>2017 | 1 Jan 2017  | 2018              | Company<br>2017 | 1 Jan 2017  |
|--|---------------------|---------------|-------------|-------------------|-----------------|-------------|
|  | \$                  | \$            | \$          | \$                | \$              | \$          |
| Cash at bank and in hand   | <b>71,530,577</b>   | 51,678,119    | 56,651,919  | <b>3,709,858</b>  | 3,491,915       | 2,477,396   |
| Fixed deposits with banks  | <b>80,870,943</b>   | 96,234,380    | 118,737,282 | <b>79,520,710</b> | 83,323,418      | 102,590,478 |
| Cash and cash equivalents<br>in the statement of<br>financial position | <b>152,401,520</b>  | 147,912,499   | 175,389,201 | <b>83,230,568</b> | 86,815,333      | 105,067,874 |
| Deposits pledged   | <b>(11,002,583)</b> | (12,892,660)  | (4,501,839) | -                 | -               | -           |
| Cash and cash equivalents<br>in the statement of cash<br>flows         | <b>141,398,937</b>  | 135,019,839   | 170,887,362 | <b>83,230,568</b> | 86,815,333      | 105,067,874 |

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

## 16. ASSET HELD FOR SALE

|                 | 2018              | Group<br>2017 | 1 Jan 2017 | 2018 | Company<br>2017 | 1 Jan 2017 |
|-----------------|-------------------|---------------|------------|------|-----------------|------------|
|                 | \$                | \$            | \$         | \$   | \$              | \$         |
| Carrying amount | <b>44,730,268</b> | 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 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.

In March 2019, the Group received a further payment of \$383,680, (HKD2,200,000) from the Buyer as further consideration for the sale of Million Cube. The total non-refundable partial consideration received to date is \$35,263,680 (HKD202,200,000). Management is working closely with the Buyer to finalise the sale and collect the remaining consideration.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 17. CAPITAL AND RESERVES

### Share capital

|                                       | 2018<br>No. of shares | 2017<br>No. of shares |
|---------------------------------------|-----------------------|-----------------------|
| <b>Group and Company</b>              |                       |                       |
| In issue at 1 January and 31 December | <b>570,996,746</b>    | 570,996,746           |

At 31 December 2018, the Company held 17,581,000 (2017: 17,581,000; 1 Jan 2017: 17,581,000) of its own uncanceled shares.

The total number of issued shares excluding treasury shares as at the end of the year ended 31 December 2018 was 553,415,746 (2017: 553,415,746; 1 Jan 2017: 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.

### Reserves

|  | 2018<br>\$         | Group<br>2017<br>\$ | 1 Jan 2017<br>\$ | 2018<br>\$         | Company<br>2017<br>\$ | 1 Jan 2017<br>\$ |
|--|--------------------|---------------------|------------------|--------------------|-----------------------|------------------|
| Other reserves                             | <b>11,544,509</b>  | 10,667,773          | 7,815,707        | <b>490,913</b>     | 490,913               | 490,913          |
| Fair value reserve                         | <b>45,362</b>      | 51,448              | 32,391           | <b>45,362</b>      | 51,448                | 32,387           |
| Translation reserve                        | <b>(3,188,409)</b> | (3,938,341)         | -                | -                  | -                     | -                |
| Hedging reserve                            | <b>(6,306)</b>     | (17,305)            | 3,441            | -                  | -                     | -                |
| Retained earnings/<br>(Accumulated losses) | <b>78,972,440</b>  | 71,212,353          | 62,608,561       | <b>(1,899,321)</b> | (10,154,146)          | (9,081,287)      |
|  | <b>87,367,596</b>  | 77,975,928          | 70,460,100       | <b>(1,363,046)</b> | (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 2018, the statutory reserve included in other reserves is \$10,772,262 (2017: \$9,600,943; 1 Jan 2017: \$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 equity investments designated at FVOCI (2017: available-for-sale financial assets) until the assets are derecognised or reclassified.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 17. CAPITAL AND RESERVES (CONTINUED)

### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### 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 |           |            |
|--|-------------------|-----------|------------|
|  | 2018              | 2017      | 1 Jan 2017 |
|  | \$                | \$        | \$         |
| First and Final tax-exempt dividend paid of 0.0025 cents (2017: 0.005; 1 Jan 2017: Nil) per share in respect of financial year ended 31 December 2017 (2017: in respect of financial year ended 31 December 2016; 1 Jan 2017: in respect of financial year ended 31 December 2015) | <b>1,383,545</b>  | 2,767,081 | –          |

#### Paid by subsidiaries to non-controlling interests

|   | 2018             | Group 2017 | 1 Jan 2017 |
|---|------------------|------------|------------|
|   | \$               | \$         | \$         |
| Final tax-exempt dividend paid of \$2.50 (2017: 4.92 cents; 1 Jan 2017: 4.92 cents) per share in respect of financial year ended 31 December 2017 (2017: in respect of financial year ended 31 December 2016; 1 Jan 2017: in respect of financial year ended 31 December 2015)    | <b>1,950,000</b> | 38,376     | 38,376     |
| Final tax-exempt dividend paid of 2.00 cents (2017: 2.00 cents; 1 Jan 2017: 1.00 cent) per share in respect of financial year ended 31 December 2017 (2017: in respect of financial year ended 31 December 2016; 1 Jan 2017: in respect of financial year ended 31 December 2015) | <b>1,133,339</b> | 1,133,418  | 566,710    |
| Special tax-exempt dividend paid of 0 cent (2017: 1.00 cent; 1 Jan 2017: 1.00 cent) per share in respect of financial year ended 31 December 2017 (2017: in respect of financial year ended 31 December 2016)   | –                | 566,709    | 566,710    |
| Interim tax-exempt dividend paid of 1.00 cent (2017: 1.00 cent; 1 Jan 2017: 1.00 cent) per share in respect of financial year ended 31 December 2018 (2017: in respect of financial year ended 31 December 2017; 1 Jan 2017: in respect of financial year ended 31 December 2016) | <b>566,669</b>   | 566,709    | 566,710    |
|   | <b>3,650,008</b> | 2,305,212  | 1,738,506  |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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 SFRS(I).

|  | <b>Tat Seng<br/>Packaging<br/>Group Ltd and<br/>its subsidiaries</b> | <b>Tipex Pte<br/>Ltd and its<br/>subsidiaries</b> | <b>Other<br/>individually<br/>immaterial<br/>subsidiaries</b> | <b>Consolidation<br/>adjustments</b> | <b>Total</b>      |
|--|--|---|---|--------------------------------------|-------------------|
|  | \$   | \$  | \$  | \$                                   | \$                |
| <b>31 December 2018</b>  |  |   |   |                                      |                   |
| Revenue  | 333,325,488  | 27,190,848  | 437,486   |                                      |                   |
| Profit/(loss)  | 21,129,463   | 596,700   | (1,078,875)   |                                      |                   |
| OCI  | (3,378,970)  | 8,186   | (9,928)   |                                      |                   |
| <b>Total comprehensive income/<br/>(loss)</b>                                    | <b>17,750,493</b>  | <b>604,886</b>                                    | <b>(1,088,803)</b>  |                                      |                   |
| Attributable to NCI:   |  |   |   |                                      |                   |
| – Profit/(loss)  | 8,763,105  | 155,142   | (80,898)  | (43,994)                             | 8,793,355         |
| – OCI  | (1,643,750)  | 2,128   | (496)   | (35,453)                             | (1,677,571)       |
| <b>– Total comprehensive income/<br/>(loss)</b>                                  | <b>7,119,355</b>   | <b>157,270</b>                                    | <b>(81,394)</b>   | <b>(79,447)</b>                      | <b>7,115,784</b>  |
| Non-current assets   | 91,084,006   | 7,707,610   |   |                                      |                   |
| Current assets   | 211,959,918  | 14,477,654  |   |                                      |                   |
| Non-current liabilities  | (21,454,543)   | (184,785)   |   |                                      |                   |
| Current liabilities  | (142,815,104)  | (3,260,089)                                       |   |                                      |                   |
| <b>Net assets</b>  | <b>138,774,277</b>   | <b>18,740,390</b>                                 |   |                                      |                   |
| <b>Net assets/(liabilities)<br/>attributable to NCI</b>                          | <b>56,505,518</b>  | <b>4,872,501</b>                                  | <b>(265,771)</b>  | <b>841,085</b>                       | <b>61,953,333</b> |
| Cash flows from/(used in)<br>operating activities                                | 27,671,122   | (57,501)  |   |                                      |                   |
| Cash flows used in investing<br>activities                                       | (29,866,759)   | (3,443,377)                                       |   |                                      |                   |
| Cash flows from/(used in)<br>financing activities (dividends to<br>NCI: note 17) | 24,839,895   | (7,500,000)                                       |   |                                      |                   |
| Net increase/(decrease) in cash<br>and cash equivalents                          | <b>22,644,258</b>  | <b>(11,000,878)</b>                               |   |                                      |                   |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 18. NON-CONTROLLING INTERESTS (CONTINUED)

|  | Tat Seng<br>Packaging<br>Group Ltd and<br>its subsidiaries<br>\$ | Tipex Pte<br>Ltd and its<br>subsidiaries<br>\$ | Other<br>individually<br>immaterial<br>subsidiaries<br>\$ | Consolidation<br>adjustments<br>\$ | Total<br>\$       |
|--|--|--|---|------------------------------------|-------------------|
| <b>31 December 2017</b>  |  |  |   |                                    |                   |
| 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)   |                                    |                   |
| <b>Total comprehensive income/<br/>(loss)</b>                                    | <b>21,049,784</b>  | <b>1,245,774</b>                               | <b>(571,217)</b>  |                                    |                   |
| 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)         |
| <b>– Total comprehensive income/<br/>(loss)</b>                                  | <b>8,761,807</b>   | <b>323,901</b>                                 | <b>(34,164)</b>   | <b>(62,093)</b>                    | <b>8,989,451</b>  |
| 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)                                    |   |                                    |                   |
| <b>Net assets</b>  | <b>125,975,082</b>   | <b>25,635,505</b>                              |   |                                    |                   |
| <b>Net assets/(liabilities)<br/>attributable to NCI</b>                          | <b>51,086,223</b>  | <b>6,665,231</b>                               | <b>(184,376)</b>  | <b>920,479</b>                     | <b>58,487,557</b> |
| Cash flows used in operating<br>activities                                       | (7,088,633)  | (94,742)                                       |   |                                    |                   |
| Cash flows used in investing<br>activities                                       | (16,059,404)   | (1,759,781)                                    |   |                                    |                   |
| Cash flows from/(used in)<br>financing activities (dividends to<br>NCI: note 17) | 9,899,913  | (147,600)                                      |   |                                    |                   |
| <b>Net decrease in cash and cash<br/>equivalents</b>                             | <b>(13,248,124)</b>  | <b>(2,002,123)</b>                             |   |                                    |                   |
| <b>1 January 2017</b>  |  |  |   |                                    |                   |
| 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)                                    |   |                                    |                   |
| <b>Net assets</b>  | <b>111,441,722</b>   | <b>24,537,328</b>                              |   |                                    |                   |
| <b>Net assets/(liabilities)<br/>attributable to NCI</b>                          | <b>44,593,455</b>  | <b>6,379,705</b>                               | <b>(150,211)</b>  | <b>980,369</b>                     | <b>51,803,318</b> |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

|                                     | 2018<br>\$        | Group<br>2017<br>\$ | 1 Jan 2017<br>\$ |
|-------------------------------------|-------------------|---------------------|------------------|
| <b>Non-current liabilities</b>      |                   |                     |                  |
| Secured bank loans                  | 18,491,181        | –                   | 236,682          |
| Unsecured bank loans                | –                 | 208,101             | 1,074,412        |
| Finance lease liabilities           | –                 | 13,254              | 29,262           |
|                                     | <b>18,491,181</b> | 221,355             | 1,340,356        |
| <b>Current liabilities</b>          |                   |                     |                  |
| Secured bank loans                  | 8,046,761         | 14,067,541          | 6,904,929        |
| Unsecured bank loans                | 21,971,247        | 7,809,709           | 6,742,493        |
| Bills payable                       | 38,249,036        | 38,921,960          | 21,718,742       |
| Finance lease liabilities           | 13,254            | 16,008              | 16,008           |
| Loan from non-controlling interests | 397,390           | 409,246             | 416,197          |
|                                     | <b>68,677,688</b> | 61,224,464          | 35,798,369       |
| Total loans and borrowings          | <b>87,168,869</b> | 61,445,819          | 37,138,725       |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19. LOANS AND BORROWINGS (CONTINUED)

### Terms and debt repayment schedule

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

| Group   | Currency | Nominal interest rate % | Year of maturity | 2018              |                    | 2017          |                    | 1 Jan 2017    |                    |
|---|----------|-------------------------|------------------|-------------------|--------------------|---------------|--------------------|---------------|--------------------|
|   |          |                         |                  | Face value \$     | Carrying amount \$ | Face value \$ | Carrying amount \$ | Face value \$ | Carrying amount \$ |
| Bills payable (secured)                         | RMB      | -                       | 2019             | <b>38,249,036</b> | <b>38,249,036</b>  | -             | -                  | -             | -                  |
| 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             | <b>14,820</b>     | <b>13,254</b>      | 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             | <b>202,073</b>    | <b>202,073</b>     | 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 M (secured)                                | RMB      | 5.00                    | 2019             | <b>1,986,950</b>  | <b>1,986,950</b>   | -             | -                  | -             | -                  |
| Loan N (secured)                                | RMB      | 5.23                    | 2023             | <b>19,464,401</b> | <b>19,464,401</b>  | -             | -                  | -             | -                  |
| Loan O (secured)                                | RMB      | 4.79                    | 2019             | <b>5,086,591</b>  | <b>5,086,591</b>   | -             | -                  | -             | -                  |
| Loan P (unsecured)                              | RMB      | 4.87                    | 2019             | <b>4,607,056</b>  | <b>4,607,056</b>   | -             | -                  | -             | -                  |
| Loan Q (unsecured)                              | RMB      | 4.70                    | 2019             | <b>13,709,953</b> | <b>13,709,953</b>  | -             | -                  | -             | -                  |
| Loan R (unsecured)                              | RMB      | 4.79                    | 2019             | <b>2,539,322</b>  | <b>2,539,322</b>   | -             | -                  | -             | -                  |
| Loan S (unsecured)                              | RMB      | 5.00                    | 2019             | <b>912,843</b>    | <b>912,843</b>     | -             | -                  | -             | -                  |
| Loan from non-controlling interests (unsecured) | RMB      | 4.79                    | 2017             | <b>397,390</b>    | <b>397,390</b>     | 409,246       | 409,246            | 416,197       | 416,197            |
|   |          |                         |                  | <b>87,170,435</b> | <b>87,168,869</b>  | 61,449,209    | 61,445,819         | 37,144,151    | 37,138,725         |

- (i) Certain bills payable of the Group are (i) secured on bank deposits of \$11,002,583 (2017: \$12,892,660; 1 Jan 2017: \$4,501,839) (note 15).
- (ii) The secured bank loans and certain bills payable are secured on certain leasehold buildings, plant and machinery, construction in progress and installation in progress held by certain subsidiaries (see note 4).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19. LOANS AND BORROWINGS (CONTINUED)

### Finance lease liabilities

Finance lease liabilities are payable as follows:

|                            | Future minimum lease payments |              | Present value of minimum lease payments |               | Future minimum lease payments |               | Present value of minimum lease payments |              |
|----------------------------|-------------------------------|--------------|---|---------------|-------------------------------|---------------|---|--------------|
|                            | 2018                          | Interest     | 2018                                    | 2017          | 2017                          | 1 Jan 2017    | Interest                                | 1 Jan 2017   |
|                            | \$                            | \$           | \$                                      | \$            | \$                            | \$            | \$                                      | \$           |
| <b>Group</b>               |                               |              |   |               |                               |               |   |              |
| Within one year            | 14,820                        | 1,566        | 13,254                                  | 17,832        | 1,824                         | 16,008        | 17,832                                  | 1,824        |
| Between one and five years | -                             | -            | -                                       | 14,820        | 1,566                         | 13,254        | 32,864                                  | 3,602        |
|                            | <b>14,820</b>                 | <b>1,566</b> | <b>13,254</b>                           | <b>32,652</b> | <b>3,390</b>                  | <b>29,262</b> | <b>50,696</b>                           | <b>5,426</b> |

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

|  | Liabilities<br>Loans and<br>borrowings<br>\$ |
|--|--|
| <b>Balance at 1 January 2017</b>                       | 37,138,725                                   |
| <b>Changes from financing cash flows</b>               |  |
| Payment of finance lease liabilities                   | (16,008)                                     |
| Proceeds from loans and borrowings                     | 92,506,934                                   |
| Repayment of loans and borrowings                      | (67,624,907)                                 |
| Interest paid  | (1,093,316)                                  |
| <b>Total changes from financing cash flows</b>         | 23,772,703                                   |
| <b>The effect of changes in foreign exchange rates</b> | (600,367)                                    |
| Finance costs  | 1,134,758                                    |
| <b>Balance at 31 December 2017</b>                     | 61,445,819                                   |
| <b>Balance at 1 January 2018</b>                       | 61,445,819                                   |
| <b>Changes from financing cash flows</b>               |  |
| Payment of finance lease liabilities                   | (16,008)                                     |
| Proceeds from loans and borrowings                     | 145,771,726                                  |
| Repayment of loans and borrowings                      | (117,521,304)                                |
| Interest paid  | (1,489,959)                                  |
| <b>Total changes from financing cash flows</b>         | 26,744,455                                   |
| <b>The effect of changes in foreign exchange rates</b> | (2,510,305)                                  |
| Finance costs  | 1,488,900                                    |
| <b>Balance at 31 December 2018</b>                     | 87,168,869                                   |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 19. LOANS AND BORROWINGS (CONTINUED)

### Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees given by the Company to banks in respect of banking facilities amounting to \$3,277,620 (2017: \$3,273,546; 1 Jan 2017: \$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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (CONTINUED)

### Credit Risk (Continued)

#### 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 expected losses in respect of trade and other receivables.

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                           |                                       |            |                     |
|----------------------|-----------------------------------|---------------------------------------|-------------|---------------------|-----------------------------------|---------------------------------------|------------|---------------------|
|                      | 2018<br>Credit-<br>impaired<br>\$ | 2018<br>Not credit-<br>impaired<br>\$ | 2017<br>\$  | 1 Jan<br>2017<br>\$ | 2018<br>Credit-<br>impaired<br>\$ | 2018<br>Not credit-<br>impaired<br>\$ | 2017<br>\$ | 1 Jan<br>2017<br>\$ |
| Consumer<br>business | -                                 | <b>31,593,851</b>                     | 30,046,726  | 32,230,834          | -                                 | -                                     | 19,250     | 1,761,598           |
| Packaging            | -                                 | <b>121,341,141</b>                    | 128,251,282 | 93,948,334          | -                                 | -                                     | -          | -                   |
|                      | -                                 | <b>152,934,992</b>                    | 158,298,008 | 126,179,168         | -                                 | -                                     | 19,250     | 1,761,598           |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (CONTINUED)

### Credit Risk (Continued)

#### Trade and other receivables (Continued)

##### Impairment losses

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

|                         | Gross<br>2018<br>\$ | Impairment<br>2018<br>\$ | Gross<br>2017<br>\$ | Impairment<br>2017<br>\$ | Gross<br>1 Jan 2017<br>\$ | Impairment<br>1 Jan 2017<br>\$ |
|-------------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------------|--------------------------------|
| <b>Group</b>            |                     |                          |                     |                          |                           |                                |
| Not past due            | 126,947,098         | -                        | 141,416,035         | (2,508)                  | 112,313,178               | -                              |
| Past due 0 – 90 days    | 23,836,096          | (248)                    | 16,542,394          | (144,168)                | 13,319,460                | (8,081)                        |
| Past due 91 – 180 days  | 548,169             | (77,016)                 | 173,537             | (5,673)                  | 637,112                   | (156,839)                      |
| Past due 181 – 365 days | 263,142             | (148,268)                | 365,084             | (70,653)                 | 201,071                   | (126,736)                      |
| More than one year      | 1,340,487           | (1,317,496)              | 2,807,159           | (2,783,199)              | 3,149,167                 | (3,149,164)                    |
|                         | <b>152,934,992</b>  | <b>(1,543,028)</b>       | 161,304,209         | (3,006,201)              | 129,619,988               | (3,440,820)                    |
| <b>Company</b>          |                     |                          |                     |                          |                           |                                |
| 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)                    |

The following table provides information about the exposure to credit risk and ECLs for trade receivables for individual customers as at 31 December 2018:

|                         | Weighted<br>average loss<br>rate<br>% | Gross<br>carrying<br>amount<br>\$ | Impairment<br>loss allowance<br>\$ | Credit<br>impaired |
|-------------------------|---------------------------------------|-----------------------------------|------------------------------------|--------------------|
| <b>Group</b>            |                                       |                                   |                                    |                    |
| Current (not past due)  | -                                     | 126,947,098                       | -                                  | No                 |
| Past due 0 – 90 days    | 0.001%                                | 23,836,096                        | 248                                | No                 |
| Past due 91 – 180 days  | 14.04%                                | 548,169                           | 77,016                             | No                 |
| Past due 181 – 365 days | 56.34%                                | 263,142                           | 148,268                            | No                 |
| More than one year      | 98.28%                                | 1,340,487                         | 1,317,496                          | No                 |

Loss rates are based on actual credit loss experience over the past 3 years taking into consideration any potential defaults.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (CONTINUED)

### Credit Risk (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:

|   | <b>Group</b>     | <b>Company</b>   |
|---|------------------|------------------|
|   | <b>\$</b>        | <b>\$</b>        |
| At 1 January 2017 per FRS 39                      | 3,440,820        | 2,262,873        |
| Impairment loss recognised                        | –                | 34,624           |
| Impairment loss reversed                          | (64,750)         | –                |
| Effect of movements in exchange rates<br>Utilised | (15,185)         | –                |
|   | (354,684)        | (18,785)         |
| At 31 December 2017 per FRS 39                    | <b>3,006,201</b> | <b>2,278,712</b> |
|   | <b>Group</b>     | <b>Company</b>   |
|   | <b>ECL</b>       | <b>ECL</b>       |
|   | <b>\$</b>        | <b>\$</b>        |
| At 1 January 2018 per FRS 39                      | 3,006,201        | 2,278,712        |
| Adjustment on initial application of SFRS(I) 9    | –                | –                |
| At 1 January 2018 per SFRS(I) 9                   | 3,006,201        | 2,278,712        |
| Impairment loss recognised                        | 75,257           | –                |
| Impairment loss reversed                          | (178,007)        | –                |
| Effect of movements in exchange rates<br>Utilised | (12,855)         | –                |
|   | (1,347,568)      | (2,278,712)      |
| At 31 December 2018 per SFRS(I) 9                 | <b>1,543,028</b> | <b>–</b>         |

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:

|   | <b>Group</b>      | <b>Company</b>    |
|---|-------------------|-------------------|
|   | <b>\$</b>         | <b>\$</b>         |
| At 1 January 2017 per FRS 39                      | 19,423,247        | 24,273,476        |
| Impairment loss recognised                        | 455,064           | –                 |
| Impairment loss reversed                          | –                 | (229,388)         |
| Effect of movements in exchange rates<br>Utilised | (209,919)         | –                 |
| At 31 December 2017 per FRS 39                    | <b>19,668,392</b> | <b>24,044,088</b> |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (CONTINUED)

### Credit Risk (Continued)

#### Trade and other receivables (Continued)

##### Impairment losses (Continued)

|  | Group<br>Lifetime ECL<br>\$ | Company<br>Lifetime ECL<br>\$ |
|--|-----------------------------|-------------------------------|
| At 1 January 2018 per FRS 39                   | 19,668,392                  | 24,044,088                    |
| Adjustment on initial application of SFRS(I) 9 | –                           | –                             |
| At 1 January 2018 per SFRS(I) 9                | 19,668,392                  | 24,044,088                    |
| Impairment loss recognised                     | 665,416                     | –                             |
| Impairment loss reversed                       | –                           | (1,454,970)                   |
| Effect of movements in exchange rates          | 125,022                     | –                             |
| At 31 December 2018 per SFRS(I) 9              | <u>20,458,830</u>           | <u>22,589,118</u>             |

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.

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    |            |
|--------------------|---------------|------------|------------|------------|
|                    | 2018<br>\$    | 2017<br>\$ | 2018<br>\$ | 2017<br>\$ |
| Bankers' guarantee | <u>13,194</u> | 13,177     | –          | –          |

### 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.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (CONTINUED)

### Credit Risk (Continued)

#### *Investments (Continued)*

##### *Risk management policy (Continued)*

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

#### **Cash and cash equivalents**

The Group and the Company held cash and cash equivalents of \$152,401,520 and \$83,230,568 respectively at 31 December 2018 (2017: \$147,912,499 and \$86,815,333 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 B+ to AA-, based on rating agency S&P ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

#### **Bills receivables**

For bills receivables held by the Group, the ECL are considered immaterial after taking into consideration of past payment trend and all bill receivables are within credit term.

#### **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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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<br>amount<br>\$ | Contractual<br>cash flows<br>\$ | Within<br>1 year<br>\$ | Within 1 to<br>5 years<br>\$ |
|---|--------------------------|---------------------------------|------------------------|------------------------------|
| <b>Group</b>  |                          |                                 |                        |                              |
| <b>31 December 2018</b>   |                          |                                 |                        |                              |
| <b>Non-derivative financial liabilities</b>                     |                          |                                 |                        |                              |
| Variable rate loans   | 46,522,239               | (52,606,162)                    | (32,966,581)           | (19,639,581)                 |
| Fixed rate loans  | 1,986,950                | (2,082,807)                     | (2,082,807)            | –                            |
| Bills payable   | 38,249,036               | (38,249,036)                    | (38,249,036)           | –                            |
| Finance lease liabilities                                       | 13,254                   | (14,820)                        | (14,820)               | –                            |
| Loan from non-controlling interests                             | 397,390                  | (416,405)                       | (416,405)              | –                            |
| Trade and other payables*                                       | 95,328,035               | (95,328,035)                    | (95,328,035)           | –                            |
|   | <b>182,496,904</b>       | <b>(188,697,265)</b>            | <b>(169,057,684)</b>   | <b>(19,639,581)</b>          |
| <b>Derivative financial instruments</b>                         |                          |                                 |                        |                              |
| Forward exchange contracts used<br>for hedging (gross-settled): | 9,861                    |                                 |                        |                              |
| – Outflow   |                          | (1,040,418)                     | (1,040,418)            | –                            |
| – Inflow  |                          | 1,030,557                       | 1,030,557              | –                            |
|   | <b>9,861</b>             | <b>(9,861)</b>                  | <b>(9,861)</b>         | <b>–</b>                     |
| <b>31 December 2017</b>   |                          |                                 |                        |                              |
| <b>Non-derivative financial liabilities</b>                     |                          |                                 |                        |                              |
| 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)          | –                            |
|   | <b>162,509,369</b>       | <b>(163,285,339)</b>            | <b>(162,596,691)</b>   | <b>(688,648)</b>             |
| <b>Derivative financial instruments</b>                         |                          |                                 |                        |                              |
| Forward exchange contracts used<br>for hedging (gross-settled): | 27,060                   |                                 |                        |                              |
| – Outflow   |                          | (1,829,678)                     | (1,829,678)            | –                            |
| – Inflow  |                          | 1,802,618                       | 1,802,618              | –                            |
|   | <b>27,060</b>            | <b>(27,060)</b>                 | <b>(27,060)</b>        | <b>–</b>                     |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (CONTINUED)

### Liquidity risk (Continued)

*Exposure to liquidity risk (Continued)*

|   | Carrying<br>amount<br>\$ | Contractual<br>cash flows<br>\$ | Within<br>1 year<br>\$ | Within 1 to<br>5 years<br>\$ |
|---|--------------------------|---------------------------------|------------------------|------------------------------|
| <b>Group</b>  |                          |                                 |                        |                              |
| <b>1 January 2017</b>   |                          |                                 |                        |                              |
| <b>Non-derivative financial liabilities</b>                     |                          |                                 |                        |                              |
| 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)           | –                            |
|   | <b>130,199,998</b>       | <b>(131,004,081)</b>            | <b>(129,538,899)</b>   | <b>(1,465,182)</b>           |
| <b>Derivative financial instruments</b>                         |                          |                                 |                        |                              |
| Forward exchange contracts used<br>for hedging (gross-settled): | (1,949)                  |                                 |                        |                              |
| – Outflow   |                          | (778,429)                       | (778,429)              | –                            |
| – Inflow  |                          | 780,378                         | 780,378                | –                            |
|   | <b>(1,949)</b>           | <b>1,949</b>                    | <b>1,949</b>           | <b>–</b>                     |
| <b>Company</b>  |                          |                                 |                        |                              |
| <b>31 December 2018</b>   |                          |                                 |                        |                              |
| <b>Non-derivative financial liabilities</b>                     |                          |                                 |                        |                              |
| Trade and other payables  | 12,970,342               | (12,970,342)                    | (12,970,342)           | –                            |
| <b>31 December 2017</b>   |                          |                                 |                        |                              |
| <b>Non-derivative financial liabilities</b>                     |                          |                                 |                        |                              |
| Trade and other payables  | 14,213,494               | (14,213,494)                    | (14,213,494)           | –                            |
| <b>1 January 2017</b>   |                          |                                 |                        |                              |
| <b>Non-derivative financial liabilities</b>                     |                          |                                 |                        |                              |
| Trade and other payables  | 13,241,860               | (13,241,860)                    | (13,241,860)           | –                            |

\* Excludes derivatives and non-refundable partial payments of the consideration (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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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, United States dollar and Japanese Yen. 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<br>\$ | Hong Kong Dollar<br>\$ | Australian Dollar<br>\$ | Singapore Dollar<br>\$ | US Dollar<br>\$ | Japanese Yen<br>\$ | Other currencies<br>\$ |
|--|-------------------------|------------------------|-------------------------|------------------------|-----------------|--------------------|------------------------|
| <b>Group</b>                                 |                         |                        |                         |                        |                 |                    |                        |
| <b>31 December 2018</b>                      |                         |                        |                         |                        |                 |                    |                        |
| Other financial assets                       | -                       | 2,496,412              | -                       | -                      | -               | -                  | -                      |
| Trade and other receivables                  | 2,223,653               | 67,153                 | -                       | 13,784                 | 4,064,633       | 10,516,653         | 99,918                 |
| Cash and cash equivalents                    | 162,785                 | 123,368                | 9,775,195               | 213,283                | 10,984,845      | 3,371              | 61,766                 |
| Trade and other payables*                    | (1,347,056)             | -                      | (188,886)               | (8,218,758)            | (5,294,739)     | (117,775)          | (23,916)               |
| Net statement of financial position exposure | 1,039,382               | 2,686,933              | 9,586,309               | (7,991,691)            | 9,754,739       | 10,402,249         | 137,768                |
| Forward exchange contracts                   | -                       | -                      | -                       | -                      | 1,030,557       | -                  | -                      |
| Net exposure                                 | 1,039,382               | 2,686,933              | 9,586,309               | (7,991,691)            | 10,785,296      | 10,402,249         | 137,768                |
| <b>31 December 2017</b>                      |                         |                        |                         |                        |                 |                    |                        |
| 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      | 5,612              | 6,569                  |
| Trade and other payables*                    | (1,377,784)             | -                      | (111,934)               | (7,534,887)            | (5,798,818)     | (90,174)           | (65,467)               |
| Net statement of financial position exposure | 1,018,023               | 51,776,247             | 10,391,626              | (3,257,378)            | 9,217,891       | (84,562)           | 15,175                 |
| Forward exchange contracts                   | -                       | -                      | -                       | -                      | 1,802,618       | -                  | -                      |
| Net exposure                                 | 1,018,023               | 51,776,247             | 10,391,626              | (3,257,378)            | 11,020,509      | (84,562)           | 15,175                 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (CONTINUED)

### Currency risk (Continued)

*Exposure to currency risk (Continued)*

|   | Malaysian<br>Ringgit<br>\$ | Hong Kong<br>Dollar<br>\$ | Australian<br>Dollar<br>\$ | Singapore<br>Dollar<br>\$ | US<br>Dollar<br>\$ | Other<br>currencies<br>\$ |
|---|----------------------------|---------------------------|----------------------------|---------------------------|--------------------|---------------------------|
| <b>Group</b>                                    |                            |                           |                            |                           |                    |                           |
| <b>1 January 2017</b>                           |                            |                           |                            |                           |                    |                           |
| 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<br>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 partial payments of the consideration.

|                             | Malaysian<br>Ringgit<br>\$ | Hong Kong<br>Dollar<br>\$ | Australian<br>Dollar<br>\$ | US<br>Dollar<br>\$ | Japanese<br>Yen<br>\$ |
|-----------------------------|----------------------------|---------------------------|----------------------------|--------------------|-----------------------|
| <b>Company</b>              |                            |                           |                            |                    |                       |
| <b>31 December 2018</b>     |                            |                           |                            |                    |                       |
| Other financial assets      | -                          | 2,496,412                 | -                          | -                  | -                     |
| Trade and other receivables | 2,143,700                  | 67,153                    | -                          | -                  | -                     |
| Cash and cash equivalents   | 8,578                      | 123,368                   | 9,775,195                  | 1,906,740          | 3,371                 |
| Net exposure                | 2,152,278                  | 2,686,933                 | 9,775,195                  | 1,906,740          | 3,371                 |
| <b>31 December 2017</b>     |                            |                           |                            |                    |                       |
| 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                 |
| <b>1 January 2017</b>       |                            |                           |                            |                    |                       |
| 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (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 2017, as indicated below.

|                   | Group        |                      | Company      |                      |
|-------------------|--------------|----------------------|--------------|----------------------|
|                   | Equity<br>\$ | Profit or loss<br>\$ | Equity<br>\$ | Profit or loss<br>\$ |
| <b>2018</b>       |              |                      |              |                      |
| Malaysian Ringgit | –            | (103,937)            | –            | (215,228)            |
| Hong Kong Dollar  | –            | (268,693)            | –            | (268,693)            |
| Australian Dollar | –            | (958,631)            | –            | (977,520)            |
| Singapore Dollar  | –            | 799,169              | –            | –                    |
| US Dollar         | (103,056)    | (975,474)            | –            | (190,674)            |
| Japanese Yen      | –            | (1,040,225)          | –            | (337)                |
| Other currencies  | –            | (13,777)             | –            | –                    |
| <b>2017</b>       |              |                      |              |                      |
| 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)                |

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (CONTINUED)

### Interest rate risk (Continued)

#### *Exposure to interest rate risk*

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

|                                  | Group<br>Nominal amount |              |                     | Company<br>Nominal amount |            |                     |
|----------------------------------|-------------------------|--------------|---------------------|---------------------------|------------|---------------------|
|                                  | 2018<br>\$              | 2017<br>\$   | 1 Jan<br>2017<br>\$ | 2018<br>\$                | 2017<br>\$ | 1 Jan<br>2017<br>\$ |
| <b>Fixed rate instruments</b>    |                         |              |                     |                           |            |                     |
| Financial assets                 | –                       | –            | –                   | 10,325,607                | –          | –                   |
| Financial liabilities            | (2,000,204)             | (2,148,474)  | (2,656,453)         | –                         | –          | –                   |
| <b>Variable rate instruments</b> |                         |              |                     |                           |            |                     |
| Financial assets                 | 137,697,303             | 132,688,058  | 155,907,011         | 79,520,710                | 83,223,418 | 102,590,478         |
| Financial liabilities            | (46,919,629)            | (20,375,385) | (12,763,530)        | –                         | –          | –                   |
|                                  | <b>90,777,674</b>       | 112,312,673  | 143,143,481         | <b>79,520,710</b>         | 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 FVTPL. Therefore in respect of fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss.

#### *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rate at the reporting date would have increased/(decreased) profit or loss (before any tax effects) by the amounts shown below. There is no impact on equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

|                           | Profit or loss           |                          |                          |                          |
|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                           | Group                    |                          | Company                  |                          |
|                           | 100 bp<br>increase<br>\$ | 100 bp<br>decrease<br>\$ | 100 bp<br>increase<br>\$ | 100 bp<br>decrease<br>\$ |
| <b>2018</b>               |                          |                          |                          |                          |
| Variable rate instruments | 907,777                  | (907,777)                | 795,207                  | (795,207)                |
| <b>2017</b>               |                          |                          |                          |                          |
| Variable rate instruments | 1,123,127                | (1,123,127)              | 832,234                  | (832,234)                |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (CONTINUED)

### Interest rate risk (Continued)

#### *Sensitivity analysis – equity price risk*

The financial assets designated at FVOCI and financial assets designated at fair value through profit or loss (2017: available-for-sale) 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 2017.

|                   | Group              |                    | Company            |                    |
|-------------------|--------------------|--------------------|--------------------|--------------------|
|                   | 10% increase<br>\$ | 10% decrease<br>\$ | 10% increase<br>\$ | 10% decrease<br>\$ |
| <b>2018</b>       |                    |                    |                    |                    |
| Profit before tax | 249,641            | (249,641)          | 249,641            | (249,641)          |
| Equity            | 6,308              | (6,308)            | 6,308              | (6,308)            |
| <b>2017</b>       |                    |                    |                    |                    |
| Profit before tax | 199,832            | (199,832)          | 199,832            | (199,832)          |
| Equity            | 6,806              | (6,806)            | 6,806              | (6,806)            |

#### *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 | Within 1 year |
|---|-----------------|----------------------------|---------------|
|   | \$              | \$                         | \$            |
| <b>Group</b>  |                 |                            |               |
| <b>2018</b>   |                 |                            |               |
| Forward exchange contracts used for hedging – liabilities | (9,861)         | (9,861)                    | (9,861)       |
| <b>2017</b>   |                 |                            |               |
| Forward exchange contracts used for hedging – liabilities | (27,060)        | (27,060)                   | (27,060)      |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (CONTINUED)

### 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 2018 and 2017.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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.

|   | ← Amortised<br>cost<br>\$ | FVOCI-equity<br>instruments<br>\$ | Carrying amount<br>Designated<br>at FVTPL<br>\$ |
|---|---------------------------|-----------------------------------|---|
| <b>Group</b>  |                           |                                   |   |
| <b>31 December 2018</b>                                 |                           |                                   |   |
| <b>Financial assets measured at fair value</b>          |                           |                                   |   |
| Equity investments – at FVOCI                           | –                         | 63,079                            | –   |
| Equity investments – at FVTPL                           | –                         | –                                 | 2,496,412                                       |
|   | –                         | 63,079                            | 2,496,412                                       |
| <b>Financial assets not measured at fair value</b>      |                           |                                   |   |
| Cash and cash equivalents                               | 152,401,520               | –                                 | –   |
| Trade and other receivables <sup>#</sup>                | 154,151,422               | –                                 | –   |
|   | 306,552,942               | –                                 | –   |
| <b>Financial liabilities measured at fair value</b>     |                           |                                   |   |
| Financial derivatives liabilities                       | –                         | –                                 | (9,861)   |
| <b>Financial liabilities not measured at fair value</b> |                           |                                   |   |
| Secured bank loans                                      | –                         | –                                 | –   |
| Unsecured bank loans                                    | –                         | –                                 | –   |
| Bills payable   | –                         | –                                 | –   |
| Finance lease liabilities                               | –                         | –                                 | –   |
| Loan from non-controlling interests                     | –                         | –                                 | –   |
| Trade and other payables <sup>*</sup>                   | –                         | –                                 | –   |
|   | –                         | –                                 | –   |

<sup>#</sup> Exclude advances to suppliers, tax recoverable and prepayments

<sup>\*</sup> Exclude financial derivatives and non-refundable partial payments of the consideration

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| Other financial liabilities | Total         | Fair value |         |         | Total     |
|-----------------------------|---------------|------------|---------|---------|-----------|
|                             |               | Level 1    | Level 2 | Level 3 |           |
| \$                          | \$            | \$         | \$      | \$      | \$        |
| -                           | 63,079        | 63,079     | -       | -       | 63,079    |
| -                           | 2,496,412     | 2,496,412  | -       | -       | 2,496,412 |
| -                           | 2,559,491     |            |         |         |           |
| -                           | 152,401,520   |            |         |         |           |
| -                           | 154,151,422   |            |         |         |           |
| -                           | 306,552,942   |            |         |         |           |
| -                           | (9,861)       | -          | (9,861) | -       | (9,861)   |
| (26,537,942)                | (26,537,942)  |            |         |         |           |
| (21,971,247)                | (21,971,247)  |            |         |         |           |
| (38,249,036)                | (38,249,036)  |            |         |         |           |
| (13,254)                    | (13,254)      |            |         |         |           |
| (397,390)                   | (397,390)     |            |         |         |           |
| (95,328,035)                | (95,328,035)  |            |         |         |           |
| (182,496,904)               | (182,496,904) |            |         |         |           |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (CONTINUED)

### Accounting classifications and fair values (Continued)

|   | ←————— Carrying amount —————→  |                          |   |
|---|--------------------------------|--------------------------|---|
|   | Loans and<br>receivables<br>\$ | Available-for-sale<br>\$ | Carrying amount<br>Designated<br>at FVTPL<br>\$ |
| <b>Group</b>  |                                |                          |   |
| <b>31 December 2017</b>   |                                |                          |   |
| <b>Financial assets measured<br/>at fair value</b>                  |                                |                          |   |
| Available-for-sale financial assets                                 | –                              | 68,050                   | –   |
| Financial assets designated at fair<br>value through profit or loss | –                              | –                        | 1,998,320                                       |
|   | –                              | 68,050                   | 1,998,320                                       |
| <b>Financial assets not measured<br/>at fair value</b>              |                                |                          |   |
| Cash and cash equivalents   | 147,912,499                    | –                        | –   |
| Trade and other receivables <sup>#</sup>                            | 164,055,569                    | –                        | –   |
|   | 311,968,068                    | –                        | –   |
| <b>Financial liabilities measured<br/>at fair value</b>             |                                |                          |   |
| Financial derivatives liabilities                                   | –                              | –                        | (27,060)  |
| <b>Financial liabilities not measured<br/>at fair value</b>         |                                |                          |   |
| Secured bank loans  | –                              | –                        | –   |
| Unsecured bank loans  | –                              | –                        | –   |
| Bills payable   | –                              | –                        | –   |
| Finance lease liabilities   | –                              | –                        | –   |
| Loan from non-controlling interests                                 | –                              | –                        | –   |
| Trade and other payables <sup>*</sup>                               | –                              | –                        | –   |
|   | –                              | –                        | –   |

<sup>#</sup> Exclude advance to suppliers, tax recoverable and prepayments

<sup>\*</sup> Exclude financial derivatives and non-refundable partial payments of the consideration

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| Other financial liabilities |               | Fair value |          |         |           |
|-----------------------------|---------------|------------|----------|---------|-----------|
| \$                          | 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (CONTINUED)

### Accounting classifications and fair values (Continued)

|  | ← Carrying amount →            |                              |                              |                            |
|--|--------------------------------|------------------------------|------------------------------|----------------------------|
|  | Loans and<br>receivables<br>\$ | Available-for-<br>sale<br>\$ | Designated at<br>FVTPL<br>\$ | Held-for-<br>trading<br>\$ |
| <b>Group</b>   |                                |                              |                              |                            |
| <b>1 January 2017</b>  |                                |                              |                              |                            |
| <b>Financial assets measured at fair value</b>                   |                                |                              |                              |                            |
| Available-for-sale financial assets                              | –                              | 48,998                       | –                            | –                          |
| Financial assets designated at fair value through profit or loss | –                              | –                            | 2,040,998                    | –                          |
| Financial derivative assets                                      | –                              | –                            | –                            | 1,949                      |
|  | –                              | 48,998                       | 2,040,998                    | 1,949                      |
| <b>Financial assets not measured at fair value</b>               |                                |                              |                              |                            |
| Cash and cash equivalents  | 175,389,201                    | –                            | –                            | –                          |
| Trade and other receivables <sup>#</sup>                         | 137,587,552                    | –                            | –                            | –                          |
|  | 312,976,753                    | –                            | –                            | –                          |
| <b>Financial liabilities not measured at fair value</b>          |                                |                              |                              |                            |
| Secured bank loans   | –                              | –                            | –                            | –                          |
| Unsecured bank loans   | –                              | –                            | –                            | –                          |
| Bills payable  | –                              | –                            | –                            | –                          |
| Finance lease liabilities  | –                              | –                            | –                            | –                          |
| Loan from non-controlling interests                              | –                              | –                            | –                            | –                          |
| Trade and other payables*  | –                              | –                            | –                            | –                          |
|  | –                              | –                            | –                            | –                          |

<sup>#</sup> Exclude advance to suppliers, tax recoverable and prepayments

\* Exclude financial derivatives and non-refundable partial payments of the consideration

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| Other financial liabilities | Total         | Fair value |         |         |           | 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     |       |
| –                           | 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (CONTINUED)

### Accounting classifications and fair values (Continued)

|  | ←                            |  | →   |
|--|------------------------------|--|---|
|  | Designated at<br>FVTPL<br>\$ | Amortised<br>cost/Loans and<br>receivables<br>\$ | Carrying amount<br>FVOCI-equity<br>instruments/<br>Available-for-sale<br>\$ |
| <b>Company</b>   |                              |  |   |
| <b>31 December 2018</b>  |                              |  |   |
| <b>Financial assets measured at fair value</b>                   |                              |  |   |
| Equity investments – at FVOCI                                    | –                            | –  | 63,079  |
| Equity investments – at FVTPL                                    | 2,496,412                    | –  | –   |
|  | 2,496,412                    | –  | 63,079  |
| <b>Financial assets not measured at fair value</b>               |                              |  |   |
| Cash and cash equivalents  | –                            | 83,230,568                                       | –   |
| Trade and other receivables <sup>#</sup>                         | –                            | 47,785,661                                       | –   |
|  | –                            | 131,016,229                                      | –   |
| <b>Financial liabilities not measured at fair value</b>          |                              |  |   |
| Trade and other payables   | –                            | –  | –   |
| <b>31 December 2017</b>  |                              |  |   |
| <b>Financial assets measured at fair value</b>                   |                              |  |   |
| Available-for-sale financial assets                              | –                            | –  | 68,058  |
| Financial assets designated at fair value through profit or loss | 1,998,320                    | –  | –   |
|  | 1,998,320                    | –  | 68,058  |
| <b>Financial assets not measured at fair value</b>               |                              |  |   |
| Cash and cash equivalents  | –                            | 86,815,333                                       | –   |
| Trade and other receivables <sup>#</sup>                         | –                            | 45,758,534                                       | –   |
|  | –                            | 132,573,867                                      | –   |
| <b>Financial liabilities not measured at fair value</b>          |                              |  |   |
| Trade and other payables   | –                            | –  | –   |

<sup>#</sup> Exclude prepayments



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

|                             |              | Fair value |         |         |           |  |
|-----------------------------|--------------|------------|---------|---------|-----------|--|
| Other financial liabilities | Total        | Level 1    | Level 2 | Level 3 | Total     |  |
| \$                          | \$           | \$         | \$      | \$      | \$        |  |
| –                           | 63,079       | 63,079     | –       | –       | 63,079    |  |
| –                           | 2,496,412    | 2,496,412  | –       | –       | 2,496,412 |  |
| –                           | 2,559,491    |            |         |         |           |  |
| –                           | 83,230,568   |            |         |         |           |  |
| –                           | 47,785,661   |            |         |         |           |  |
| –                           | 131,016,229  |            |         |         |           |  |
| (12,970,342)                | (12,970,342) |            |         |         |           |  |
| –                           | 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 20. FINANCIAL INSTRUMENTS (CONTINUED)

### Accounting classifications and fair values (Continued)

|   | ←                      | ←                        | ←   |
|---|------------------------|--------------------------|---|
|   | Designated<br>at FVTPL | Loans and<br>receivables | Carrying amount<br>Available-<br>for-sale |
|   | \$                     | \$                       | \$  |
| <b>Company</b>  |                        |                          |   |
| <b>1 January 2017</b>   |                        |                          |   |
| <b>Financial assets measured at fair value</b>                      |                        |                          |   |
| Available-for-sale financial assets                                 | –                      | –                        | 48,998                                    |
| Financial assets designated at fair value<br>through profit or loss | 2,040,998              | –                        | –   |
|   | 2,040,998              | –                        | 48,998                                    |
| <b>Financial assets not measured<br/>at fair value</b>              |                        |                          |   |
| Cash and cash equivalents   | –                      | 105,067,874              | –   |
| Trade and other receivables <sup>#</sup>                            | –                      | 47,857,344               | –   |
|   | –                      | 152,925,218              | –   |
| <b>Financial liabilities not measured<br/>at fair value</b>         |                        |                          |   |
| Trade and other payables  | –                      | –                        | –   |

<sup>#</sup> Exclude prepayments

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| →                           |              | ← Fair value → |         |         |           |
|-----------------------------|--------------|----------------|---------|---------|-----------|
| 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 |
| –                           | 2,089,996    |                |         |         |           |
| –                           | 105,067,874  |                |         |         |           |
| –                           | 47,857,344   |                |         |         |           |
| –                           | 152,925,218  |                |         |         |           |
| (13,241,860)                | (13,241,860) |                |         |         |           |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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 Equity investments – at FVOCI and Equity investments – at FVTPL 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.

| <u>Type</u>                | <u>Valuation technique</u>  | <u>Significant unobservable inputs</u> |
|----------------------------|---|--|
| <b>Group</b>               |   |  |
| Forward exchange contracts | Market comparison technique: Not applicable.<br>The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments. |  |

During the financial years ended 31 December 2018 and 31 December 2017, 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 five directors, John Chen Seow Phun (Chairman), Lee Po On Mark, Kong Wei Li, Siu Wai Kam and Goh Yang Jun, Jasper.

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. No options were exercised and all options granted have expired 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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 01/01/2018 | Options exercised | Options cancelled | Options outstanding at 31/12/2018 | Number of option holders at 31/12/2018 | 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            |
|---|-----------------|
| <b>Fair value of share options and assumptions</b>  |                 |
| 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 2018 have an exercise price of \$0.16 (2017: \$0.16) and a weighted average contractual life is less than 1 year (2017: 1 year).

The weighted average share price at the date of exercise for share options exercised in 2017 was \$0.309. There is no share options exercised in 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 22. DEFERRED INCOME

|  | Group            |            | Company         |            |
|--|------------------|------------|-----------------|------------|
|  | 2018<br>\$       | 2017<br>\$ | 2018<br>\$      | 2017<br>\$ |
| <b>Capital Grant</b>                     |                  |            |                 |            |
| At 1 January                             | <b>2,183,447</b> | 1,295,099  | <b>443,085</b>  | –          |
| Grants received                          | <b>528,900</b>   | 1,067,548  | <b>22,400</b>   | 443,085    |
| Amortisation charge for the year         | <b>(240,754)</b> | (157,726)  | <b>(32,607)</b> | –          |
| Effect of movements in<br>exchange rates | <b>(44,845)</b>  | (21,474)   | –               | –          |
| At 31 December                           | <b>2,426,748</b> | 2,183,447  | <b>432,878</b>  | 443,085    |

|             | Group            |            |                     | Company        |            |                     |
|-------------|------------------|------------|---------------------|----------------|------------|---------------------|
|             | 2018<br>\$       | 2017<br>\$ | 1 Jan<br>2017<br>\$ | 2018<br>\$     | 2017<br>\$ | 1 Jan<br>2017<br>\$ |
| Current     | <b>277,865</b>   | 163,362    | 119,205             | <b>50,634</b>  | –          | –                   |
| Non-current | <b>2,148,883</b> | 2,020,085  | 1,175,894           | <b>382,244</b> | 443,085    | –                   |
|             | <b>2,426,748</b> | 2,183,447  | 1,295,099           | <b>432,878</b> | 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           |            |                     |
|-----------------------------------|--------------------|-------------|---------------------|-------------------|------------|---------------------|
|                                   | 2018<br>\$         | 2017<br>\$  | 1 Jan<br>2017<br>\$ | 2018<br>\$        | 2017<br>\$ | 1 Jan<br>2017<br>\$ |
| Trade payables                    | <b>64,422,046</b>  | 71,062,336  | 67,819,470          | –                 | –          | 1,375,387           |
| Amounts due to:                   |                    |             |                     |                   |            |                     |
| – subsidiaries (trade)            | –                  | –           | –                   | –                 | –          | 771                 |
| – subsidiaries<br>(non-trade)     | –                  | –           | –                   | <b>9,076,595</b>  | 9,057,370  | 9,142,947           |
| Other payables                    | <b>45,225,859</b>  | 45,665,488  | 33,702,364          | <b>3,005,121</b>  | 4,037,965  | 936,487             |
| Financial derivative<br>liability | <b>9,861</b>       | 27,060      | –                   | –                 | –          | –                   |
| Accruals                          | <b>19,208,420</b>  | 18,864,298  | 17,434,681          | <b>888,626</b>    | 1,118,159  | 1,786,268           |
|                                   | <b>128,866,186</b> | 135,619,182 | 118,956,515         | <b>12,970,342</b> | 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 partial payments of consideration received for the disposal of the Group's interest in Million Cube Limited (see note 16) amounting to \$33,528,290 (2017: \$34,528,572; 1 Jan 2017: \$25,895,242).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 24. REVENUE

|                      | Group              |             |
|----------------------|--------------------|-------------|
|                      | 2018               | 2017        |
|                      | \$                 | \$          |
| Sale of goods        |                    |             |
| – Consumer business  | <b>168,091,713</b> | 160,977,463 |
| – Packaging business | <b>333,278,822</b> | 302,924,670 |
| Others               | <b>182,074</b>     | 114,882     |
|                      | <b>501,552,609</b> | 464,017,015 |

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and the related revenue recognition policies:

### Consumer Business

|                             |  |
|-----------------------------|--|
| Nature of goods or services | Focuses on supply of provisions and household consumer products. |
| When revenue is recognised  | Revenue is recognised when goods are delivered to the customer.  |
| Significant payment terms   | 30 to 60 days from invoice date.                                 |

### Packaging Business

|                             |   |
|-----------------------------|---|
| Nature of goods or services | Focuses on manufacturing and sales of corrugated paper products and other packaging products. |
| When revenue is recognised  | Revenue is recognised when goods are delivered to the customer.                               |
| Significant payment terms   | Advance payment to credit term of up to 90 days from invoice date                             |

Adoption of SFRS(I) 15 “Revenue from Contracts with Customers” did not had any impact on the revenue recognition of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 25. PROFIT FOR THE YEAR

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

|  | Group              |             |
|--|--------------------|-------------|
|  | 2018               | 2017        |
|  | \$                 | \$          |
| Allowance (reversed)/made for doubtful receivables:                |                    |             |
| – trade receivables  | <b>(102,750)</b>   | (11,943)    |
| – other receivables  | <b>665,416</b>     | 455,064     |
| (Write-back)/allowance for inventory obsolescence                  | <b>(231,789)</b>   | 723,162     |
| Amortisation of deferred income                                    | <b>(240,754)</b>   | (157,726)   |
| Inventories written off  | <b>195,465</b>     | 425,179     |
| Audit fees paid to:  |                    |             |
| – auditors of the Company  | <b>389,542</b>     | 423,838     |
| – other auditors   | <b>224,921</b>     | 180,697     |
| Non-audit fees paid to:  |                    |             |
| – auditors of the Company  | <b>29,344</b>      | 76,930      |
| – other auditors   | <b>97,130</b>      | 196,122     |
| Bad debts written off  | <b>1,984,731</b>   | 15,116      |
| Contribution to defined contribution plans included in staff costs | <b>4,341,718</b>   | 4,260,603   |
| Cost of inventories included in cost of sales                      | <b>396,147,868</b> | 356,056,535 |
| Depreciation of investment properties                              | <b>46,735</b>      | 28,893      |
| Depreciation of property, plant and equipment                      | <b>9,992,942</b>   | 8,742,701   |
| Exchange (gain)/loss, net  | <b>(1,244,514)</b> | 3,873,671   |
| Loss/(gain) on disposal of property, plant and equipment           | <b>36,237</b>      | (30,192)    |
| Operating expenses arising from investment properties              | <b>233,902</b>     | 20,103      |
| Operating lease expense  | <b>4,514,964</b>   | 6,099,898   |
| Impairment losses on property, plant and equipment                 | <b>737,721</b>     | 195,060     |
| Property, plant and equipment written off                          | <b>211,635</b>     | 123,440     |
| Staff costs  | <b>57,142,797</b>  | 55,381,382  |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 26. FINANCE INCOME AND FINANCE COSTS

|  | Group       |             |
|--|-------------|-------------|
|  | 2018        | 2017        |
|  | \$          | \$          |
| <b>Recognised in profit or loss</b>  |             |             |
| Interest income:   |             |             |
| – other receivables  | 665,416     | 685,064     |
| – fixed deposits   | 1,655,975   | 1,427,643   |
| Dividend income on Equity investment – available-for-sale  | –           | 1,974       |
| Dividend income on Equity investment – at FVOCI  | 2,288       | –           |
| Net increase in fair value of financial assets designated at FVTPL   | 498,092     | –           |
| Finance income   | 2,821,771   | 2,114,681   |
| Interest expense:  |             |             |
| – bank borrowings  | (1,487,076) | (1,090,256) |
| – finance lease liabilities  | (1,824)     | (1,824)     |
| Net decrease in fair value of financial assets designated at FVTPL   | –           | (42,678)    |
| Finance costs  | (1,488,900) | (1,134,758) |
| Net finance income recognised in profit or loss  | 1,332,871   | 979,923     |
| 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  | 2,321,391   | 2,112,707   |
| – Total interest expense on financial liabilities  | 1,488,900   | 1,092,080   |

## 27. TAX EXPENSE

|   |      | Group     |             |
|---|------|-----------|-------------|
|   | Note | 2018      | 2017        |
|   |      | \$        | \$          |
| <b>Tax recognised in profit or loss</b>           |      |           |             |
| <b>Current tax expense</b>                        |      |           |             |
| Current year                                      |      | 5,882,192 | 6,827,180   |
| Adjustments for prior years                       |      | 492,036   | (1,522,839) |
| Withholding tax expense                           |      | 334,069   | 504,685     |
|   |      | 6,708,297 | 5,809,026   |
| <b>Deferred tax expense/(credit)</b>              |      |           |             |
| Origination and reversal of temporary differences |      | (392,372) | (307,817)   |
| Adjustments for prior years                       |      | (115,298) | (10,637)    |
| Change in tax rate                                |      | –         | 53,926      |
|   | 10   | (507,670) | (264,528)   |
| <b>Total tax expense</b>                          |      | 6,200,627 | 5,544,498   |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 27. TAX EXPENSE (CONTINUED)

|   | Group             |             |
|---|-------------------|-------------|
|   | 2018              | 2017        |
|   | \$                | \$          |
| <b>Reconciliation of effective tax rate</b>                     |                   |             |
| Profit for the year   | 22,227,265        | 20,915,267  |
| Total tax expense   | <b>6,200,627</b>  | 5,544,498   |
| Profit excluding tax  | <b>28,427,892</b> | 26,459,765  |
| Tax calculated using Singapore tax rate of 17%<br>(2017: 17%)   | <b>4,832,742</b>  | 4,498,160   |
| Change in tax rate  | –                 | 53,926      |
| Effects of tax rates in foreign jurisdiction                    | <b>448,414</b>    | 615,277     |
| Income not subject to tax                                       | <b>(194,254)</b>  | (196,214)   |
| Non-deductible expenses   | <b>541,614</b>    | 1,787,861   |
| Tax rebates and incentives                                      | <b>(199,956)</b>  | (446,175)   |
| Deferred tax assets not recognised                              | <b>309,465</b>    | 1,040,269   |
| Recognition of tax effect of previously unrecognised tax losses | <b>(249,226)</b>  | (795,210)   |
| Withholding tax   | <b>334,069</b>    | 504,685     |
| Under/(over) provided in prior years                            | <b>376,738</b>    | (1,533,476) |
| Others  | <b>1,021</b>      | 15,395      |
|   | <b>6,200,627</b>  | 5,544,498   |

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 2016 to 2018. Another foreign subsidiary, which was previously accredited as a HNTE from 2014 to 2016, renewed its HNTE qualification in 2017, and was entitled to the preferential tax rate of 15% for another three years from 2017 to 2019.

## 28. EARNINGS PER SHARE

### Basic earnings per share

The calculation of basic earnings per share at 31 December 2018 was based on the profit attributable to ordinary shareholders of \$13,433,910 (2017: \$11,102,044), and a weighted average number of ordinary shares outstanding of 553,415,746 (2017: 553,415,746), calculated as follows:

### Weighted average number of ordinary shares (basic)

|  | Note | Group              |             |
|--|------|--------------------|-------------|
|  |      | 2018               | 2017        |
| Issued ordinary shares at 1 January                        | 17   | <b>553,415,746</b> | 553,415,746 |
| Weighted average number of ordinary shares during the year |      | <b>553,415,746</b> | 553,415,746 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 28. EARNINGS PER SHARE (CONTINUED)

### Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2018 was based on profit attributable to ordinary shareholders of \$13,433,910 (2017: profit of \$11,102,044) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 556,625,813 (2017: 558,302,147), calculated as follows:

### Weighted average number of ordinary shares (diluted)

|   | Group              |             |
|---|--------------------|-------------|
|   | 2018               | 2017        |
| Weighted average number of ordinary shares (basic)                      | <b>553,415,746</b> | 553,415,746 |
| Effect of share options on issue  | <b>3,210,067</b>   | 4,886,401   |
| Weighted average number of ordinary shares (diluted)<br>during the year | <b>556,625,813</b> | 558,302,147 |

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 : Supply of provisions and household consumer products.  
Consumer Business
- 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 2018 and 2017.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 29. OPERATING SEGMENTS (CONTINUED)

|   | Consumer<br>Essentials<br>Consumer<br>Business<br>\$ | Strategic<br>Investments<br>Packaging<br>\$ | Others<br>\$ | Total<br>operations<br>\$ |
|---|--|---|--------------|---------------------------|
| <b>Group</b>  |  |   |              |                           |
| <b>31 December 2018</b>                                       |  |   |              |                           |
| External revenues   | 168,091,713  | 333,278,822                                 | 182,074      | 501,552,609               |
| Results from operating activities                             | 6,280,980  | 26,859,492                                  | (2,885,320)  | 30,255,152                |
| Unallocated amounts – Other corporate expenses, net of income |  |   |              | (3,160,131)               |
| Net finance income  |  |   |              | 1,332,871                 |
| Profit before tax   |  |   |              | 28,427,892                |
| Tax expense   |  |   |              | (6,200,627)               |
| <b>Profit for the year</b>                                    |  |   |              | <b>22,227,265</b>         |
| <b>Other segment information</b>                              |  |   |              |                           |
| Allowance made/(reversed) for doubtful receivables:           |  |   |              |                           |
| – trade receivables   | 46,583   | (149,334)                                   | –            | (102,751)                 |
| – other receivables   | –  | –   | 665,416      | 665,416                   |
| Allowance made for inventory obsolescence                     | 60,230   | (292,019)                                   | –            | (231,789)                 |
| Inventories written off                                       | 195,465  | –   | –            | 195,465                   |
| Bad debts written off   | (3,252)  | (14,172)                                    | 2,002,155    | 1,984,731                 |
| Depreciation of:  |  |   |              |                           |
| – property, plant and equipment                               | 2,892,175  | 7,100,767                                   | –            | 9,992,942                 |
| – investment properties                                       | –  | –   | 46,735       | 46,735                    |
| Property, plant and equipment written off                     | 121,567  | 90,068                                      | –            | 211,635                   |
| Capital expenditure on property, plant and equipment          | 14,261,623   | 30,617,209                                  | –            | 44,878,832                |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 29. OPERATING SEGMENTS (CONTINUED)

|   | <b>Consumer<br/>Essentials<br/>Consumer<br/>Business</b> | <b>Strategic<br/>Investments<br/>Packaging</b> | <b>Others</b> | <b>Total<br/>operations</b> |
|---|--|--|---------------|-----------------------------|
|   | \$   | \$   | \$            | \$                          |
| <b>Group</b>  |  |  |               |                             |
| <b>31 December 2017</b>                                       |  |  |               |                             |
| 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)                 |
| <b>Profit for the year</b>                                    |  |  |               | <b>20,915,267</b>           |
| <b>Other segment information</b>                              |  |  |               |                             |
| 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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<br>\$ | Malaysia<br>\$ | China<br>\$ | Japan<br>\$ | Total<br>\$ |
|-------------------------|-----------------|----------------|-------------|-------------|-------------|
| <b>31 December 2018</b> |                 |                |             |             |             |
| External revenue        | 145,016,750     | 68,071,678     | 288,282,107 | 182,074     | 501,552,609 |
| Non-current assets      | 65,505,430      | 8,825,758      | 78,293,352  | 10,316,236  | 162,940,776 |
| <b>31 December 2017</b> |                 |                |             |             |             |
| 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 |
| <b>1 January 2017</b>   |                 |                |             |             |             |
| 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           |            |                  |
|----------------------------|-------------------|------------|------------------|-------------------|------------|------------------|
|                            | 2018<br>\$        | 2017<br>\$ | 1 Jan 2017<br>\$ | 2018<br>\$        | 2017<br>\$ | 1 Jan 2017<br>\$ |
| Within one year            | 4,015,781         | 4,135,484  | 5,990,180        | 865,188           | 1,124,897  | 1,128,597        |
| Between one and five years | 8,949,338         | 12,232,425 | 13,682,214       | 3,320,752         | 4,499,787  | 4,428,787        |
| More than five years       | 21,166,011        | 5,407,387  | 7,468,427        | 20,597,192        | 4,618,885  | 5,684,782        |
|                            | <b>34,131,130</b> | 21,775,296 | 27,140,821       | <b>24,783,132</b> | 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 \$802,488 (2017: \$1,065,897; 1 Jan 2017: \$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 \$2,118,924 (2017: \$2,083,606; 1 Jan 2017: \$2,138,354).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 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    |            |
|---------------------------------|------------------|------------|------------|------------|
|                                 | 2018<br>\$       | 2017<br>\$ | 2018<br>\$ | 2017<br>\$ |
| Contracted but not provided for | <b>4,285,499</b> | 20,333,546 | –          | 9,857,940  |

## 32. RELATED PARTIES

### Key management personnel compensation

Compensation paid/payable to key management personnel comprise:

|                              | Group            |            |
|------------------------------|------------------|------------|
|                              | 2018<br>\$       | 2017<br>\$ |
| Director fees                | <b>461,295</b>   | 484,000    |
| Short-term employee benefits | <b>7,215,156</b> | 7,286,447  |
| Post-employment benefits     | <b>183,586</b>   | 185,012    |
|                              | <b>7,860,037</b> | 7,955,459  |

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.

## 33. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

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.

As stated in note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 33. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

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

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from 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 application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 9.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 have affected the Group's financial position, financial performance and cash flows, and the Company's financial position is set out under the summary of quantitative impact and the accompanying notes.

### Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 1, and SFRS(I) 9 on the Group's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018. There were no material adjustments to the Group's profit or loss, other comprehensive income and statement of cash flows for the year ended 31 December 2017 and the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018 arising on the transition to SFRS(I).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 33. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

### Consolidated statement of financial position

| Note  | 31 December 2017/1 January 2018 |          | 1 January 2017        |                  |             |                       |
|---|---------------------------------|----------|-----------------------|------------------|-------------|-----------------------|
|   | FRS<br>framework                | SFRS (I) | SFRS (I)<br>framework | FRS<br>framework | SFRS (I)    | SFRS (I)<br>framework |
|   | \$                              | \$       | \$                    | \$               | \$          | \$                    |
| <b>Assets</b>                                       |                                 |          |                       |                  |             |                       |
| Property, plant and equipment                       | 115,581,580                     | –        | 115,581,580           | 75,306,476       | –           | 75,306,476            |
| Intangible assets                                   | 1,115,513                       | –        | 1,115,513             | 1,134,334        | –           | 1,134,334             |
| Investment properties                               | 7,820,116                       | –        | 7,820,116             | 770,357          | –           | 770,357               |
| Other financial assets                              | B(i) 68,058                     | –        | 68,058                | 48,998           | –           | 48,998                |
| Deferred tax assets                                 | 3,512,066                       | –        | 3,512,066             | 3,170,565        | –           | 3,170,565             |
| <b>Non-current assets</b>                           | 128,097,333                     | –        | 128,097,333           | 80,430,730       | –           | 80,430,730            |
| Other financial assets                              | B(i) 1,998,320                  | –        | 1,998,320             | 2,042,947        | –           | 2,042,947             |
| Inventories   | 47,727,484                      | –        | 47,727,484            | 39,112,553       | –           | 39,112,553            |
| Trade and other receivables                         | B(i) 168,540,953                | –        | 168,540,953           | 141,409,016      | –           | 141,409,016           |
| Cash and cash equivalents                           | 147,912,499                     | –        | 147,912,499           | 175,389,201      | –           | 175,389,201           |
| Assets held for sale                                | 46,064,751                      | –        | 46,064,751            | 46,847,160       | –           | 46,847,160            |
| <b>Current assets</b>                               | 412,244,007                     | –        | 412,244,007           | 404,800,877      | –           | 404,800,877           |
| <b>Total assets</b>                                 | 540,341,340                     | –        | 540,341,340           | 485,231,607      | –           | 485,231,607           |
| <b>Equity</b>                                       |                                 |          |                       |                  |             |                       |
| Share capital                                       | 200,099,208                     | –        | 200,099,208           | 200,099,208      | –           | 200,099,208           |
| Reserves  |                                 |          |                       |                  |             |                       |
| Retained earnings                                   | 68,093,204                      | –        | 68,093,204            | 65,727,710       | (3,119,149) | 62,608,561            |
| Translation reserve                                 | A(i) (819,192)                  | –        | (819,192)             | (3,119,149)      | 3,119,149   | –                     |
| Other reserves                                      | 10,701,916                      | –        | 10,701,916            | 7,851,539        | –           | 7,851,539             |
| <b>Equity attributable to owners of the Company</b> | 278,075,136                     | –        | 278,075,136           | 270,559,308      | –           | 270,559,308           |
| <b>Non-controlling interests</b>                    | 58,487,557                      | –        | 58,487,557            | 51,803,318       | –           | 51,803,318            |
| <b>Total equity</b>                                 | 336,562,693                     | –        | 336,562,693           | 322,362,626      | –           | 322,362,626           |
| <b>Liabilities</b>                                  |                                 |          |                       |                  |             |                       |
| Loans and borrowings                                | 221,355                         | –        | 221,355               | 1,340,356        | –           | 1,340,356             |
| Deferred income                                     | 2,020,085                       | –        | 2,020,085             | 1,175,894        | –           | 1,175,894             |
| Deferred tax liabilities                            | 2,859,588                       | –        | 2,859,588             | 2,767,550        | –           | 2,767,550             |
| <b>Non-current liabilities</b>                      | 5,101,028                       | –        | 5,101,028             | 5,283,800        | –           | 5,283,800             |
| Loans and borrowings                                | 61,224,464                      | –        | 61,224,464            | 35,798,369       | –           | 35,798,369            |
| Trade and other payables, including derivatives     | 135,619,182                     | –        | 135,619,182           | 118,956,515      | –           | 118,956,515           |
| Deferred income                                     | 163,362                         | –        | 163,362               | 119,205          | –           | 119,205               |
| Current tax liabilities                             | 1,670,611                       | –        | 1,670,611             | 2,711,092        | –           | 2,711,092             |
| <b>Current liabilities</b>                          | 198,677,619                     | –        | 198,677,619           | 157,585,181      | –           | 157,585,181           |
| <b>Total liabilities</b>                            | 203,778,647                     | –        | 203,778,647           | 162,868,981      | –           | 162,868,981           |
| <b>Total equity and liabilities</b>                 | 540,341,340                     | –        | 540,341,340           | 485,231,607      | –           | 485,231,607           |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 33. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

### Notes to the reconciliations

#### A SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

- (i) The Group considers that restating translation reserve to comply with current SFRS(I) 1-21 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 elected the optional exemption in SFRS(I) 1 to reset its cumulative translation reserve for all foreign operations to nil at the date of transition, and reclassified the cumulative translation reserve of \$3,119,149 as at 1 January 2017 determined in accordance with FRS 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.

By electing this optional exemption, the cumulative translation reserve increased by \$3,119,149 and retained earnings decreased by the same amount as at 1 January 2017.

#### B SFRS(I) 9

SFRS(I) 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 Financial Instruments: Recognition and Measurement. 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.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 Financial Instruments: Disclosures for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 Financial Instruments: Disclosures relating to items within the scope of FRS 39 are provided for the comparative period.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 33. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

### Notes to the reconciliations (Continued)

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
  - The designation of an equity investment that is not held-for-trading as at FVOCI; and
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at FVTPL.
- New hedge accounting requirements are applied prospectively. All hedging relationships designated under FRS 39 at 31 December 2017 met the criteria for hedge accounting under SFRS(I) 9 at 1 January 2018 and therefore were regarded as continuing hedging relationships.

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

#### (i) Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9, see note 3.3 (ii).

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 33. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

### Notes to the reconciliations (Continued)

| Group                         | Note | Original classification under FRS 39 | New classification under SFRS(I) 9 | 1 January 2018                        |                                     |
|-------------------------------|------|--------------------------------------|------------------------------------|---------------------------------------|-------------------------------------|
|                               |      |                                      |                                    | Original carrying amount under FRS 39 | New carrying amount under SFRS(I) 9 |
|                               |      |                                      |                                    | \$                                    | \$                                  |
| <b>Financial Assets</b>       |      |                                      |                                    |                                       |                                     |
| Equity investments            | (a)  | Available-for-sale                   | FVOCI – equity instrument          | 68,058                                | 68,058                              |
| Equity investments            |      | Designated at FVTPL                  | Designated at FVTPL                | 1,998,320                             | 1,998,320                           |
| Trade and other receivables   | (b)  | Loans and receivables                | Amortised cost                     | 2,066,378                             | 2,066,378                           |
| Cash and cash equivalents     |      | Loans and receivables                | Amortised cost                     | 164,055,569                           | 164,055,569                         |
|                               |      |                                      |                                    | 147,912,499                           | 147,912,499                         |
| <b>Total financial assets</b> |      |                                      |                                    | <b>314,034,446</b>                    | <b>314,034,446</b>                  |

| Company                       | Note | Original classification under FRS 39 | New classification under SFRS(I) 9 | 1 January 2018                        |                                     |
|-------------------------------|------|--------------------------------------|------------------------------------|---------------------------------------|-------------------------------------|
|                               |      |                                      |                                    | Original carrying amount under FRS 39 | New carrying amount under SFRS(I) 9 |
|                               |      |                                      |                                    | \$                                    | \$                                  |
| <b>Financial Assets</b>       |      |                                      |                                    |                                       |                                     |
| Equity investments            | (a)  | Available-for-sale                   | FVOCI – equity instrument          | 68,058                                | 68,058                              |
| Equity investments            |      | Designated at FVTPL                  | Designated at FVTPL                | 1,998,320                             | 1,998,320                           |
| Trade and other receivables   | (b)  | Loans and receivables                | Amortised cost                     | 2,066,378                             | 2,066,378                           |
| Cash and cash equivalents     |      | Loans and receivables                | Amortised cost                     | 45,758,534                            | 45,758,534                          |
|                               |      |                                      |                                    | 86,815,333                            | 86,815,333                          |
| <b>Total financial assets</b> |      |                                      |                                    | <b>134,640,245</b>                    | <b>134,640,245</b>                  |

(a) These equity investments represent investments that the Group and the Company intend to hold for the long term for strategic purposes. The Group and the Company have designated these investments at 1 January 2018 as measured at FVOCI. Unlike FRS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(b) Trade and other receivables that were classified as loans and receivables under FRS 39 are now measured at amortised cost.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 33. EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

### Notes to the reconciliations (Continued)

#### (ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, but not to equity investments. The adoption of the new impairment model under SFRS(I) 9 does not have any significant impact to the carrying amount of the Group's financial assets measured at amortised cost at 1 January 2018.

Additional information about how the Group and the Company measure the allowance for impairment is described in Note 20.

#### (iii) Hedging accounting

The Group adopted the new general hedge accounting model in SFRS(I) 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to inventory purchases. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

Under FRS 39, the change in fair value of the forward element of the forward exchange contracts ('forward points') was recognised immediately in profit or loss. However, under SFRS(I) 9 the forward points are separately accounted for as a cost of hedging; they are recognised in OCI and accumulated in a cost of hedging reserve as a separate component within equity.

Under FRS 39, for all cash flow hedges, the amounts accumulated in the cash flow hedge reserve were classified to profit or loss as a reclassification adjustment in the same period as the hedged expected cash flows affected profit or loss. However, under SFRS(I) 9, for cash flow hedges of foreign currency risk associated with forecast inventory purchases, the amounts accumulated in the cash flow hedge reserve are instead included directly in the initial cost of the inventory item when it is recognised. The same approaches also apply under SFRS(I) 9 to the amounts accumulated in the costs of hedging reserve.

For an explanation of how the Group applies hedge accounting under SFRS(I) 9, see note 3.3(vi).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 34. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier applications is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to 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*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I)1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I)1-19)

### Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group is described below.

### SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

## 34. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

### SFRS(I) 16 (Continued)

The Group plans to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

#### *The Group and the Company as lessee*

The Group and the Company expect to measure lease liabilities by applying a single discount rate to their portfolio. Furthermore, the Group and the Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.

The Group and the Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application. In addition, the Group will no longer recognise provisions for operating leases that it assessed to be onerous as described in note 30. Instead, the Group will include the payments due under the lease in their lease liability.

As at 1 January 2019, the Group expects an increase in ROU assets of \$20,312,423, an increase in lease liabilities of \$22,059,312, a decrease in provisions of \$725,402 and a decrease in retained earnings of \$1,021,487. The Company expects an increase in ROU asset and lease liabilities of \$14,486,047 as at 1 January 2019.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group's and the Company's finance leases.

# 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,<br>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 and<br>Two-storey factory (Block C) used for its operations | 60-year lease from 1 May 1967 and was renewed for 22 years, 3 months and 30 days |
| H.S. (M) 4187, PTD 32624<br>Mukim Bukit Batu,<br>Daerah Kulajaya,<br>Johor, Malaysia  | Factory used for its operations  | Freehold   |
| H.S. (M) 4272, PTD 32702<br>Mukim Bukit Batu,<br>Daerah Kulajaya,<br>Johor, Malaysia  | Factory used for its operations. To be completed in Q1 of 2019   | Freehold   |
| 1-5-9 Dotonbori, Chuo-ku,<br>Osaka-Shi, Japan 542-0071  | 5-storey building with an underground basement for rental income   | Freehold   |
| Kyoto City, Higashiyama-ku,<br>Gion Machikitagawa<br>305 Japan  | Vacant land (to be developed as a boutique hotel with food and beverage outlets)   | Freehold   |
| Jiangsu Province,<br>Suzhou City,<br>Xiangcheng District,<br>Wanting Town,<br>Wendu Road, No. 88,<br>The People's Republic of China<br>215155 | Factory premises, office building, dormitory   | 58,798.6 sq m on 50-year lease expiring on 4 September 2047                      |



# SUPPLEMENTARY INFORMATION

(SGX LISTING MANUAL DISCLOSURE REQUIREMENTS)

| Location  | Description   | Tenure   |
|---|---|--|
| Anhui Province,<br>HeFei Eco-Tech<br>Development Zone,<br>Zipeng Road, No. 105,<br>The People's Republic of China<br>230601                             | Factory premises, office<br>building                    | 35,800 sq m on 48-year lease<br>expiring on August 2053<br><br>13,600 sq m on 49-year and<br>8 months lease expiring on 8<br>December 2056 |
| Jiangsu Province,<br>Nantong City,<br>Tongzhou District,<br>Xiting Town,<br>Ting Nan Heng Road,<br>The People's Republic of China<br>226301             | Factory premises, office<br>building                    | 26,586 sq m on 50-year lease<br>expiring on 18 March 2060  |
| Tianjin City,<br>Airport Economic Zone,<br>Jingyi Road, No. 257,<br>The People's Republic of China<br>300308  | Factory premises, office<br>building                    | 33,233.3 sq m on 50-year lease<br>expiring on 3 April 2062   |
| Jiangsu Province,<br>Nantong City,<br>Tongzhou District,<br>Xiting Town,<br>The People's Republic of China  | Factory premises, office<br>building under construction | 74,115 sq m on 50-year lease<br>expiring on 11 March 2068  |
| Units 233, 237, 326,<br>358, 3A30, 3A31<br>Cinta Ayu Resort Apartments,<br>all situated at 20 KM,<br>Jalan Pontian Lama<br>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2018年12月31日

| 附注                  | 集 团        |                    |                | 公 司         |                    |                |             |
|---------------------|------------|--------------------|----------------|-------------|--------------------|----------------|-------------|
|                     | 2018<br>\$ | 2017<br>\$         | 一月一日2017<br>\$ | 2018<br>\$  | 2017<br>\$         | 一月一日2017<br>\$ |             |
| <b>资产</b>           |            |                    |                |             |                    |                |             |
| 产业及机器设备             | 4          | 146,867,579        | 115,581,580    | 75,306,476  | 38,540,410         | 30,468,500     | 9,397,040   |
| 无形资产                | 5          | 1,095,411          | 1,115,513      | 1,134,334   | -                  | -              | -           |
| 物业投资                | 6          | 11,065,492         | 7,820,116      | 770,357     | -                  | -              | -           |
| 子公司                 | 7          | -                  | -              | -           | 40,000,787         | 40,009,094     | 40,068,859  |
| 其他金融资产              | 9          | 63,079             | 68,058         | 48,998      | 63,079             | 68,058         | 48,998      |
| 递延税款资产              | 10         | 3,849,215          | 3,512,066      | 3,170,565   | -                  | -              | -           |
| <b>非流动资产合计</b>      |            | <b>162,940,776</b> | 128,097,333    | 80,430,730  | <b>78,604,276</b>  | 70,545,652     | 49,514,897  |
| 其他金融资产              | 9          | 2,496,412          | 1,998,320      | 2,042,947   | 2,496,412          | 1,998,320      | 2,040,998   |
| 存货                  | 11         | 50,054,959         | 47,727,484     | 39,112,553  | -                  | -              | 258,144     |
| 应收账款及其它应收款          | 12         | 159,508,720        | 168,540,953    | 141,409,016 | 47,808,126         | 45,784,697     | 47,901,168  |
| 现金和现金等同物            | 15         | 152,401,520        | 147,912,499    | 175,389,201 | 83,230,568         | 86,815,333     | 105,067,874 |
| 持有的待售资产             | 16         | 44,730,268         | 46,064,751     | 46,847,160  | -                  | -              | -           |
| <b>流动资产合计</b>       |            | <b>409,191,879</b> | 412,244,007    | 404,800,877 | <b>133,535,106</b> | 134,598,350    | 155,268,184 |
| <b>资产合计</b>         |            | <b>572,132,655</b> | 540,341,340    | 485,231,607 | <b>212,139,382</b> | 205,144,002    | 204,783,081 |
| <b>股东权益</b>         |            |                    |                |             |                    |                |             |
| 股本                  | 17         | 200,099,208        | 200,099,208    | 200,099,208 | 200,099,208        | 200,099,208    | 200,099,208 |
| 储备                  | 17         | 87,367,596         | 77,975,928     | 70,460,100  | (1,363,046)        | (9,611,785)    | (8,557,987) |
| <b>归属于公司业主的股东权益</b> |            | <b>287,466,804</b> | 278,075,136    | 270,559,308 | <b>198,736,162</b> | 190,487,423    | 191,541,221 |
| <b>少数股东权益</b>       | 18         | <b>61,953,333</b>  | 58,487,557     | 51,803,318  | -                  | -              | -           |
| <b>股东权益合计</b>       |            | <b>349,420,137</b> | 336,562,693    | 322,362,626 | <b>198,736,162</b> | 190,487,423    | 191,541,221 |
| <b>负债</b>           |            |                    |                |             |                    |                |             |
| 贷款与借贷               | 19         | 18,491,181         | 221,355        | 1,340,356   | -                  | -              | -           |
| 递延收益                | 22         | 2,148,883          | 2,020,085      | 1,175,894   | 382,244            | 443,085        | -           |
| 递延应付税款              | 10         | 2,687,670          | 2,859,588      | 2,767,550   | -                  | -              | -           |
| <b>非流动负债合计</b>      |            | <b>23,327,734</b>  | 5,101,028      | 5,283,800   | <b>382,244</b>     | 443,085        | -           |
| 贷款与借款               | 19         | 68,677,688         | 61,224,464     | 35,798,369  | -                  | -              | -           |
| 应付账款和其他应付款          | 23         | 128,866,186        | 135,619,182    | 118,956,515 | 12,970,342         | 14,213,494     | 13,241,860  |
| 递延收益                | 22         | 277,865            | 163,362        | 119,205     | 50,634             | -              | -           |
| 本期应付税款              |            | 1,563,045          | 1,670,611      | 2,711,092   | -                  | -              | -           |
| <b>流动负债合计</b>       |            | <b>199,384,784</b> | 198,677,619    | 157,585,181 | <b>13,020,976</b>  | 14,213,494     | 13,241,860  |
| <b>负债合计</b>         |            | <b>222,712,518</b> | 203,778,647    | 162,868,981 | <b>13,403,220</b>  | 14,656,579     | 13,241,860  |
| <b>负债及股东权益合计</b>    |            | <b>572,132,655</b> | 540,341,340    | 485,231,607 | <b>212,139,382</b> | 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2018年12月31日止年度

|                | 附注 | 2018<br>\$           | 2017<br>\$    |
|----------------|----|----------------------|---------------|
| 收入             | 24 | <b>501,552,609</b>   | 464,017,015   |
| 售出产品成本         |    | <b>(398,456,720)</b> | (359,234,707) |
| <b>毛利</b>      |    | <b>103,095,889</b>   | 104,782,308   |
| 其他收入           |    | <b>3,404,292</b>     | 1,521,725     |
| 分销费用           |    | <b>(43,040,320)</b>  | (44,216,800)  |
| 行政费用           |    | <b>(32,898,665)</b>  | (31,946,484)  |
| 其他费用           |    | <b>(3,466,175)</b>   | (4,660,907)   |
| <b>营业活动之盈利</b> |    | <b>27,095,021</b>    | 25,479,842    |
| 金融收入           |    | <b>2,821,771</b>     | 2,114,681     |
| 金融费用           |    | <b>(1,488,900)</b>   | (1,134,758)   |
| <b>净金融收入</b>   | 26 | <b>1,332,871</b>     | 979,923       |
| 联号公司损失分派 (税后)  |    | -                    | -             |
| 税前盈利           |    | <b>28,427,892</b>    | 26,459,765    |
| 所得税            | 27 | <b>(6,200,627)</b>   | (5,544,498)   |
| <b>本期盈利</b>    | 25 | <b>22,227,265</b>    | 20,915,267    |
| <b>盈利可归属：</b>  |    |                      |               |
| 公司业主           |    | <b>13,433,910</b>    | 11,102,044    |
| 少数股东权益         |    | <b>8,793,355</b>     | 9,813,223     |
| <b>本期盈利</b>    |    | <b>22,227,265</b>    | 20,915,267    |
| <b>每股盈利</b>    |    |                      |               |
| 每股盈利基额 (分)     | 28 | <b>2.43</b>          | 2.01          |
| 每股盈利摊薄 (分)     | 28 | <b>2.41</b>          | 1.99          |

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\$200,099,207.29                        |

## SUBSTANTIAL SHAREHOLDERS AS AT 13 MARCH 2019

| SUBSTANTIAL SHAREHOLDERS       | NUMBER OF SHARES HELD |                    | SHAREHOLDING<br>PERCENTAGE<br>(%) |
|--------------------------------|-----------------------|--------------------|-----------------------------------|
|                                | DIRECT<br>INTEREST    | DEEMED<br>INTEREST |                                   |
| Violet Profit Holdings Limited | 134,112,551           | –                  | 24.23                             |
| Ku Yun-Sen <sup>(1)</sup>      | –                     | 134,112,551        | 24.23                             |
| Tang Cheuk Chee <sup>(2)</sup> | 49,449,500            | 49,498,000         | 17.88                             |
| Allan Yap <sup>(3)</sup>       | 1,000,000             | 97,947,500         | 17.88                             |
| Goi Seng Hui                   | 94,354,704            | –                  | 17.05                             |

### 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 2019

| DIRECTORS       | HOLDINGS IN THE NAME OF<br>DIRECTOR OR IN WHICH DIRECTOR<br>HAS A DIRECT INTEREST | HOLDINGS IN WHICH THE<br>DIRECTOR IS DEEMED TO<br>HAVE AN INTEREST |
|-----------------|---|--|
| Allan Yap       | 1,000,000   | 97,947,500   |
| Tang Cheuk Chee | 49,449,500  | 49,498,000   |

## ANALYSIS OF SHAREHOLDERS AS AT 13 MARCH 2019

| RANGE OF SHAREHOLDINGS | NO. OF<br>SHAREHOLDERS | %*     | NO. OF<br>SHARES | %*     |
|------------------------|------------------------|--------|------------------|--------|
| 1 – 99                 | 273                    | 3.47   | 10,375           | 0.00   |
| 100 – 1,000            | 2,345                  | 29.82  | 1,339,867        | 0.24   |
| 1,001 – 10,000         | 3,323                  | 42.25  | 15,605,650       | 2.82   |
| 10,001 – 1,000,000     | 1,898                  | 24.13  | 93,820,960       | 16.96  |
| 1,000,001 and above    | 26                     | 0.33   | 442,638,894      | 79.98  |
|                        | 7,865                  | 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 2019.

# 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 2019, 40.77% 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 2019

| NO. | NAME  | NO. OF<br>SHARES HELD | %*           |
|-----|---|-----------------------|--------------|
| 1.  | CGS-CIMB SECURITIES (SINGAPORE) PTE LTD       | 134,612,184           | 24.32        |
| 2.  | GOI SENG HUI                                  | 94,354,704            | 17.05        |
| 3.  | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD    | 68,523,351            | 12.38        |
| 4.  | TANG CHEUK CHEE                               | 49,449,500            | 8.94         |
| 5.  | DBS NOMINEES PTE LTD                          | 14,243,931            | 2.57         |
| 6.  | PHILLIP SECURITIES PTE LTD                    | 11,824,783            | 2.14         |
| 7.  | CITIBANK NOMINEES SINGAPORE PTE LTD           | 11,129,032            | 2.01         |
| 8.  | UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED | 9,879,387             | 1.79         |
| 9.  | UOB KAY HIAN PTE LTD                          | 5,555,736             | 1.00         |
| 10. | OCBC NOMINEES SINGAPORE PRIVATE LIMITED       | 4,531,582             | 0.82         |
| 11. | RAFFLES NOMINEES (PTE) LIMITED                | 3,837,379             | 0.69         |
| 12. | CHEW GHIM BOK                                 | 3,769,000             | 0.68         |
| 13. | SIM TENG YAM                                  | 3,480,000             | 0.63         |
| 14. | MAYBANK KIM ENG SECURITIES PTE LTD            | 3,269,586             | 0.59         |
| 15. | LIM & TAN SECURITIES PTE LTD                  | 3,142,758             | 0.57         |
| 16. | SIONG BENG SENG                               | 3,054,400             | 0.55         |
| 17. | LIM SOH HUA                                   | 2,986,900             | 0.54         |
| 18. | LEOW KIM SIANG OR NG MAY CHOO                 | 2,769,800             | 0.50         |
| 19. | ONG SZE WANG (WANG SIYUAN)                    | 2,700,094             | 0.49         |
| 20. | TAN WAI SEE                                   | 1,979,000             | 0.36         |
|     |   | <u>435,093,107</u>    | <u>78.62</u> |

Note:

\* Percentage is based on 553,415,746 shares (excluding 17,581,000 Treasury Shares) as at 13 March 2019.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Forty-Fifth Annual General Meeting (“**AGM**”) of Hanwell Holdings Limited (the “**Company**”) will be held at 348 Jalan Boon Lay, Singapore 619529 on Friday, 26 April 2019 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 2018 together with the Auditors’ Report thereon. **(Resolution 1)**

2. To declare a first and final dividend (tax exempt one-tier) of S\$0.01 per ordinary share for the financial year ended 31 December 2018 (2017: S\$0.0025). **(Resolution 2)**

3. To re-elect Dr John Chen Seow Phun as a Director of the Company, who is retiring pursuant to Regulation 87 of the Company’s Constitution. **(Resolution 3)**

**[See Explanatory Note (1)]**

4. To note the retirement of Mr Lee Po On, as a Director of the Company, who is retiring pursuant to Regulation 87 of the Company’s Constitution and will not be seeking for re-election at the AGM.

5. To re-elect the following Directors of the Company, who are retiring pursuant to Regulation 93 of the Company’s Constitution:

- |                               |                       |
|-------------------------------|-----------------------|
| (i) Mr Kong WeiLi             | <b>(Resolution 4)</b> |
| (ii) Mr Siu Wai Kam           | <b>(Resolution 5)</b> |
| (iii) Mr Goh Yang Jun, Jasper | <b>(Resolution 6)</b> |

**[See Explanatory Note (2)]**

6. To approve the payment of Directors’ fees of S\$267,000 for the financial year ending 31 December 2019 to be paid quarterly in arrears (2018: S\$279,000).

**(Resolution 7)**

**[See Explanatory Note (3)]**

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

**(Resolution 8)**

## AS SPECIAL BUSINESS

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

# NOTICE OF ANNUAL GENERAL MEETING

## 8. Authority to issue new shares

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

- (a) (i) issue new shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (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.

# NOTICE OF ANNUAL GENERAL MEETING

- (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 (4)]**

**(Resolution 9)**

## 9. **Renewal of Share Buyback Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued ordinary shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to 8% of the total number of issued shares (excluding treasury shares 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 4 April 2019 (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 10)**

By Order of the Board

Chew Kok Liang  
Company Secretary  
Singapore

4 April 2019



# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (1) **Resolution 3**, Dr John Chen Seow Phun will, upon re-election as a Director of the Company, remain as Deputy Chairman of the Board, Chairman of the Nominating and Remuneration Committees and member of the Audit Committee respectively. He will be considered as independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to Table A of the Corporate Governance Statement from page 48 to page 52 in the Annual Report 2018 for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
- (2) **Resolutions 4, 5 and 6**, Mr Kong WeiLi will, upon re-election as a Director of the Company, remain as member of the Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee respectively. He will be considered as independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Mr Siu Wai Kam will, upon re-election as a Director of the Company, remain as member of the Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee respectively. He will be considered as independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Mr Goh Yang Jun, Jasper will, upon re-election as a Director of the Company, remain as member of the Audit Committee, Nominating Committee, Remuneration Committee and Risk Management Committee respectively. He will be considered as independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to Table A of the Corporate Governance Statement from page 48 to page 52 in the Annual Report 2018 for the detailed information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
- (3) **Resolution 7**, 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 2019. 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.
- (4) **Resolution 9**, 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.

- (5) **Resolution 10**, 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 limits on, the sources of funds to be used for the purchase or acquisition of shares, including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buyback Mandate on the audited financial statements of the Group for the financial year ended 31 December 2018, 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 (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. Where a member (other than a Relevant Intermediary\*) appoints two (2) proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies.
3. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
4. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The appointment of proxy must be executed under seal or the hand of its duly authorised officer or attorney in writing.
5. 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;
- (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, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

## NOTICE OF BOOKS CLOSURE 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 10 May 2019 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 9 May 2019 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 9 May 2019 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 28 May 2019.

# HANWELL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)  
Company Registration No. 197400888M

## PROXY FORM FOR AGM

(PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

### 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.

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/them\*, the Chairman of the Meeting, as my/our\* proxy/proxies\* to attend and vote for me/us\* on my/our\* behalf at the Forty-Fifth Annual General Meeting (the "Meeting") of the Company to be held at 348 Jalan Boon Lay, Singapore 619529 on Friday, 26 April 2019 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. **If no person is named in the above boxes, the Chairman of the Meeting shall be my/our\* proxy to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder, for me/us\* and on my/our\* behalf at the Meeting and at any adjournment thereof.**

**(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  | No. of votes<br>"For" | No. of votes<br>"Against" |
|-------------------------|---|-----------------------|---------------------------|
|                         |   |                       |                           |
| 1.                      | Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report thereon   |                       |                           |
| 2.                      | Declaration of first and final dividend   |                       |                           |
| 3.                      | Re-election of Dr John Chen Seow Phun as Director   |                       |                           |
| 4.                      | Re-election of Mr Kong WeiLi as Director  |                       |                           |
| 5.                      | Re-election of Mr Siu Wai Kam as Director   |                       |                           |
| 6.                      | Re-election of Mr Goh Yang Jun, Jasper as Director  |                       |                           |
| 7.                      | Approval of payment of Directors' fees amounting to S\$267,000 for the financial year ending 31 December 2019 to be paid quarterly in arrears |                       |                           |
| 8.                      | Re-appointment of KPMG LLP as Auditors and authorisation for Directors to fix their remuneration  |                       |                           |
| <b>Special Business</b> |   |                       |                           |
| 9.                      | Authority to issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the SGX-ST       |                       |                           |
| 10.                     | Renewal of Share Buyback Mandate  |                       |                           |

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

| 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 SIDE**



## Notes:

1. Please insert the total number of Shares in the Company (the "**Shares**") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary\*), entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. Where a member (other than a Relevant Intermediary\*) appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
4. Subject to note 8, 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.
5. 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 holding the Meeting.**
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its 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.
7. 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.
8. 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.
9. 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;
- (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 4 April 2019.

## General

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares 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.

This page has been intentionally left blank

This page has been intentionally left blank





**HANWELL**  
HOLDINGS 恒威

Company Registration No: 197400888M  
Incorporated in the Republic of Singapore  
348 Jalan Boon Lay Singapore 619529  
Tel: +65 6268 4822 Fax: +65 6266 2607

[www.hanwell.com.sg](http://www.hanwell.com.sg)

