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VISION

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





YOUR EVERYDAY ESSENTIALS

MISSION

Building strong partnerships, growing new markets

Fostering an open and creative culture, attracting and nurturing talents

Providing innovative products, portfolio building, meeting stakeholders' needs

Achieving operational excellence

Building strong financial capabilities



EXECUTIVE CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

Arising from the uncertainties in FY 2019 brought about by the on-going trade tension between the two super powers – China and the United States of America, spat between Japan and South Korea as well as Brexit; growth in the region has been relatively subdued. Notwithstanding these challenges, the Group will continue to look beyond its current market, exercise care and vigilance of its financial and non-financial exposure, leverage more on automation and digital solutions to be manpower smart and lean whilst steering a path through choppy waters so as to stay resilient in the face of a myriad of threats including climate change, protectionism and the recent COVID-19 outbreak.

FINANCIAL SEGMENTS

In financial year 2019 (FY 2019), the Group achieved a total revenue of S\$461.11 million, a decrease of 8.06% or S\$40.45 million as compared to the financial year 2018 (FY 2018). The decrease was mainly attributed to lower revenue generated from the China sector of the Packaging Business (**Tat Seng Group**) as a result of: (i) competitive selling prices, (ii) weakening of Renminbi against the Singapore dollars as compared to FY 2018; and (iii) the new plant in Packaging business has not reached its full capacity. However, total sales volume (sqm) of China's operations increased by 3.2% as compared to FY 2018. This is partially offset by higher revenue from Malaysia Consumer Business, which has experienced growth from its agency products. The market is receptive to new agency products introduced in Malaysia, which coupled with aggressive promotions, resulted in favorable sales growth. Additionally, Consumer Business has utilised online platforms to expand its reach and improve online sales.

Gross profit for FY 2019 was S\$94.82 million, a decrease of 8.03% or S\$8.27 million from FY 2018. Gross profit margin was 20.56%, which is consistent with FY 2018. The decrease in Gross Profit is mainly attributed to the decrease in revenue for the Group.

Other income of S\$2.91 million in FY2019 was lower than S\$3.40 million in FY2018, a decrease of 14.40% or S\$0.49 million. This is mainly due to lower foreign exchange gain in FY2019, which is offset by a higher gain on disposal of Property, Plant and Equipment and a one-off insurance compensation received in FY 2019 as compared to FY2018.

Tat Seng Group has registered revenue of S\$288.6 million in FY2019, translating to a decrease of 13.4% or S\$44.7 million as compared to S\$333.3 million in FY 2018.

In FY 2019, Tat Seng Group remains committed on automation efforts to improve production and efficiency. Through new machines and upgrading existing machines, Tat Seng Group has been able to achieve lower production cost per unit new customers whilst retaining existing ones with technology enhancement.

DEVELOPMENTS IN FY2019

In line with the Group's business strategy of redeploying capital into potentially higher return real estate opportunities, we have acquired an overseas property in 2019. The property is located in the State of Johor, Malaysia.

We view the acquisition as a stepping stone to expand our food business into our neighboring countries; thereby enlarging our footprint in the South East Asia region.

Apart from this, one of the top selling brands under Topseller Pte Ltd ("**Topseller**"), Royal Umbrella has continued to dominate and secured top spot as the best-selling rice brand in Singapore. As testament to the brand's long-standing popularity, it was a continual winner of the Reader's Digest Trusted Brands platinum award in 2019.

Separately, Fortune Food Manufacturing Pte Ltd ("**Fortune Food**") saw its new tofu manufacturing facility garner the Food Safety System Certification 22000 (FSSC 22000)

qualification further showcasing high food safety and quality standards of our tofu products. This qualification 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 its 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.

Fortune Food has also been actively managing turnover during the year to improve its margins and retain market share in the face of rising costs. In fact, we have participated in the Singapore Manufacturing Federation's Working in Partnership (WIP) overseas trade fair to introduce our chilled tofu products to the offshore community. We shall continue to make inroads to more markets by participating in such exhibitions and trade fairs in the years to come as part of our business plan to raise awareness of our products so as to gain a foothold in the global market.

Moreover, Tipex Pte. Ltd. ("**Tipex**") has been organizing its trademark Life's Beautiful Art Competition under the Beautex brand for the eleventh year running. Winning artworks were printed on box tissue with donations totalling S\$27,635.60, collected from the sales of the box tissues being donated to the Straits Times School Pocket Money Fund. The competition theme for 2019 was 'Clean is Beautiful', echoing the nation's focus on maintaining a clean and beautiful environment.

COVID-19 OUTBREAK

The world has been shaken with the recent spread of the COVID-19 and we are taking active measures in ensuring business continuity in our human resource management and minimizing the risk of factory premises becoming a medium of transmission. We would like to emphasize to our shareholders, employees and society that our company takes the precautionary



Looking forward, save for essential items like rice and sanitary products, we expect the retail sales growth to remain muted in FY 2020 against the backdrop of rising costs, changing consumer demographics and spending patterns coupled with the COVID-19 impact.

measures very seriously and will do everything within our power to ensure the safety of the community.

FUTURE PROSPECTS

We expect the business environment to remain competitive attributable to escalating raw materials and labour cost. Although competition is rife in the food industries, such industry is also full of potential and opportunities for innovative and nimble players if we can leverage the industry trends and capitalize on the right IT strategy to capture and enlarge our market share.

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 despite rate-lowering from the Federal Reserve in certain quarters of 2019.

Meanwhile, our Packaging Business continues to face uphill challenges presented by volatile raw material prices and an uncertain economy. As such, we will continue to enhance operational efficiencies and implement measures through automation for efficient production whilst managing costs prudently and effectively.

Looking forward, save for essential items like rice and sanitary products, we expect the retail sales growth to remain muted in FY 2020 against the backdrop of rising costs, changing consumer demographics and spending patterns coupled with the COVID-19 impact. Although traditional brick and mortar trade still make up majority of grocery sales locally and overseas, this will invariably reduce over time as grocery market continues to modernize. Growth will be driven primarily by the expansion of online B to B and B to C, as retailers, wholesalers and suppliers shift their business transactions and consumption patterns towards this channel. Online business is likely to grow exponentially spiraled by progressive consumers' preference and business partners' inclination to trade on various e-commerce platforms.

In this light, our business strategy in 2020 would be to forge ahead with new product launches 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 manage costs prudently and effectively 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 Lee Po On Mark, a past director who has retired on 23 April 2019. I wish to express appreciation for Mr Mark Lee's invaluable contribution to the Company during the tenure of his directorship.

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

BOARD OF DIRECTORS



DR ALLAN YAP 64 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 Greater Bay Area Dynamic Growth Holding Limited (formerly known as 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.

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 66 DEPUTY CHAIRMAN/NON-EXECUTIVE & INDEPENDENT DIRECTOR

Date of first appointment as director: 09 June 2003

Date of last re-election as director: 26 April 2019

Dr John Chen is the Deputy Chairman, Non-Executive and Independent Director, the Chairman of the Remuneration and Nominating Committees 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 48 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.



MR GOI KOK MING (WEI GUOMING) 46 NON-EXECUTIVE DIRECTOR

Date of first appointment as director: 10 August 2012

Date of last re-election as director: 21 April 2017

Mr Goi Kok Ming (Wei Guoming) is the Chief Operating Officer and Executive Director of Mainboard-listed regional property developer, GSH Corporation Limited, and Executive Director of Acelink Logistics Pte Ltd, a supply chain company with distribution networks in Singapore, Malaysia, Thailand, Hong Kong and China.

Mr Goi is also Director of Tee Yih Jia Group, a global food and beverage group with operations in Singapore, Malaysia, USA, Europe, Japan and China, as well as Non-Executive Director of Mainboard-listed companies Serial System Ltd and Union Steel Holdings Limited.

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

He holds a Bachelor Degree in Computer Information System from California State University, Pomona, USA.



MR KONG WEILI 53 NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Date of first appointment as director: 19 June 2018

Date of last re-election as director: 26 April 2019

Mr Kong WeiLi is the Non-Executive and Independent Director, a member of Remuneration and Nominating Committees and has been appointed as Chairman of the Audit and Risk Management Committees of the Company from 26 April 2019.

Currently, Mr Kong is the Financial Advisor of Hudson Sembawang Engineering Pte. Ltd. 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 Hudson Sembawang Engineering, Mr Kong was the Plant Financial Controller of Sanmina – SCI Systems Singapore Pte. Ltd. from 2018 to 2019 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 Topsides 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 SIU WAI KAM 48 NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Date of first appointment as director: 19 June 2018

Date of last re-election as director: 26 April 2019

Mr Siu Wai Kam is the Non-Executive and Independent Director, a member of Audit, Remuneration, Risk Management and Nominating Committees 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 20 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.



MR GOH YANG JUN, JASPER 38 NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Date of first appointment as director: 26 December 2018

Date of last re-election as director: 26 April 2019

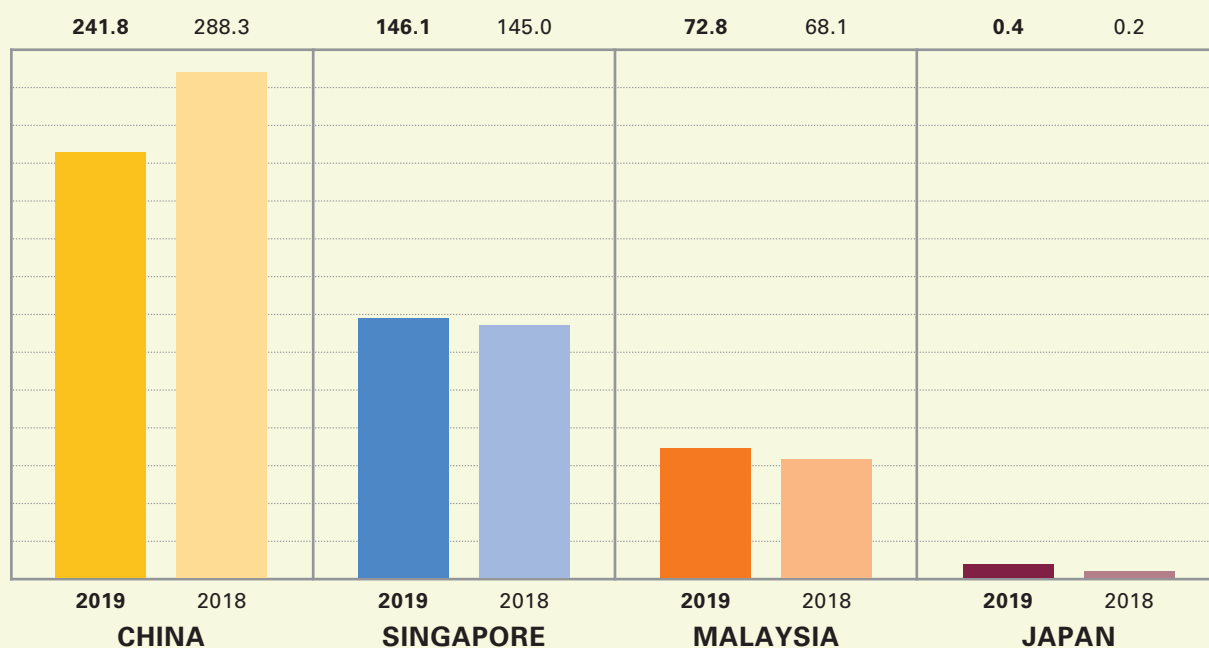
Mr Goh Yang Jun, Jasper is the Non-Executive and Independent Director, a member of Audit, Remuneration, Risk Management and Nominating Committees of the Company.

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).

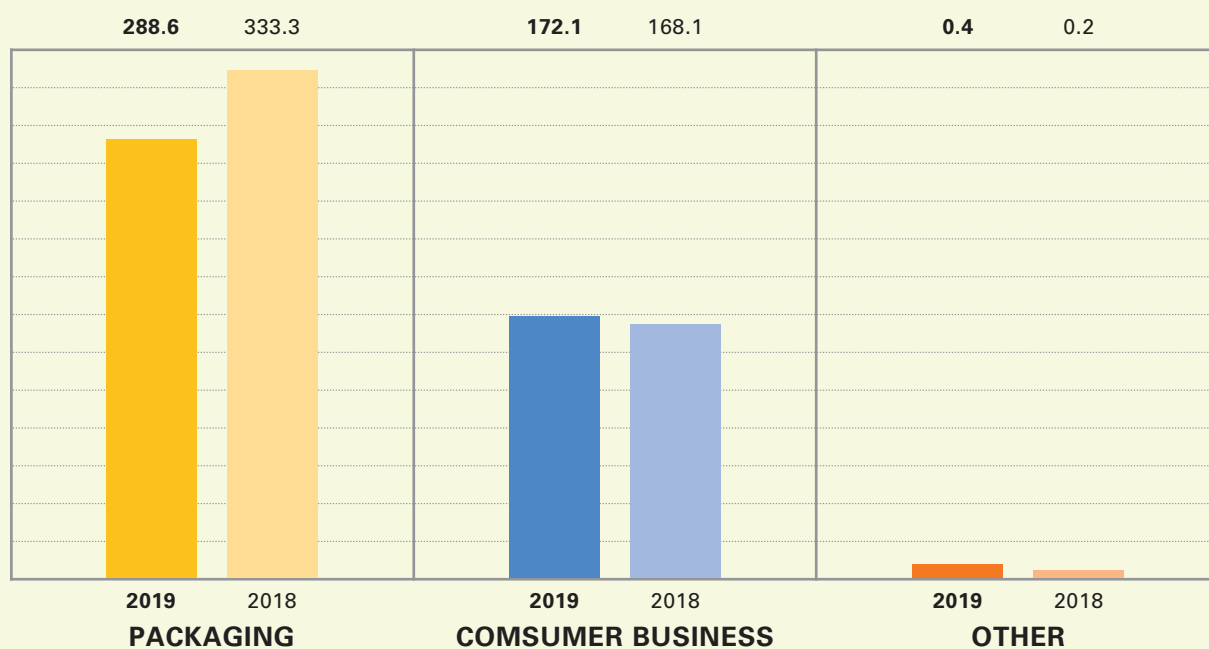
Mr Goh is currently the Managing Partner of Back Office Partners Pte Ltd and Lead Business Development, Asterisk Computer (FE) Pte Ltd. Mr Goh is also a Non-Executive and Independent Director of Tat Seng Packaging Group Ltd, a company listed on the Singapore Exchange Securities Trading Limited.

GROUP FINANCIAL SUMMARY

TURNOVER BY GEOGRAPHICAL SEGMENTS (\$ MILLION)



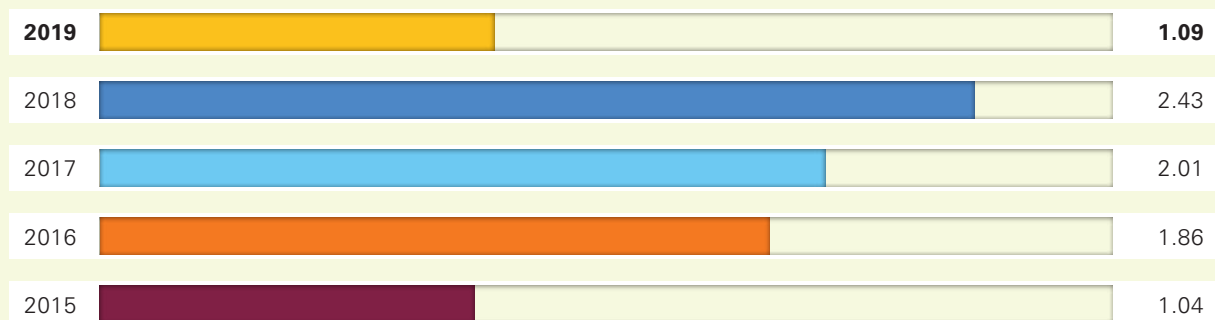
TURNOVER BY BUSINESS SEGMENTS (\$ MILLION)



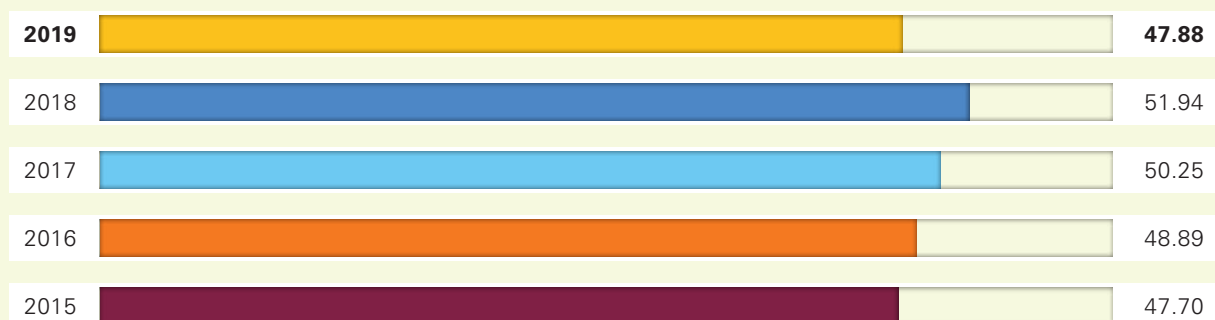
TURNOVER (\$ MILLION)



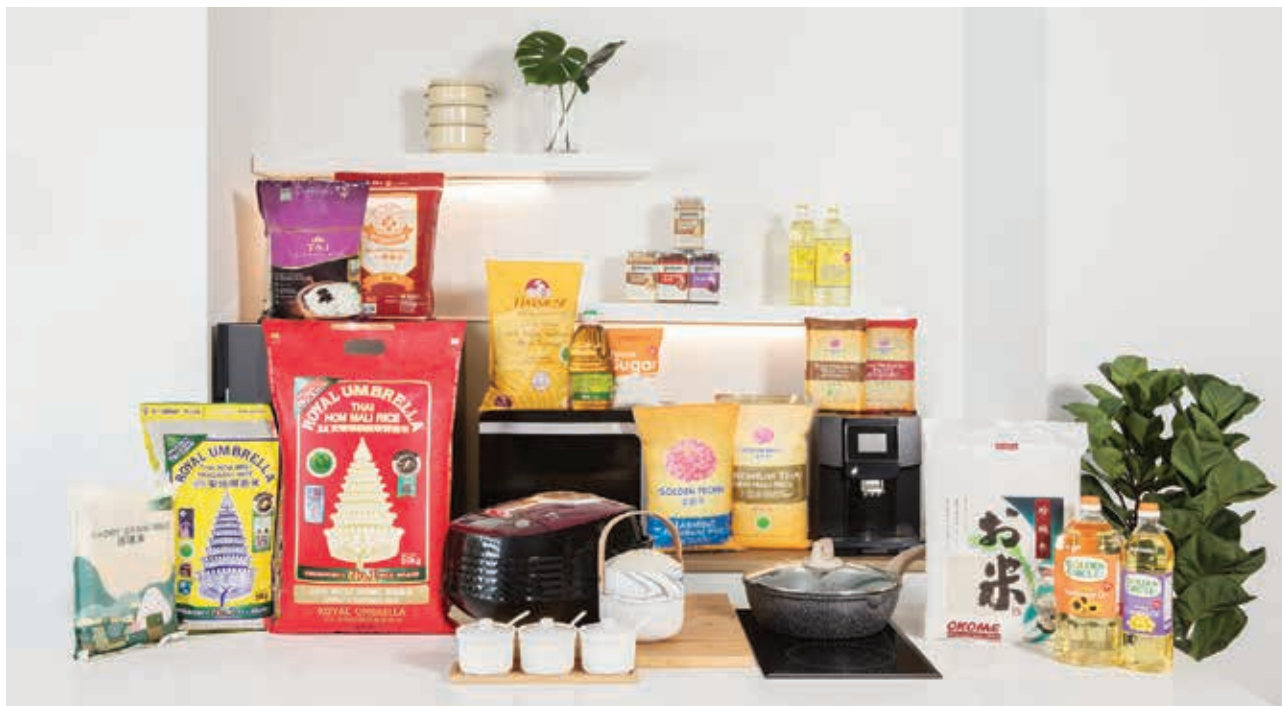
BASIC EARNING PER SHARE (CENTS)



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, Soyalite 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 16 years running (from 2004 to 2019) with Royal Umbrella awarded Platinum Award for 2 years (2017 & 2018).

As consumers become increasingly health conscious, we have introduced a Low GI (glycemic-index) Basmati Long-Grain Rice under our Taj Basmati brand to meet consumers’ growing needs. In addition, under the Origrain brand, we have launched the organic series (Brown rice and Rice Berry). The rice is packed in the nitrogen flush container to maintain the freshness 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.



Nevertheless, our rice was somewhat affected by the global increase in cost of rice, particularly Thai rice; reason being that the impact to the escalating costing was attributable to the decrease of rice output, i.e. harvested volume, in particular Thai rice and that Thai Baht had appreciated more than 19% in 2019 coupled with the strengthening of the USD had 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.

Subsequent to our launching of dual-tub Tofu and enhanced the Omega3 Tofu with vegetarian DHA, we are proud to be the first dual tub format introduced in the Singapore market that caters 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 and Lion also registered good growth.

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



OPERATIONAL REVIEW

distributes coconut milk 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 8.5% in comparison to previous year. The growth of 8.5% was attributable to strong growth from confectionery and snacks. The Confectionery segment benefitted from the new launch of Mentos caramels and the strong performance of Chupa Chups. The strong sales growth 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 2019 Chinese New Year as well

as 2020 New Year celebrations. During the financial year, Tai Sun and Taokaenoi snacks registered strong single digit growth.

To meet the growing rise towards the online channel, we created SOCMA mall on Shoppe 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 consumables 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 2018.

We are continuously looking and exploring new business partnership 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. Our export markets are growing and we are now exporting to the European Union, South Africa, Middle East and South East Asia countries.

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.

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 keeping up with ever-changing and different 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.

2019 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 provided 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.

Additionally, we have successfully rebranded 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 completed in 2Q2019, setting the tone for Tipex's overall direction for 2020.

Tipex continues to organise the eleventh Beautex Life's Beautiful art competition with a "Clean is Beautiful" theme, which is the new tagline for Beautex. Tipex raised S\$27,635.60 through the sales of Beautex Art Competition Box Tissues for The Straits Times School Pocket Money Fund.

Much as business performance is important to us, we remain committed towards a sustainable environment. As a corporate citizen, we shall continue to do our part through adopting socially responsible initiatives in our business dealings with our stakeholders. In this aspect, we only use FSC certified 100% virgin pulp in our virgin pulp paper products. Even our Malaysia subsidiary, Tips Industry Malaysia is also certified HACCP, ISO 22000, ISO 9001 and ISO 14001.

Tips Industry has completed the construction of a new plant in 2019 and will be acquiring new machineries and expanding its production facilities in 2020.



OPERATIONAL REVIEW



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 the Singapore and China markets.

Tat Seng Group registered revenue of S\$288.6 million in FY2019, translating to a decrease of 13.4% or S\$44.7 million as compared to S\$333.3 million in FY2018.

In FY2019, Tat Seng remains committed on automation efforts to improve production and efficiency. Through new machines and upgrading existing machines, Tat Seng has been 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 technology enhancement.

During the year in review, total revenue of China's operations reduced by 16.1% or S\$46.5 million in Tat Seng Group's reporting currency (SGD) for FY2019, mainly due to competitive selling prices and partially attributable to weakening of Renminbi against Singapore dollar as compared to FY2019. However, total sales volume

(sqm) of China operations increased by 3.2% as compared to FY2018.

Total revenue achieved by the Singapore entities in FY2019 increased by 4% or S\$1.8 million from S\$45 million in the previous year due to higher demand from customers.

Tat Seng Group's gross profit dropped by 14.8% to S\$51.6 million in 2019 owing to reduction of Group's revenue.

OUTLOOK FOR THE GROUP

In Q4 2019, Consumer Business made further recovery on sale performance of rice with increased support from marketing and promotion activities. Moving forward to 2020, the harvest of Thai Hom Mali is greatly affected by the floods in Northern Thailand last year. Coupled with a strong Thai baht, cost of goods will remain high. Price of Vietnam Jasmine rice has surged in December 2019, with pricing remaining uncertain for the rest of 2020.

The Consumer Business will continue to promote Made in Singapore Tofu products overseas, such as participating in FHA 2020 held in Singapore. This will promote the tofu products to foreign buyers and overseas market.

The Singapore Consumer Business was able to handle the surge in demand for rice and paper products in February 2020, by obtaining additional inventory from suppliers and increasing production. Sales are expected to normalise by Q2 2020.

Sales in January 2020 was lower than last year for the Malaysia Consumer Business due to timing of Lunar New Year and soft consumer off-take. Consumer sector in Malaysia remains weak as most sectors are affected by the outbreak of COVID-19.

Whilst the ongoing trade dispute between the US and China may affect the business environment in China, Singapore's business environment may experience challenges on the back of the weakened manufacturing sector and rise in raw material costs due to weakening in SGD against USD. The fluctuations in raw material prices may also impact Packaging Business results.

Although the recent outbreak of the COVID-19 may affect both market conditions in Singapore and China, it is premature at this stage to ascertain the extent of the impact of the COVID-19. Meanwhile, the Packaging Business will continue to monitor the evolving situation closely, take all necessary precautionary measures to safeguard the health and safety of its employees and comply with directives from the relevant local authorities.

Packaging Business will continue to execute its strategy to improve operational efficiencies, mitigate risks from market fluctuations so as to ensure that it remains competitive.

CORPORATE SOCIAL RESPONSIBILITY

1. SPONSORSHIP TO THE 'RECYCLING FOR GOOD' CAMPAIGN ORGANIZED BY THE TOA PAYOH WEST CC

Topseller sponsored 300 packets of 500gm Golden Peony Brown rice and offered special discount on the Golden Peony Brown Rice 1kg (250 packets) in support of the recycling campaign organized by the Toa Payoh West CC Youth Executive Committee on 29 June 2019. The purpose of this campaign was to create awareness in practicing and making recycling as part and parcel of good daily living habits for a better, healthier and more sustainable environment. In this light, Toa Payoh West CC encouraged its residents to bring household items that were no longer in use such as old newspapers and unwanted cardboards, etc. to the 'recycling booth'. In exchange, each resident who demonstrated his or her support to the 'Recycling For Good' Campaign was "rewarded" with a packet of Golden Peony brown rice for their efforts towards good sustainability practices. We are proud to have Topseller's staff volunteering alongside with team members from Toa Payoh West CC at the redemption booth for a good cause.

2. SPONSORSHIP TO THE TAN TOCK SENG PHYSIOTHERAPY DAY 2019

Topseller sponsored 600 packets of 500gm Golden Peony Brown rice to the Tan Tock Seng Physiotherapy Day 2019 where good quality and nutritious brown rice was given to the participating audience that included patients and nurses. This event was held at the Ang Mo Kio Central Stage and Tan Tock Seng hospital's Atrium with more than 600 residents turning up to lend their support. They learnt about the benefits of eating and working out in moderation by keeping the body fit with a progressive exercise regime in preventing and managing chronic conditions. Apart from this, participants were given tips of modifying and tailoring their physical activities and eating habits to alleviate chronic health issues. This event served as a beacon for all participants in identifying the signs and symptoms of a declining state of health so that there is rising awareness of the importance of maintaining good healthy eating habits with a regular exercise regime to better care for our mental and physical well-being.



3. LIFE IS BEAUTIFUL

Tipex continued its partnership with The Straits Times School Pocket Money Fund (as Charity Partner) and Topseller (as Supporting Partner) that is the sole distributor of the Royal Umbrella Rice locally to encourage and embrace a participative and cohesive community spirit with the purpose of deepening and broadening Tipex's Corporate Social Responsibility initiatives in engaging its stakeholders, particularly children who will be the future pillars of society by fostering family bonding amongst the young participants and their parents through an annual "Beautex's Life's Beautiful" Children Art Competition, with the 2019 theme of "Clean is Beautiful". The objective is to advocate the importance of family togetherness and healthy living through the hosting of an art competition towards caring and sharing so as to move towards a progressive, healthier and more inclusive society.



CORPORATE INFORMATION

BOARD OF DIRECTORS

DR ALLAN YAP
DR JOHN CHEN SEOW PHUN
DR TANG CHEUK CHEE
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 Director
Non-Executive and Independent Director
Non-Executive and Independent Director
Non-Executive and Independent Director

SENIOR MANAGEMENT

MR YEO SEE LIANG EUGENE

MS WONG YUEN MAY SANDY
MR TANG CHI MING DANNY
MR SIM SEE HIANG RICHARD
MR LOH SEE MOON

MDM CHEONG POH HUA

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

JOINT COMPANY SECRETARIES

MR CHEW KOK LIANG
MS SIAU KUEI LIAN

AUDIT COMMITTEE

MR KONG WEILI (Chairman)
DR JOHN CHEN SEOW PHUN
MR SIU WAI KAM
MR GOH YANG JUN, JASPER

REMUNERATION COMMITTEE

DR JOHN CHEN SEOW PHUN (Chairman)
MR KONG WEILI
MR SIU WAI KAM
MR GOH YANG JUN, JASPER

NOMINATING COMMITTEE

DR JOHN CHEN SEOW PHUN (Chairman)
MR KONG WEILI
MR SIU WAI KAM
MR GOH YANG JUN, JASPER

RISK MANAGEMENT COMMITTEE

MR KONG WEILI (Chairman)
DR TANG CHEUK CHEE
MR SIU WAI KAM
MR GOH YANG JUN, JASPER

REGISTERED OFFICE

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Tel: +65 6268 4822
Fax: +65 6266 2607
Email: corpcomms@hanwell.com.sg
Website: www.hanwell.com.sg
Company Registration Number: 197400888M

SHARE REGISTRAR

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

AUDITORS

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

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

PRINCIPAL BANKERS

UNITED OVERSEAS BANK LTD
DBS BANK LTD
STANDARD CHARTERED BANK

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the “**Board**”) and Management of Hanwell Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) place great importance on high standard of corporate conduct to uphold good corporate governance. This commitment and continuous support of the Code of Corporate Governance which was revised on 6 August 2018 (the “**2018 Code**”) and accompanying Practice Guidance, which supersedes the existing Code of Corporate Governance issued in 2012 (the “**2012 Code**”). The Board and Management are mindful of the tenets of good governance that includes accountability, transparency and sustainability. The Company believes that embracing such efforts are more likely to engender investor confidence and achieving long-term sustainable business performance.

In accordance with Rule 710 of the listing rules of Singapore Exchange Securities Trading Limited (“**SGX-ST**”), this Corporate Governance Statement sets out the Company’s corporate governance practices with specific reference to the principles and the provisions of the 2018 Code. The Company believes that it has largely complied with the spirit and intent of the 2018 Code and in areas where the Company’s practices have deviated from the 2018 Code; rationale of which is provided herein.

SECTION (A): BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1:

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

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.

CORPORATE GOVERNANCE STATEMENT

Fiduciaries: All Directors discharge their duties and responsibilities objectively at all times as fiduciaries in the interests of the Company. The Board puts in place a code of conduct and ethics, and also sets the tone for the Company in respect of ethics, values and desired organizational culture, and ensure proper accountability within the Group. The Board has clear policies and procedures for dealing with conflicts of interest. Where Director faces a conflict of interest, he or she would recuse himself or herself from discussions and decisions involving the issues of conflict.

Induction, Training and Development: Our Directors are provided with extensive background information about our Group's history, mission, values and business operations. The Nominating Committee ("**NC**") ensures that 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 make visits to the Group's operations facilities with Management providing explanations, briefing or discussions on key aspects to gain insight for a better understanding of the Group's business and operations.

The Company will brief newly appointed Directors of their duties and obligations including the business and organisational structure of the Group and its strategic directions. Such Directors go for site visits of the Group's operating units to familiarise themselves with the Group's business practices.

Directors are updated periodically on industry trends and development of sustainability issues, relevant laws, regulations and changing business risks during Board meetings/committee meetings or at specifically-convened sessions so as to enable them to properly discharge their duties effectively. In the year under review, the Board has been briefed on the compliance and disclosure requirements of the amendments to the 2018 Code and Listing Rules of SGX-ST.

The Joint Company Secretaries regularly inform the Directors of any upcoming conferences, training and seminars relevant to their roles as directors of the Company. The external auditors would update the Audit Committee 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.

Management and the Joint Company Secretaries assisted Directors in ensuring compliance with their obligations under the relevant rules and regulations, and in the Directors' professional development. During the financial year ended 31 December 2019, the following sessions/trainings were conducted for Directors and Directors are also encouraged to attend seminars that they find useful to better perform their duties:

- Key amendments and impact of the 2018 Code by RHT Corporate Advisory Pte. Ltd.; and
- Seminars by Singapore Institute of Directors where it concerns listed companies and financial reporting requirements.

CORPORATE GOVERNANCE STATEMENT

Matters reserved for the Board: 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.

Board Committees: 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	NA
Tang Cheuk Chee	NA	NA	NA	Member
Kong WeiLi	Chairman	Member	Member	Chairman
Siu Wai Kam	Member	Member	Member	Member
Goh Yang Jun, Jasper	Member	Member	Member	Member

* With effect from 27 February 2020, the Group will announce its results on a half-yearly basis as required under the amended listing rules of the SGX-ST.

CORPORATE GOVERNANCE STATEMENT

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.

Board and Board Committees Meetings held in Financial Year 2019

Meetings: The attendance of the Directors at scheduled meetings of the Board and Board Committees during financial year ended 31 December 2019 is disclosed below:

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

Notes:

1. Mr Lee Po On Mark retired as Non-Executive and Independent Director, Chairman of the Audit and Risk Management Committees and a member of the Nominating and Remuneration Committees respectively on 26 April 2019.
2. Mr Kong WeiLi was appointed as Chairman of the Audit and Risk Management Committees on 26 April 2019.

* Attendance by invitation of the relevant committee

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.

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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.

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 ensure that sufficient time and attention are given to the affairs of the Company 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.

Board Information: Management provides the Board and Board Committees with relevant, complete, adequate and timely information relating to matters to be brought before the Board and Board Committees, prior to Board and Board Committee meetings. Management has put in place a procedure for papers to be circulated to the Board and Board Committee or to be submitted at Board and Board Committee meetings.

To give Directors sufficient time to prepare for Board and Board Committee meetings, the agenda, papers and presentation slides are usually circulated to them electronically five days before the relevant meetings. Directors can access these materials via their personal computers or laptops prior to, during and after meetings. Hard copies of these materials are also distributed to the Directors. Management provides the Board with explanation and information as the Board may require, to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. This is to give Directors sufficient time to review and consider the matters to be discussed so that discussion can be more meaningful and productive. The Board is also apprised of any significant developments on business initiatives, industry developments and regulatory updates.

A presentation is made to the Directors at the Board meeting on budgets, forecasts and variances. In respect of budgets, any material variance between the projections and actual results would be disclosed and explained during the meeting. Directors are also informed of any significant developments or events relating to the Group. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board. The Board and Board Committees have unfettered access to information which the Company is in possession of or has access to, for the purpose of carrying out their responsibilities. However, sensitive matters may be table at the meeting itself or discussed without any papers being distributed.

The Management ensures that any information or materials requested by the Directors to make informed decisions will be provided in a timely manner.

Board's access: The Directors have separate and independent access to the advice and services of the Management, Joint Company Secretaries, the key management personnel and external advisers (where necessary) at the Company's expense at all times. Further, there is no restriction of access to the key management personnel when the Directors have to carry out their duties. As a matter of good corporate governance practice, the role of the Joint Company Secretaries has been clearly defined.

CORPORATE GOVERNANCE STATEMENT

The Joint Company Secretaries attend to corporate secretarial administration matters. They assist the Board and Management in implementing and strengthening corporate governance policies and procedures. The Joint Company Secretaries ensure that Board procedures are properly followed. They prepare the agenda for Board and Board Committee meetings in consultation with the Board Chairman or Deputy Chairman, the respective Board Committee Chairman and the Executive Director, and attend Board and Board Committee meetings. The appointment and removal of the Joint Company Secretaries are subject to the Board's approval.

The Directors, whether as a group or individually, may seek and obtain independent professional advice in the furtherance of their duties, the expenses of which are borne by the Company.

Board Composition and Guidance

Principle 2:

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

Board Composition: The Board consists of seven (7) Directors of whom one (1) is Executive Chairman, one (1) is Executive Director, one (1) is Non-Executive Director and Non-Independent and four (4) are Non-Executive and Independent Directors:

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"> China Enterprises Limited (Chairman, Chief Executive Officer and Director) Master Glory Group Limited (Chairman and Executive Director) Greater Bay Area Dynamic Growth Holding Limited (f.k.a. Rosedale Hotel Holdings Limited) (Chairman and Executive Director) Tat Seng Packaging Group Ltd (Executive Chairman) 	Burcon NutraScience Corporation (Chairman, CEO and Director)

CORPORATE GOVERNANCE STATEMENT

Name of Director	Functions	Date of First Appointment as Director	Date of last re-election as Director	Present Directorships in other listed companies	Past Directorships in listed companies held over the preceding three years
John Chen Seow Phun	<ul style="list-style-type: none"> Deputy Chairman, Non-Executive and Independent Director Chairman of Nominating and Remuneration Committees Member of Audit Committee 	9 June 2003	26 April 2019	<ul style="list-style-type: none"> Fu Yu Corporation Limited (Non-Executive Chairman and Independent Director) Hiap Seng Engineering Ltd (Independent Director) HLH Group Limited (Independent Director) Matex International Limited (Non-Executive Chairman and Independent Director) OKP Holdings Limited (Lead Independent Director) Pavillon Holdings Ltd (Executive Chairman) Tat Seng Packaging Group Ltd (Deputy Chairman, Non-Executive Director and Independent Director) 	—
Tang Cheuk Chee	<ul style="list-style-type: none"> Executive Director Member of Risk Management Committee 	1 August 2011	20 April 2018	<ul style="list-style-type: none"> Tat Seng Packaging Group Ltd (Executive Director) 	—
Goi Kok Ming (Wei Guoming)	<ul style="list-style-type: none"> Non-Executive Director 	10 August 2012	21 April 2017	<ul style="list-style-type: none"> GSH Corporation Limited (Executive Director) Serial System Ltd (Non-Executive Director) Union Steel Holdings Limited (Non-Executive Director) 	—
Kong WeiLi	<ul style="list-style-type: none"> Non-Executive and Independent Director Chairman of Audit and Risk Management Committees Member of Nominating and Remuneration Committees 	19 June 2018	26 April 2019	<ul style="list-style-type: none"> Tat Seng Packaging Group Ltd (Non-Executive and Independent Director) 	—

CORPORATE GOVERNANCE STATEMENT

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
Siu Wai Kam	<ul style="list-style-type: none"> Non-Executive and Independent Director Member of Audit, Nominating, and Remuneration Committees 	19 June 2018	26 April 2019	<ul style="list-style-type: none"> Tat Seng Packaging Group Ltd (Non-Executive and Independent Director) 	–
Goh Yang Jun, Jasper	<ul style="list-style-type: none"> Non-Executive and Independent Director Member of Audit, Nominating, and Remuneration Committees 	26 December 2018	26 April 2019	<ul style="list-style-type: none"> Tat Seng Packaging Group Ltd (Non-Executive and Independent Director) 	

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

Board Independence: The Board assesses the independence of each Director in accordance with the guidance provided in the 2018 Code. The criteria for independence are based on the definition given in Provision 2.1 of the 2018 Code. The Board has four (4) Non-Executive and Independent Directors whose independence has been reviewed by the NC.

The NC reviews annually, and as and when circumstances require, if a Director is independent. Each Independent Director is required to complete a Director’s Independence Checklist annually to confirm his independence based on the Listing Rules of the SGX-ST, Principles and Provisions as set out in the 2018 Code.

A rigorous review was carried out internally in 2019 for Dr John Chen Seow Phun (“**Dr John Chen**”) (who has served on the Board beyond nine (9) years) and the NC is satisfied that there has been no change to the circumstance since the findings and documents presented by the external Consultant and unanimously agree and confirm that Dr John Chen is 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) are set out under Principle 2 of the 2018 Code on page 20 of this report. Dr John Chen, being Chairman of the NC has abstained from voting on any resolution in relation to his independence.

Similarly, the NC has reviewed the independence status of the Independent Directors, and is satisfied that Mr Kong WeiLi (“**Mr Kong**”), Mr Siu Wai Kam (“**Mr Siu**”) and Mr Goh Yang Jun, Jasper (“**Mr Jasper Goh**”) are independent in accordance with Provision 2.1 of the 2018 Code and Rule 210(5)(d) of the Listing Rules of SGX-ST. Each NC member has abstained from voting on any resolution in relation to his independence.

Dr John Chen, 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\$50,000.00 for the provision of consultancy services to Tat Seng in FY2019. On 14 November 2019, the Company served a written notice to Tat Seng that the agreement in relation to the provision of consultancy services (“**Agreement**”) by the Company to Tat Seng shall cease on 31 December 2019 and Tat Seng had on 18 November 2019 accepted such termination of service under the terms of the Agreement. The Board believes that their directorships in Tat Seng have not and will not interfere, or be reasonably perceived to interfere, with their ability to exercise independent judgement and act in the best interest of the Company. Further, having gained in-depth understanding of the business and operating environment of the Group, they provide much needed experience and knowledge of the industry.

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Independent Directors: The composition of the Board complies with Provision 2.2 of the 2018 Code as Independent Non-Executive Directors make up a majority of the Board where the Chairman of the Board is not independent.

Non-Executive Directors: 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. The current Board composition complies with Provision 2.3 of the 2018 Code where Non-Executive Directors make up a majority of the Board.

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.

Board size: The size and 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 is considered an appropriate size for itself taking into account the scope and nature of the Company's operation.

Board diversity: The Board consists of directors with diverse expertise and experience in business management, accounting, banking and financial, IT, engineering, mathematics, economics and industry knowledge. They are capable of exercising objective judgment on the corporate affairs of the Company independent of Management. In concurrence with the NC, the Board is of the view that the current seven-member Board has the appropriate structure, size, diversity and composition to provide effective guidance and make decisions in the best interests of the Group. The Board has one female Executive Director in recognition of the importance of gender diversity. In terms of age diversity, the composition of the board comprises at least one director each in the age group of his/her forties, fifties and sixties respectively. The current Board composition reflects a diversity of gender, age, skills and knowledge.

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 ("**Board Diversity Policy**").

The Company recognizes that an effective board requires directors to possess not only integrity, commitment, relevant experience, qualifications and skills in carrying out their duties effectively but also include diverse background as enablers towards promoting good corporate governance.

In identifying qualified candidates for nomination to the board, the NC will consider prospective candidates based on merit, having regard to their character, competencies, expertise, skills, track record, background and other qualities as being important in fostering a diverse and inclusive culture which solicits multiple perspectives and views and is free of conscious or unconscious bias and discrimination. The NC ought to be mindful of related regulatory requirements (including the Listing Rules issued by the SGX-ST and the 2018 Code), and to give due consideration to characteristics, such as gender, age, ethnicity, disability and geographic representation, which contribute to board diversity.

The NC may, in addition to conducting its own search and selection process, engage qualified independent advisors to assist in identifying prospective candidates for directorship that meet the criteria as determined by the NC and that support Hanwell's diversity objectives.

The Board has established that at least 10% of the total number of board seats be reserved for women and that the composition of the board shall comprise at least one director each in the age group of his/her forties, fifties and sixties respectively. The NC will review these objectives when necessary and recommend changes to this policy, as appropriate.

CORPORATE GOVERNANCE STATEMENT

In implementing this policy, the NC will take into account the Company's diversity objectives and the diverse nature of the business environment in which the Company operates whilst maintaining flexibility to address succession planning and to ensure that the Company continues to attract and retain qualified individuals to serve on the board.

Adherence to the Board Diversity Policy will form part of the annual performance of the board and/or the board committees of the Company. This policy shall be read in conjunction with the prevailing terms of reference of the NC.

Regular meetings for Independent Directors: Directors and Management discuss and debate issues at Board meetings. Non-executive and Independent Directors are kept apprised of the Group's business (which include financial highlights, operational performance indicators and key risks monitoring indices) at the meeting. During the Board Meeting for year-end results deliberation, a Non-executive and Independent Directors session without the Executive Chairman, Executive Director and Management's presence is scheduled for the Non-executive Directors to review the performance and effectiveness of Management and feedback is thereafter provided to the Executive Chairman, Executive Director and Management.

Chairman and Chief Executive Officer ("CEO")

Principle 3:

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

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 in terms of overseeing, planning, directing, controlling the activities; and to developing and executing the Group's strategies and business objectives. The Company will endeavor to source for a suitable candidate to fill the vacancy of the CEO. To better assist the Executive Director, Mr Yeo See Liang Eugene, the Chief Operating Officer of the Company is responsible for the overall daily operations, strategic growth and business development of the Group.

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 Joint Company Secretaries, 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 Joint Company Secretaries, approving the meeting agenda of the Board and ensures adequate time is available for discussion of all agenda items;
- with the assistance of the Joint Company Secretaries, 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;

CORPORATE GOVERNANCE STATEMENT

- ensuring, fostering constructive and effective communication with shareholders; and
- promoting high standards of corporate governance with full support of the Directors and the Management.

Lead Independent Director: 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 in terms of decision-making process for the benefit and in the interest of the Company. 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.

Board Membership

Principle 4:

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

Nominating Committee composition: As at the date of this report, the NC comprises four (4) members, all of whom are Independent:

Dr John Chen Seow Phun (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)

The NC Chairman has no relationship (direct or indirect) with the Company, its related corporations, its five percent (5%) 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 terms of reference of the NC provides that NC shall comprise at least three members of the Board, a majority of whom, including the Chairman of the NC shall be independent directors.

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

- To review succession plans for directors, in particular make recommendations to the Board on the appointment and/or replacement of the Chairman, the CEO, key management personnel, non-executive directors and alternate directors (if applicable).
- To regularly review 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. The NC shall make recommendations to the Board with regards to any adjustments that are deemed necessary.
- To establish and review the criteria on the determination of the maximum number of directorships of listed companies any Director may hold.
- To decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations and other principal commitments.
- To identify gaps in the mix of skills, experience and other qualities required in an effective Board and nominate or recommend suitable candidate(s) to fill in these gaps.
- To review, assess and recommend nominee(s) or candidate(s) for appointment or election to the Board, having regard to his/her qualifications, competency, other principle commitments and whether or not he/she is independent and in the case of a re-nomination, to his/her contribution and performance.
- To determine, on an annual basis, if a Director is independent bearing in mind the circumstances set forth in the Listing Rules of the SGX-ST and the 2018 Code.
- To make recommendations on the re-appointment to the Board for the continuation (or not) in services of an Independent Director who has served for an aggregate period of more than nine (9) years for re-election in a general meeting.
- To recommend Directors who are retiring by rotation to be put forward for re-election and to conduct a rigorous review and determine whether an independent director who has served the Board for a period of nine (9) years since his date of appointment, can still remain independent.
- To review training and professional development programs for the Board and to ensure that all Board's appointees undergo an appropriate induction programme, where applicable.
- To assess the effectiveness of the Board as a whole its Board Committees and the contribution of each Director to the effectiveness of the Board.

The Chairman of the NC acts on the results of the performance evaluation and where appropriate, propose new members be appointed to the Board or seek the resignation of directors, in consultation with the NC.

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Director appointment and re-appointment: 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.

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 the criteria as set out in the Board Diversity Policy. 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 the capital of the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Statement.

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. The details of the retiring Directors seeking for re-election are found in Table A set out on page 47 to page 53 of this Annual Report.

Having considered the retirement of Mr Lee Po On Mark ("**Mr Mark Lee**") on 26 April 2019 pursuant to Regulation 87 of the Constitution of the Company, NC had taken steps before Mr Mark Lee's retirement by identifying and evaluating another independent director with the right caliber, qualification, soft skills, suitability and working experience to be Mr Mark Lee's replacement for his chairmanship in two board committees. After due deliberation, the NC recommended Mr Kong WeiLi as the Chairman of the Audit and Risk Management Committees of the Company (appointed on 26 April 2019).

The NC is also responsible to determine the independence of Directors annually by taking into account the circumstances set forth in the 2018 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 FY2019;
- (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;

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- (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 Practice Guide provided in the 2018 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 Allan Yap and Mr Goi Kok Ming (Wei Guoming) who will retire pursuant to Regulation 87 of the Constitution of the Company, being eligible, have offered themselves for re-election at the forthcoming AGM to be held on 23 April 2020.

Multiple directorships: The NC is responsible for reviewing the ability of the Directors to devote sufficient time and attention to the affairs of the Company and in particular to take into account multiple directorships and significant principal commitments held by the Directors. The NC requires each Director to declare any new additional directorships or significant principal commitments during the year to enable the ongoing monitoring of the time commitment, attendance and contributions of the Directors to the Company. The NC is satisfied that the other directorships and principal commitments of the Directors had not hindered them from carrying out their duties as Directors of the Company.

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.

Disclosure of each Director's listed company directorships and other principal commitments are set out in pages 20 to 22 of this Annual Report.

Alternate Directors: Currently, the Company does not appoint any alternate director.

Board Performance

Principle 5:

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

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.

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

- (a) Assessment of the effectiveness of the Board as a whole – The NC uses an objective performance criteria to conduct Board assessments via the circulation of assessment evaluation forms to the Directors annually for their evaluation of various Board issues and processes such as the Board structure, conduct of Board meetings, review of the Company's corporate strategy and planning, ensuring and reviewing the Company's risk management and internal control processes, review of the Company's performance, review of the Board's compensation evaluations and communication with the Company's shareholders. The NC has reviewed and is satisfied with the performance and effectiveness of the Board as a whole for the financial year ended 31 December 2019.
- (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 2019.
- (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 2019.

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

SECTION (B): REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6:

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

Remuneration Committee composition: The RC comprises four (4) members all of whom are Independent:

Dr John Chen Seow Phun (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)

Remuneration Committee role: The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate Directors and key management personnel. The RC is established for the purposes of ensuring that there is a formal and transparent process for fixing the remuneration packages for individual Directors and key management personnel and makes recommendation to the Board on all remunerations. The RC has a formal set of terms of reference approved by the Board. A summary of the RC 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;
- 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 the Principles and Provisions of the 2018 Code;
- the remuneration packages of employees related to Executive Directors, substantial shareholders and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and are commensurate with their respective job scopes and levels of responsibility; and
- reviewing and recommending to the Board, the terms of renewal of service agreements of Executive Directors and/or key management personnel and ensuring the service agreements contain fair and reasonable termination clauses which are not overly generous in the event of termination.

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

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Termination clauses: The RC has reviewed 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. There was no termination of any key management personnel during FY2019.

The RC is responsible for recommending to the Board a framework of remuneration for the Directors and key management personnel which is submitted to the whole Board for endorsement. The RC reviews recommendations on remuneration policies and packages for Directors and key management personnel in the interests of improved corporate performance. The RC's review of remuneration packages takes into consideration pay and employment conditions within the industry and in comparable companies, the Company's relative performance, the performance of the individual Directors and key management personnel, the long-term interests of the Group and ensures that the interests of the Directors align with that of the shareholders. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, profit sharing (where applicable) and benefits-in-kind.

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

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

Level and Mix of Remuneration

Principle 7:

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

Remuneration framework: 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, the performance of the individuals and value creation as enumerated under the 2018 Code.

Long-term incentives: Currently, the Company has no employee share option schemes or other long-term incentives since the share option scheme expired on 8 July 2013 ("**Scheme**"). 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 had expired on 21 January 2019.

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Non-Executive Director remuneration: 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 and in accordance to the directors' fees framework adopted by the RC, 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. The Directors' fees are wholly paid in cash.

Contractual provisions to reclaim incentives: 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 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.

Executive Chairman/Executive Director and Key Management Personnel Remuneration

The Executive Chairman's Service Agreement that had expired on 31 Dec 2019 was renewed. 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 seeks to ensure that the level and mix of remuneration for the Executive Chairman, Executive Director and key management personnel are competitive, aligned with shareholders' interests and promote the Group's long-term success. The Company adopts a remuneration policy for the 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.

During FY2019, there was no termination, retirement or post-employment benefits or other long-term incentives granted to the Directors, the Executive Chairman, Executive Director and key management personnel. Subsequent to the expiration of Hanwell Executives' Share Option Scheme, the Company is exploring other mode of long-term incentives.

Remuneration for the Executive Chairman, Executive Director, and key management personnel comprises a fixed component and variable cash component.

A. Fixed Component

The fixed component comprises the base salary and fixed allowances.

CORPORATE GOVERNANCE STATEMENT

B. Variable Cash Component

Variable component is given in the form of an Annual Variable Bonus ("AVB"). This AVB is a cash-based incentive for the Executive Chairman, Executive Director and key management personnel, which is linked to the achievement of annual performance targets.

Corporate and individual performance objectives are set at the beginning of each financial year. The objectives are aligned to the Group's overall strategic, financial and operational goals, and are cascaded down to a select group of key management personnel such as profit sharing, creating alignment between the performance of the Group and the individual. Profit sharing is for the Executive Chairman, Executive Director and key management personnel.

Disclosure on Remuneration

Principle 8:

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

Remuneration disclosure: The remuneration framework is based on policies which are aligned with Company's interests to support the Group's business with the aim of retaining key capabilities, provide sound and structured funding of remuneration in ensuring affordability and sustainable value creation. Competitive remuneration packages are offered to attract and retain experienced individuals. The remuneration policies, the procedures for setting remuneration and the relationships between remuneration, performance and value creation are described in Principle 7 above.

Summary compensation table of the Directors receiving remuneration from the Group for the financial year ended 31 December 2019 is set out below:

Directors	Base Salary (%)	Bonus (%)	Profit Sharing (%)	Directors' Fee (%)	Allowance ⁽²⁾ (%)	TOTAL (S\$)
Range S\$1,250,000 to S\$1,500,000						
Allan Yap	56.85	7.39	34.48	–	1.28	1,435,000
Range S\$750,001 to S\$1,000,000						
Tang Cheuk Chee	63.83	9.20	22.42	–	4.55	773,590
Range S\$250,000 and below						
John Chen Seow Phun	–	–	–	100 ⁽¹⁾	–	166,500 ⁽³⁾
Kong WeiLi	–	–	–	100 ⁽¹⁾	–	39,290 ⁽³⁾
Siu Wai Kam	–	–	–	100 ⁽¹⁾	–	36,707 ⁽³⁾
Goh Yang Jun, Jasper	–	–	–	100 ⁽¹⁾	–	36,707 ⁽³⁾
Goi Kok Ming (Wei Guoming)	–	–	–	100	–	40,000 ⁽⁴⁾

(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 26 April 2019 at the respective AGMs of:

- (i) the Company; and
- (ii) Tat Seng Packaging Group Ltd.

(4) Goi Kok Ming (Wei Guoming) ("Mr Kenneth Goi"), is the son of Mr Goi Seng Hui, a substantial shareholder of the Company. Currently, Mr Kenneth Goi is a non-executive director of the Company and his remuneration is in the form of directors' fees only.

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Shareholders' approval will be sought at the forthcoming AGM of the Company on 23 April 2020 for the payment of Directors' Fee proposed (to be paid half-yearly in arrears) for the financial year ending 31 December 2020 up to an aggregate of S\$188,000.

Remuneration of Employees related to Substantial Shareholder, CEO and Directors

As at 31 December 2019, Mr Tang Chi Ming Danny ("Mr Tang"), who is the Vice President of Fortune Food Manufacturing Pte Ltd, a direct wholly-owned direct subsidiary of the Company, 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 Substantial Shareholders and Directors for the financial year ended 31 December 2019 is set out below:

Key Management Personnel	Base Salary (%)	Bonus (%)	Profit Sharing (%)	Directors' Fee (%)	Allowance ⁽¹⁾ (%)	TOTAL (%)
Range S\$200,001 to S\$300,000						
Tang Chi Ming Danny ⁽²⁾	76.50	12.74	–	–	10.76	100

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

(2) Mr Tang Chi Ming Danny ("Mr Tang") is the brother-in-law of Dr Allan Yap, the Executive Chairman and the brother of Dr Tang Cheuk Chee, the Executive Director of the Company. Currently, Mr Tang is the Vice President of Fortune Food Manufacturing Pte Ltd ("Fortune"), a direct wholly-owned direct subsidiary of the Company. 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. Mr Tang is responsible to develop and implement export business strategies for Fortune, monitor Fortune's daily operations to optimize the productivity and streamline Fortune's factory operations.

Save as disclosed above, there are no employees of the Group who are substantial shareholders of the Company, or are immediate family members of a Director or the CEO or a substantial shareholder of the Company and whose remuneration exceed S\$100,000 for the financial year ended 31 December 2019.

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 2019 is as follows:

Key Management Personnel	Base Salary (%)	Bonus (%)	Profit Sharing (%)	Directors' Fee (%)	Allowance ⁽²⁾ (%)	TOTAL (%)
Range S\$250,001 to S\$500,000						
Yeo See Liang Eugene	44.03 ⁽³⁾	10.19	33.17	0.60 ⁽¹⁾	12.01	100
Range S\$250,000 and below						
Wong Yuen May Sandy	70.47	20.55	–	–	8.98	100
Sim See Hiang Richard	70.65 ⁽³⁾	7.07	6.94	–	15.34	100
Ching Yong Hai	72.36	13.57	–	–	14.07	100
Tang Chi Ming Danny ⁽⁴⁾	76.50 ⁽³⁾	12.74	–	–	10.76	100

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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 of the Company) for the financial year ended 31 December 2019 was S\$1,319,000 (FY2018: S\$1,315,000).

- (1) Directors' Fee from the subsidiary.
- (2) Employer's CPF contribution and other compensation are included.
- (3) Including remuneration from subsidiary.
- (4) Mr Tang Chi Ming Danny ("**Mr Tang**") is the brother-in-law of Dr Allan Yap, the Executive Chairman and the brother of Dr Tang Cheuk Chee, the Executive Director of the Company. Currently, Mr Tang is the Vice President of Fortune Food Manufacturing Pte Ltd, a direct wholly-owned direct subsidiary of the Company. 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. Mr Tang is responsible to develop and implement export business strategies for Fortune, monitor Fortune's daily operations to optimize the productivity and streamline Fortune's factory operations.

SECTION (C): ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9:

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

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

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

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

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

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

* With effect from 27 February 2020, the Group will announce its results on a half-yearly basis as required under the amended listing rules of the SGX-ST.

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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 of the following members:

Mr Kong WeiLi (Chairman, 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.

Risk Management Committee role: 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. Having carefully considered the Risks and Controls Self-Assessment being carried out during the Reporting Period, 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.

Annual Review: 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 2019, the Group's internal auditors, Nexia TS Risk Advisory Pte Ltd assessed 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.

CEO and CFO assurance: For FY2019, 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

In addition, the CEO (presently subsumed by the Executive Director) and the Key Management Personnel have also given assurance to the Board that:

- (b) the Group's risk management and internal control systems are adequate and effective in addressing the financial, operational, compliance and information technology risks.

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Board's conclusion: 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 2019.

The Board noted that Rule 610(5) and Rule 719(1) of the Listing Rules of SGX-ST requires that where either the Board or the AC comments that the issuer's group's internal controls or risk management systems have material weaknesses, the issuer must provide clear disclosure on such material weaknesses. In line with this requirement, the AC and the RMC concur with the Key Audit Matters ("KAM") disclosed in the Auditors' Report as material weaknesses. For information on such corresponding disclosure, please refer to page 40 and pages 55 to 57 of this Annual Report. The Board will also continue to enhance and improve the existing internal control framework to identify and mitigate these risks from time to time.

Audit Committee

Principle 10:

The Board has an AC which discharges its duties objectively.

Audit Committee composition: The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.

The AC comprises four (4) members all of whom are Independent:

Mr Kong WeiLi (Chairman, Non-Executive and Independent Director)
Dr John Chen Seow Phun (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 AC members were selected based on their expertise and prior experience in the area of financial management where three (3) of the AC members, including the AC Chairman, have the relevant accounting and related financial management expertise and/or experience with the other one (1) AC member who possesses strong information technology knowledge, expertise and experience in terms of IT application systems and infrastructure that are critical enablers for accounting and financial management decision making. The Board is of the view that members of the AC have the relevant accounting, related financial management expertise and experience with IT background to discharge their responsibilities as members of the AC. None of the AC members is former partner or director of the Company's existing auditing firm or auditing corporation; (a) within the period of two years commencing on the date of their ceasing to be a partner of the audit firm or director of the auditing corporation, and (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

Audit Committee role: 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.

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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.

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

Internal Audit function: 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**") since 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.

Review of Internal Audit function: 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.

Internal Audit resources and experience: The AC is satisfied that the function is adequately resourced and has appropriate standing within the Company and the Group. Internal Auditors have unfettered access to all the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company.

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.

Internal Audit standards: The AC has reviewed and approved the annual internal audit plan FY2019 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.

Summary of Audit Committee activities: The AC met four (4) times in the financial year ended 31 December 2019 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.

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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.

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.

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 FY2019 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 pages 55 to 57 of this Annual Report.

Auditors: 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\$646,707 and S\$133,463 respectively for the financial year ended 31 December 2019.

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.

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

Furthermore, AC noted that in appointing the external auditors of the Company, its subsidiaries and significant associated companies, it is satisfied that the appointment of auditors did not compromise the standard and effectiveness of the audit of the Group. Therefore, the Company has complied with Rules 712 and 715 of the Listing Manual of SGX-ST.

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>.

SECTION (D): SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11:

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

Shareholder rights: In line with the continuous disclosure obligations of the Company pursuant to the Listing Manual of the 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 accessible to all shareholders on the Company's website. Since FY2018, 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;
- 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;

CORPORATE GOVERNANCE STATEMENT

- 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 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> where our shareholders can access information on the Group.

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

The Company disseminates information on general meetings through notices in its annual reports or circulars (if required) to all its shareholders where rules governing meetings of shareholders are properly and clearly enumerated in accordance with the Companies Act, Cap. 50, Constitution of the Company and Listing Rules of the SGX-ST, where applicable. 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.

Voting procedure: 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. Shareholders will be briefed on the rules governing such meetings and voting procedures of the general meetings. Voting in absentia by email, mail or fax is not implemented due to authentication and other security related concerns.

The Company conducts its 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.

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

Minutes of general meetings: The Joint Company Secretaries and/or their 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.

* With effect from 27 February 2020, the Group will announce its results on a half-yearly basis as required under the amended listing rules of the SGX-ST.

CORPORATE GOVERNANCE STATEMENT

Attendance at general meetings: Board members, senior Management and the Joint Company Secretaries 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.

Minutes of general meetings: Minutes of the Company's AGM will be posted on the its corporate website as soon as practicable. The minutes will record substantial and relevant comments or queries from shareholders relating to the meetings, and responses from the Board and Management. The Company also ensures that all material information relating to the Group is disclosed in an accurate and timely manner through publication on SGXNet and is made available to everyone, including shareholders.

Dividend Policy: The Company has put in place a written dividend policy. Although declaring and recommending dividend is not fixed, 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.

In compliance with Rule 704(24) of the Listing Rules of SGX-ST, in the event that the Board decides not to declare or recommend a dividend, the Company is mindful to disclose the reason(s) for the decision together with the announcement of the financial statements.

Engagement with Shareholders

Principle 12:

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

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

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

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

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Investor Relations Policy: The Company has in place an investor relations policy outlining the practices adopted by the Company in the course of its investor relations activities. The practices are designed to provide its shareholders community access to timely and material information which promotes regular, effective and fair communication with shareholders. Investors can contact the Company through its corporate website at <http://www.hanwell.com.sg>.

The Company sets out in its investor relations policy the following communication mechanism:

The Company is committed to making timely, full and accurate disclosures in accordance with the listing rules of SGX-ST.

The Company uses clear and succinct language in its communication with its shareholders.

The Company endeavours to provide a consistent level of disclosure on both positive and negative developments.

All disclosures, including announcements, press releases and presentations, are submitted to the SGX-ST through SGXNet, and are updated on the Company's website, www.hanwell.com.sg, as soon as practicable.

The Company does not disclose classified information that may impact its competitive position in the market.

The Company does not provide forward-looking statements including financial forecasts.

The Company does not respond to market rumours or speculation, unless such publicly circulated information is likely to have or has had, an effect on its share price, or would be likely to have a bearing on the Company, then it would be promptly clarified by the Company via announcements released to the SGX-ST through SGXNet to avoid unnecessary speculation.

Managing Stakeholders Relationships

Principle 13:

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

The Company takes a strategic and pragmatic approach in managing stakeholders' expectations to support its long-term strategy. A sustainability governance structure and framework was put in place to identify, engage with, and manage material environment, social and governance factors which are important to stakeholders and to the Group.

As a leading fast-moving consumer goods company in Singapore, the Company prides of its ability to create sustainable value through numerous business activities with various stakeholders. Sustainability, in the manner to which the Company conducts in its 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 itself to consistently do our best. Details of which could be found in the Company's next Sustainability Report 2019 that would be announced through SGXNet in May 2020.

This Corporate Governance Statement, together with the Annual Report, aim to provide comprehensive and transparent reporting of the Group's overall objectives and performance to the Company's stakeholders. The Company welcomes feedback on the CG Report and its sustainability performance. Please address all feedback to investor relations that can be found at the Company corporate website at the URL <http://www.hanwell.com.sg> that is maintained to communicate and engage with stakeholders.

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More information on the Company's material stakeholders, sustainability efforts (including its strategy and key areas of focus), and performance can be found in the Company's Sustainability Report uploaded at the Company's corporate website.

ADDITIONAL INFORMATION

DEALING 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.

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.

INTERESTED PERSON TRANSACTIONS ("IPTs")

The Company is required to comply with the requisite rules under Chapter 9 of the Listing Manual of the SGX-ST for IPTs. To ensure compliance with the IPTs listing rules of 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 IPTs are carried out on normal commercial terms and will not be prejudicial to the interests of the shareholders. There were no IPTs 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.

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 FY2019.

* With effect from 27 February 2020, the Group will announce its results on a half-yearly basis as required under the amended listing rules of the SGX-ST.

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Table A

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

Name of Director	Allan Yap	Goi Kok Ming (Wei Guoming)
Date of Appointment	10 May 2002	10 August 2012
Date of last re-appointment (if applicable)	N.A.	N.A.
Age	64	46
Country of principal residence	Hong Kong	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 Yap can contribute positively to the Company after reviewing the NC's recommendation and Dr Yap's qualifications, experience and suitability.	The Board of Directors of the Company is of the opinion that Mr Goi can contribute positively to the Company after reviewing the NC's recommendation and Mr Goi's qualifications, experience and suitability.
Whether appointment is executive, and if so, the area of responsibility	Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman	Non-Executive Director
Professional qualifications	Dr Yap holds an Honorary Degree of Doctor of Laws from the University of Victoria, Canada	Mr Goi holds a Bachelor Degree in Computer Information Systems from California State University, Pomona
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	Yes. Dr Yap is the spouse of Dr Tang Cheuk Chee, the Executive Director and substantial shareholder of the Company. Further, Dr Yap is the immediate family member of Mr Tang Chi Ming, Danny (" Mr Tang "), brother of Dr Tang Cheuk Chee. Mr Tang is currently the Vice President of Fortune Food Manufacturing Pte Ltd, a direct wholly -owned subsidiary of the Company.	Yes. Mr Goi is the son of Goi Seng Hui, a substantial shareholder of the Company.
Conflict of interest (including any competing business)	None	None

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Name of Director	Allan Yap	Goi Kok Ming (Wei Guoming)
Working experience and occupation(s) during the past 10 years	During the past 10 years, Dr Yap has been the Executive Chairman of the Company and Tat Seng Packaging Group Ltd, both listed on the Singapore Exchange Securities Trading Limited. He also serves as the Chairman & Executive Director of Master Glory Group Limited and Greater Bay Area Dynamic Growth Holding Limited (f.k.a. Rosedale Hotel Holdings Limited), both listed on the Hong Kong Exchange. Further, 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.	During the past 10 years, Mr Goi is the Chief Operating Officer and 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. Further, 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.
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Yes	No
	Dr Yap has a direct interest of 1,000,000 shares in Hanwell Holdings Limited and is deemed to be interested in 97,947,500 shares held by his spouse, Dr Tang Cheuk Chee in Hanwell Holdings Limited.	Save as disclosed that Goi Seng Hui, father of Mr Goi who holds 95,904,004 shares in Hanwell Holdings Limited, Mr Goi himself and the rest of his immediate family members do not hold any shares in Hanwell Holdings Limited and its subsidiaries.
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code # These fields are not applicable for announcements pursuant to Listing Rule 704(9)	<p>Dr Yap is the Executive Chairman of the Company and he has drawn over 30 years of experience in finance, investment and banking.</p> <p>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 Greater Bay Area Dynamic Growth Holding Limited (f.k.a. Rosedale Hotel Holdings Limited), both are companies listed on The Stock Exchange of Hong Kong Limited.</p> <p>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.</p>	<p>Mr Goi is the Chief Operating Officer and Executive Director of Mainboard-listed regional property developer, GSH Corporation Limited, and Executive Director of Acelink Logistics Pte Ltd, a supply chain company with distribution networks in Singapore, Malaysia, Thailand, Hong Kong and China.</p> <p>Mr Goi is also Director of Tee Yih Jia Group, a global food and beverage group with operations in Singapore, Malaysia, USA, Europe, Japan and China, as well as Non-Executive Director of Mainboard-listed companies, Serial System Ltd and Union Steel Holdings Limited.</p>

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Name of Director	Allan Yap	Goi Kok Ming (Wei Guoming)
Other Directorships	<p><u>Past directorships in the last 5 years</u></p> <p>Burcon NutraScience Corporation</p> <p>Long Legend International Limited</p> <p>Million Cube Limited</p> <p>Nation Field Limited (registered in BVI)</p> <p>Nation Field Limited (registered in Samoa)</p> <p><u>Present directorships</u></p> <p>Adrian Realty Limited (雅勵地產有限公司)</p> <p>Albany Holdings Limited</p> <p>Allied Harbour Investments Limited</p> <p>Ally Fortune Investments Limited (聯祥投資有限公司)</p> <p>Asia Will Limited (得普有限公司)</p> <p>Asian Bright Investments Limited (加耀投資有限公司)</p> <p>Billion Gold Limited (潤金有限公司)</p> <p>Bonusgo Enterprises Limited</p> <p>Budget Well Limited</p> <p>China Data Center Limited</p> <p>China Enterprises Limited</p> <p>China Good Investments Limited (中廣投資有限公司)</p> <p>China University Online Limited</p> <p>China WTO.com Limited</p> <p>Cobble Hill Holdings Limited</p> <p>Earnfull Industrial Limited (潤孚實業有限公司)</p> <p>Fanfare Global Limited</p> <p>Fantasino Investments Limited (新發投資有限公司)</p>	<p><u>Past directorships in the last 5 years</u></p> <p>Plaza Ventures Pte Ltd</p> <p>Mandarin Food Manufacturing Pte Ltd</p> <p><u>Present directorships</u></p> <p>GSH Corporation Limited</p> <p>Hanwell Holdings Limited</p> <p>Serial System Ltd</p> <p>Union Steel Holdings Limited</p> <p>Advanced Prestige Sdn Bhd</p> <p>Altheim International Limited</p> <p>Aspirasi Kukuh Sdn Bhd</p> <p>Borneo Ventures Pte Ltd</p> <p>City View Ventures Sdn Bhd</p> <p>Eastworth Source Sdn Bhd</p> <p>GSH (Middle East) Pte Ltd</p> <p>GSH Properties (PRC) Pte Ltd</p> <p>GSH (Xiamen) Property Development Pte Ltd</p> <p>GSH (Zhengzhou) Investments Pte Ltd</p> <p>GSH Facilities Management (Malaysia) Sdn Bhd</p> <p>GSH International Enterprise Pte Ltd</p> <p>GSH Island Investments Pte Ltd</p> <p>GSH Properties (Malaysia) Pte Ltd</p> <p>GSH Properties Pte Ltd</p> <p>Investasia Sdn Bhd</p>

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Name of Director	Allan Yap	Goi Kok Ming (Wei Guoming)
	Far Bright Limited (遠明有限公司)	Linyi Properties Sdn Bhd
	Given Honour Limited	Mainfield Holdings Limited
	Gold Avenue Limited	Mewabumi Sdn Bhd
	Gold Regent Limited	MXIM Holdings Pte Ltd
	Greater Bay Area Dynamic Growth Holding Limited (f.k.a. Rosedale Hotel Holdings Limited)	Ocean View Point Pte Ltd
		Ocean View Ventures Pte Ltd
	Group Dragon (B.V.I.) Limited	Prime Peninsular Holdings Pte Ltd
	Group Dragon Investments Limited	Rainbow Properties Sdn Bhd
	Group Dragon Limited	Sutera Harbour Golf & Country Club Berhad
	Honest Goodwill Property Limited	Sutera Harbour Resort Sdn Bhd
	Jentop Limited (建晉有限公司)	Sutera Harbour Travel Sdn Bhd
	Kanlord Limited (啟冠有限公司)	Sutera Yacht Services Sdn Bhd
	Leaptop Investments Limited	The Little Shop Sdn Bhd
	Loyal Concept Limited	The Sutera Harbour Group Sdn Bhd
	Master Glory Development (China) Company Limited (凱華發展(中國)有限公司)	Twin Towers Properties Limited
	Master Glory Development (China) Limited (凱華發展(中國)有限公司)	Xing Asia Impel Sdn Bhd
	Master Glory Group (B.V.I.) Limited	Acelink Logistics Pte Ltd
	Master Glory Group Limited (凱華集團有限公司)	Junhe Investment Pte Ltd
	Master Glory Group Management Limited (凱華集團管理有限公司)	Super Elite Holdings
	Master Glory Investment Group Limited (凱華投資集團有限公司)	Tee Yih Jia Food Manufacturing Pte Ltd
	Master Glory Management Limited (凱華管理有限公司)	TYJ Group Pte Ltd
	Master Glory Strategic Investment Limited (凱華策略投資有限公司)	Vive La Sdn Bhd

CORPORATE GOVERNANCE STATEMENT

Name of Director	Allan Yap	Goi Kok Ming (Wei Guoming)
	Master Solution Investments Limited Micro-Tech Ltd Mutual Top Limited (滿騰有限公司) Ocean Dynasty Limited (好順達有限公司) Powervote Technology Limited Precious Cave Limited Precise Skill Investments Limited PSC (China) Property Co., Limited Pure Delight Assets Limited Rapid Growth Profits Limited Regrowth Resources Limited Rich Dynamic Limited (裕立有限公司) Rich Globe Investments Limited (富高環球投資有限公司) Richeast Holdings Limited (東富控股有限公司) Sino Echo Limited Sky Clover Limited Smartshine Ventures Limited Tat Seng Packaging Group Ltd Top Achieve International Development Limited (宏晉國際發展有限公司) Topack Group Limited (德柏集團有限公司) Travoo Asia Limited Treasure Way Services Limited (寶通服務有限公司) True Oasis Limited Vanilla King Holdings Limited	

CORPORATE GOVERNANCE STATEMENT

Name of Director	Allan Yap	Goi Kok Ming (Wei Guoming)
	<p>Victory Lucky Limited (維德利有限公司)</p> <p>Well Orient Limited (威倫有限公司)</p> <p>Wellink Real Estate Sales and Marketing Consultancy Company Limited (宏匯房地產策劃銷售顧問有限公司)</p> <p>World Fortune International Development Limited (匯輝國際發展有限公司)</p> <p>Zhuhai Zhongce Property Investment Limited</p>	

The retiring Directors have responded negative to items (a) to (k) listed in Rule 720(6) of the Listing Rules of SGX-ST.

Disclosure applicable to the appointment of Director only.	Allan Yap	Goi Kok Ming (Wei Guoming)
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes
If yes, please provide details of prior experience.	<p>During the past 10 years, Dr Yap has been the Executive Chairman of the Company and Tat Seng Packaging Group Ltd, both listed on the Singapore Exchange Securities Trading Limited. He also serves as the Chairman & Executive Director of Master Glory Group Limited and Greater Bay Area Dynamic Growth Holding Limited (f.k.a Rosedale Hotel Holdings Limited), both listed on the Hong Kong Exchange. Further, 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.</p>	<p>Mr Goi has been the Executive Director of GSH Corporation Limited, a company listed on the Singapore Exchange Securities Trading Limited as well as Non-Executive Director of Mainboard-listed companies Serial System Ltd and Union Steel Holdings Limited.</p>
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.
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 been a director of a public listed company for many years

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 2019.

In our opinion:

- (a) the financial statements set out on pages 59 to 155 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 2019 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)
Kong WeiLi
Siu Wai Kam
Goh Yang Jun, Jasper

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
Ordinary shares of the Company				
Allan Yap*	1,000,000	1,000,000	97,947,500	97,947,500
Tang Cheuk Chee**	49,449,500	49,449,500	49,498,000	49,498,000
Share options of the ultimate holding company (Hanwell Holdings Limited)				
Allan Yap	10,000,000	—	—	—

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

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

DIRECTORS' STATEMENT

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares or share options of the Company, or of related corporations, either at the beginning of the financial year 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 2020.

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

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
Share options of the ultimate holding company (Hanwell Holdings Limited)				
Allan Yap				
– options to subscribe for ordinary shares between 22/01/2010 and 21/01/2019	10,000,000	–	–	–

During the financial year, there were:

- (i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

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

Audit Committee

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

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

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

DIRECTORS' STATEMENT

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

The AC also reviewed the following:

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

30 March 2020

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 2019, 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 59 to 155.

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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Valuation of property, plant and equipment

(Refer to Note 4 to the financial statements)

Risk

As at 31 December 2019, the market capitalisation of the Group was \$119 million, which is lower by approximately \$209 million than the carrying amount of the net assets attributable to shareholders of the Group of \$328 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 \$92 million as at 31 December 2019, which approximates 56% of the Group's property, plant and equipment balances. The Group also holds leasehold buildings amounting to \$32 million owned by the Company. The remaining balances relate to equipment and machinery used by the Group for their business activities.

INDEPENDENT AUDITORS' REPORT

The assessment for impairment loss on the property, plant and equipment is based on estimation of the recoverable amount of its cash-generating unit (CGU) based on the greater of value-in-use method and fair value less costs to sell method. The estimation of the recoverable amount of the CGU is dependent on the assumptions used in estimating the future cash flows of the Group and discount rate to be applied. 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, expected market growth and comparable companies within the industry. We also performed our own assessment of other key inputs such as discount rate used and replacement cost. We performed an independent analysis around the key drivers of the forecasted cash flows, in particular, rate of revenue growth, replacement cost, material cost growth and direct labour costs.

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 reviewed 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 cautious. 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 and in deriving the fair value using direct comparison method is in line with market practices and comparable properties used are within range of market data.

Valuation of trade receivables

(Refer to Note 12 & 20 to the financial statements)

Risk

The Group has significant trade receivables with customers in China. The customers of the Group would typically request for longer payment terms, as such, the Group is exposed to a heightened risk of default in respect of trade receivables. The significant judgement is applied in determining an adequate amount of the provision to be set aside.

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

INDEPENDENT AUDITORS' REPORT

Our findings

The resulting estimates used by the Group were balanced.

Other information

Management is responsible for the other information. The other information comprises *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.

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.

INDEPENDENT AUDITORS' REPORT

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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

30 March 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019	2018	2019	2018
		\$	\$	\$	\$
Assets					
Property, plant and equipment	4	163,420,528	146,867,579	51,029,514	38,540,410
Intangible assets	5	1,062,094	1,095,411	–	–
Investment properties	6	11,171,875	11,065,492	–	–
Subsidiaries	7	–	–	40,000,785	40,000,787
Other financial assets	9	64,273	63,079	64,273	63,079
Deferred tax assets	10	3,726,124	3,849,215	–	–
Trade and other receivables	12	534,078	–	–	–
Non-current assets		179,978,972	162,940,776	91,094,572	78,604,276
Other financial assets	9	1,878,059	2,496,412	1,878,059	2,496,412
Inventories	11	45,405,724	50,054,959	–	–
Trade and other receivables	12	129,770,046	159,508,720	41,897,040	47,808,126
Cash and cash equivalents	15	131,227,780	152,401,520	68,188,949	83,230,568
Asset held for sale	16	–	44,730,268	–	–
Current assets		308,281,609	409,191,879	111,964,048	133,535,106
Total assets		488,260,581	572,132,655	203,058,620	212,139,382
Equity					
Share capital	17	180,098,765	200,099,208	180,098,765	200,099,208
Reserves	17	84,878,940	87,367,596	(4,647,934)	(1,363,046)
Equity attributable to owners of the Company		264,977,705	287,466,804	175,450,831	198,736,162
Non-controlling interests	18	62,902,820	61,953,333	–	–
Total equity		327,880,525	349,420,137	175,450,831	198,736,162
Liabilities					
Loans and borrowings	19	31,939,394	18,491,181	13,951,238	–
Deferred income	22	2,808,108	2,148,883	373,645	382,244
Deferred tax liabilities	10	4,183,272	2,687,670	–	–
Non-current liabilities		38,930,774	23,327,734	14,324,883	382,244
Loans and borrowings	19	45,579,043	68,677,688	315,034	–
Trade and other payables, including derivatives	23	74,654,185	128,866,186	12,911,928	12,970,342
Deferred income	22	380,060	277,865	55,944	50,634
Current tax liabilities		835,994	1,563,045	–	–
Current liabilities		121,449,282	199,384,784	13,282,906	13,020,976
Total liabilities		160,380,056	222,712,518	27,607,789	13,403,220
Total equity and liabilities		488,260,581	572,132,655	203,058,620	212,139,382

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$	2018 \$
Revenue	24	461,107,018	501,552,609
Cost of sales		(366,285,613)	(398,456,720)
Gross profit		94,821,405	103,095,889
Other income		2,913,749	3,404,292
Distribution expenses		(42,302,113)	(43,040,320)
Administrative expenses		(30,128,280)	(32,898,665)
Impairment losses of trade and other receivables (net)		(831,579)	(562,666)
Loss on disposal on asset held for sale		(5,453,963)	–
Other expenses		(462,866)	(2,903,509)
Results from operating activities		18,556,353	27,095,021
Finance income		2,356,152	2,821,771
Finance costs		(3,362,969)	(1,488,900)
Net finance (costs)/income	26	(1,006,817)	1,332,871
Profit before tax		17,549,536	28,427,892
Tax expense	27	(5,713,399)	(6,200,627)
Profit for the year	25	11,836,137	22,227,265
Profit attributable to:			
Owners of the Company		6,055,424	13,433,910
Non-controlling interests		5,780,713	8,793,355
Profit for the year		11,836,137	22,227,265
Earnings per share			
Basic earnings per share (cents)	28	1.09	2.43
Diluted earnings per share (cents)	28	1.09	2.41

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	2019 \$	2018 \$
Profit for the year	11,836,137	22,227,265
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences of foreign operations	(5,083,281)	(4,052,988)
Effective portion of changes in fair value of cash flow hedges	9,861	17,199
Other comprehensive income for the year, net of tax	(5,073,420)	(4,035,789)
Other comprehensive income – items that will not be reclassified subsequently to profit or loss		
Equity investment FVOCI – net change in fair value	(1,539)	(6,086)
Movement in reserve	(44,675)	(294,583)
Other comprehensive income for the year, net of tax	(46,214)	(300,669)
Total comprehensive income for the year	6,716,503	17,890,807
Total comprehensive income attributable to:		
Owners of the Company	3,698,737	10,775,023
Non-controlling interests	3,017,766	7,115,784
Total comprehensive income for the year	6,716,503	17,890,807

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	----- Attributable to -----		
	Share capital \$	Treasury shares \$	Other reserves \$
Group			
At 1 January 2018	204,325,609	(4,226,401)	10,667,773
Total comprehensive income for the year			
Profit for the year	—	—	—
Other comprehensive income			
Foreign currency translation differences of foreign operations	—	—	—
Net change in fair value – equity investments at FVOCI	—	—	—
Effective portion of changes in fair value of cash flow hedges	—	—	—
Movement in reserve	—	—	(294,583)
Total other comprehensive income	—	—	(294,583)
Total comprehensive income for the year	—	—	(294,583)
Transactions with owners, recognised directly in equity			
Distributions to owners			
Dividends paid (note 17)	—	—	—
Unclaimed dividend reversed	—	—	—
Total distributions to owners	—	—	—
Transfer between reserves			
Appropriation of retained earnings to statutory reserve fund	—	—	1,171,319
Total transactions with owners	—	—	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 2019

owners of the Company -----						
Fair value reserve \$	Translation reserve \$	Hedging reserve \$	Retained earnings \$	Total \$	Non-controlling interests \$	Total equity \$
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 CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	----- Attributable to		
	Share capital \$	Treasury shares \$	Other reserves \$
Group			
At 1 January 2019	204,325,609	(4,226,401)	11,544,509
Impact of adoption of SFRS(I) 16	—	—	—
At 1 January 2019, as restated	204,325,609	(4,226,401)	11,544,509
Total comprehensive income for the year			
Profit for the year	—	—	—
Other comprehensive income			
Foreign currency translation differences of foreign operations	—	—	—
Net change in fair value – equity investments at FVOCI	—	—	—
Effective portion of changes in fair value of cash flow hedges	—	—	—
Movement in reserve	—	—	(44,675)
Total other comprehensive income	—	—	(44,675)
Total comprehensive income for the year	—	—	(44,675)
Transactions with owners, recognised directly in equity			
Distributions to owners			
Dividends paid (note 17)	—	—	—
Share option cancelled	—	—	(490,913)
Capital reduction	(20,000,443)	—	—
Total distributions to owners	(20,000,443)	—	(490,913)
Transfer between reserves			
Appropriation of retained earnings to statutory reserve fund	—	—	856,654
Total transactions with owners	(20,000,443)	—	365,741
At 31 December 2019	184,325,166	(4,226,401)	11,865,575

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

owners of the Company -----						
Fair value reserve \$	Translation reserve \$	Hedging reserve \$	Retained earnings \$	Total \$	Non-controlling interests \$	Total equity \$
45,362	(3,188,409)	(6,306)	78,972,440	287,466,804	61,953,333	349,420,137
-	-	-	(653,236)	(653,236)	(368,249)	(1,021,485)
45,362	(3,188,409)	(6,306)	78,319,204	286,813,568	61,585,084	348,398,652
-	-	-	6,055,424	6,055,424	5,780,713	11,836,137
-	(2,316,779)	-	-	(2,316,779)	(2,766,502)	(5,083,281)
(1,539)	-	-	-	(1,539)	-	(1,539)
-	-	6,306	-	6,306	3,555	9,861
-	-	-	-	(44,675)	-	(44,675)
(1,539)	(2,316,779)	6,306	-	(2,356,687)	(2,762,947)	(5,119,634)
(1,539)	(2,316,779)	6,306	6,055,424	3,698,737	3,017,766	6,716,503
-	-	-	(5,534,157)	(5,534,157)	(1,700,030)	(7,234,187)
-	-	-	490,913	-	-	-
-	-	-	-	(20,000,443)	-	(20,000,443)
-	-	-	(5,043,244)	(25,534,600)	(1,700,030)	(27,234,630)
-	-	-	(856,654)	-	-	-
-	-	-	(5,899,898)	(25,534,600)	(1,700,030)	(27,234,630)
43,823	(5,505,188)	-	78,474,730	264,977,705	62,902,820	327,880,525

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Profit for the year		11,836,137	22,227,265
Adjustments for:			
Allowance/(reversal of allowance) of inventories		138,394	(231,789)
Amortisation of deferred income		(375,244)	(240,754)
Amortisation of intangible assets		3,000	3,000
Depreciation of investment properties	6	48,386	46,735
Depreciation of property, plant and equipment	4	14,724,755	9,992,942
(Gain)/Loss on disposal of property, plant and equipment		(103,108)	36,237
Net finance expense/(income)	26	391,198	(832,491)
Net decrease/(increase) in fair value of financial assets at fair value through profit or loss		618,352	(498,092)
Inventories written off		134,247	195,465
Property, plant and equipment written off		265,992	211,635
Impairment losses on property, plant and equipment		198,863	737,721
Tax expense		5,713,399	6,200,627
Unrealised exchange loss		551,653	887,589
Loss on disposal of asset held for sales		5,453,963	–
		39,599,987	38,736,090
Changes in:			
– Inventories		3,785,984	(2,900,241)
– Trade and other receivables		26,543,451	6,390,426
– Trade and other payables		(18,983,342)	(4,359,281)
Cash generated from operations		50,946,080	37,866,994
Tax paid		(4,459,355)	(6,736,454)
Net cash from operating activities		46,486,725	31,130,540
Cash flows from investing activities			
Proceeds from disposal of asset held for sale		5,379,020	–
Interest received		1,958,031	1,425,556
Proceeds from disposal of property, plant and equipment		582,283	282,409
Purchase of property, plant and equipment		(13,614,481)	(44,616,824)
Expenditure capitalised in investment property		(150,079)	(2,952,322)
Net cash used in investing activities		(5,845,226)	(45,861,181)
Cash flows from financing activities			
Decreased in deposits pledged		1,487,734	1,890,077
Dividends paid		(7,234,187)	(5,033,553)
Interest paid		(2,732,640)	(1,489,959)
Payment of lease liabilities (2018: finance lease liabilities)		(2,635,945)	(16,008)
Proceeds from loans and borrowings		108,529,370	145,771,726
Repayment of loans and borrowings		(136,367,628)	(117,521,304)
Capital reduction		(20,000,443)	–
Net cash (used in)/from financing activities		(58,953,739)	23,600,979
Net (decrease)/increase in cash and cash equivalents		(18,312,240)	8,870,338
Cash and cash equivalents at 1 January		141,398,937	135,019,839
Effect of exchange rate fluctuations on cash held		(1,096,666)	(2,491,240)
Cash and cash equivalents at 31 December	15	121,990,031	141,398,937

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 March 2020.

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 2019 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)).

This is the first set of the Group’s financial statements in which SFRS(I) 16 *Leases* has been applied. The related changes to significant accounting policies are described in note 2.5.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

There are no critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements.

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).

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Measurement of fair values (Continued)

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

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

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

Note 6 – Investment properties; and

Note 20 – Financial instruments.

2.5 Changes in accounting policies

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019:

- 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)

Other than SFRS(I) 16, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies (Continued)

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases many assets including leasehold land and buildings, plant & machinery, furniture fittings and office equipment and motor vehicles. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if SFRS(I) 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group applied this approach to its largest property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies (Continued)

As a lessee (Continued)

Leases classified as operating leases under SFRS(I) 1-17 (Continued)

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Leases classified as finance leases under SFRS(I) 1-17

The Group leases motor vehicles. These leases were classified as finance leases under SFRS(I) 1-17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under SFRS(I) 1-17 immediately before that date.

As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to SFRS(I) 16 for leases in which it acts as a lessor.

The Group has applied SFRS(I) 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies (Continued)

Impact on financial statements

*Impact on transition**

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets, including reversal of trade and other receivables and trade and other payables, and additional lease liabilities, recognising the difference in retained earnings. The right-of-use assets is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The impact on transition is summarised below.

	1 January 2019 \$
Right-of-use assets – property, plant and equipment	20,951,464
Trade and other receivables	(70,453)
Trade and other payables	725,405
Lease liabilities	(22,627,901)
Retained earnings	(1,021,485)

* For the impact of SFRS(I) 16 on profit or loss for the period, see Note 30. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see Note 3.7.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rates applied are ranged from 3.89% to 5.40%.

	1 January 2019 \$
Operating lease commitments at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's consolidated financial statements	34,131,130
Discounted using the incremental borrowing rate at 1 January 2019	23,027,378
Finance lease liabilities recognised as at 31 December 2018	
– Recognition exemption for leases with less than 12 months of lease term at transition	(859,547)
– Extension options reasonably certain to be exercised	460,069
Lease liabilities recognised at 1 January 2019	22,627,900

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes in accounting policies mentioned in 2.5, the accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group and the Company.

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.

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 date of acquisition 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, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

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

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(i) Business combinations (Continued)

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

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

(iii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss on control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

(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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(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.

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, except for the following differences which are recognised in other comprehensive income ("OCI") arising on the translation of:

- an investment in equity securities designated as at fair value through OCI ("FVOCI"); 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

(ii) Foreign operations (Continued)

Foreign currency differences are recognised in OCI. 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 or joint control 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 or joint venture that includes a foreign operation while retaining significant influence or joint control, 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.

(ii) Classification and subsequent measurement

Non-derivative financial assets

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets (Continued)

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets: Business model assessment

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

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

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 (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

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

- (ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Subsequent measurement and gains and losses (Continued)

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.

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

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

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

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

Cash flow hedges (Continued)

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, expires, is 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(viii) Intra-group financial guarantees in the separate financial statements (Continued)

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'.

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:

- 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis 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
• furniture, fittings and office equipment	3 to 13 ¹ / ₃ years
• warehouse equipment	6 to 10 years
• motor vehicles	4 to 10 years
• plant and machinery	6 to 10 years
• computers	3 to 5 years

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets and goodwill

(i) Goodwill

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

Subsequent measurement

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

(ii) Trademarks

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

(iii) Subsequent expenditure

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

(iv) Amortisation

Amortisation 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Investment properties (Continued)

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 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (Continued)

Policy applicable from 1 January 2019 (Continued)

(i) As a lessee (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (Continued)

Policy applicable from 1 January 2019 (Continued)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SFRS(I) 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'. Rental income from sub-leased property is recognised as "other income".

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (Continued)

Leases – Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Rental income from investment property is recognised as "revenue" on a straight-line basis over the term of the lease. Rental income from sub-leased property is recognised as "other income".

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Inventories

(i) Trading goods

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

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

(ii) Manufactured corrugated paper products

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

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

3.9 Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised costs; 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

General approach (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

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.

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.

(ii) Non-financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(ii) Non-financial assets (Continued)

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

3.10 Non-current assets held for sale

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

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

3.11 Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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'.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Government grants

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

3.15 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income; and
- 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.

3.16 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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Tax (Continued)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 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.

3.18 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.

3.19 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application 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 not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- *SFRS(I) 17 Insurance Contracts*

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$	Freehold buildings \$	Leasehold buildings \$	Leasehold improvements \$	Renovations \$
Cost					
At 1 January 2018	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
At 1 January 2019	303,709	3,436,273	84,448,544	5,950,441	5,424,416
Recognition of right-of-use asset on initial application on SFRS(I) 16	–	–	20,664,927	–	–
Adjusted balance at 1 January 2019	303,709	3,436,273	105,113,471	5,950,441	5,424,416
Additions	–	18,939	292,735	–	–
Disposals	–	–	–	–	–
Reclassification	–	4,887,920	15,111,585	–	–
Write-offs	–	–	–	–	(277,892)
Derecognition of right-of-use asset	–	–	(454,685)	–	–
Effect of movements in exchange rates	(5,406)	(19,890)	(1,585,364)	–	(1,769)
At 31 December 2019	298,303	8,323,242	118,477,742	5,950,441	5,144,755
Accumulated depreciation and impairment losses					
At 1 January 2018	–	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
At 1 January 2019	–	3,004,658	21,048,997	2,216,773	4,819,413
Depreciation charge for the year	–	80,922	5,415,261	146,970	151,841
Disposals	–	–	–	–	–
Impairment loss	–	–	–	–	132,625
Reclassification	–	–	–	–	–
Write-offs	–	–	–	–	(155,299)
Effect of movements in exchange rates	–	(2,038)	(501,126)	–	(1,523)
At 31 December 2019	–	3,083,542	25,963,132	2,363,743	4,947,057
Carrying amounts					
At 1 January 2018	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
At 31 December 2019	298,303	5,239,700	92,514,610	3,586,698	197,698

NOTES TO THE FINANCIAL STATEMENTS

Furniture, fittings and office equipment \$	Warehouse equipment \$	Motor vehicles \$	Plant and machinery \$	Computers \$	Construction in progress \$	Installation in progress \$	Total \$
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
7,955,925	2,309,883	10,322,116	83,542,226	4,880,795	15,875,429	16,806,445	241,256,202
127,506	–	–	159,031	–	–	–	20,951,464
8,083,431	2,309,883	10,322,116	83,701,257	4,880,795	15,875,429	16,806,445	262,207,666
680,529	103,376	1,318,022	3,239,244	69,694	5,805,990	2,502,941	14,031,470
(172,031)	(16,500)	(1,135,943)	(3,779,676)	–	–	–	(5,104,150)
844,604	–	–	15,644,641	–	(19,718,577)	(16,770,173)	–
(125,205)	(51,535)	–	(134,885)	(243,902)	–	–	(833,419)
–	–	–	–	–	–	–	(454,685)
(72,536)	(2,952)	(82,117)	(1,790,234)	(6,432)	(91,340)	(134,996)	(3,793,036)
9,238,792	2,342,272	10,422,078	96,880,347	4,700,155	1,871,502	2,404,217	266,053,846
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
4,720,241	1,096,679	6,004,570	49,315,452	2,161,840	–	–	94,388,623
804,752	163,196	1,061,648	6,466,898	433,267	–	–	14,724,755
(148,165)	(10,312)	(830,835)	(3,635,663)	–	–	–	(4,624,975)
58,741	–	(33,646)	40,617	526	–	–	198,863
256	–	–	(256)	–	–	–	–
(110,755)	(49,142)	–	(122,554)	(129,677)	–	–	(567,427)
(42,823)	(2,507)	(41,199)	(892,075)	(3,230)	–	–	(1,486,521)
5,282,247	1,197,914	6,160,538	51,172,419	2,462,726	–	–	102,633,318
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
3,956,545	1,144,358	4,261,540	45,707,928	2,237,429	1,871,502	2,404,217	163,420,528

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold buildings \$	Leasehold improvements \$	Renovations \$	Furniture, fittings and office equipment \$
Cost				
At 1 January 2018	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
At 1 January 2019	38,912,642	5,950,441	4,087,622	1,157,759
Recognition of right-of-use asset on initial application on SFRS(I) 16	14,358,541	–	–	127,506
Adjusted balance at 1 January 2019	53,271,183	5,950,441	4,087,622	1,285,265
Additions	–	–	–	114,648
Disposals	–	–	–	(3,200)
Write-offs	–	–	–	(24,375)
At 31 December 2019	53,271,183	5,950,441	4,087,622	1,372,338
Accumulated depreciation				
At 1 January 2018	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
At 1 January 2019	5,788,783	2,216,773	3,885,489	857,014
Depreciation charge for the year	1,585,119	146,970	65,266	97,271
Disposals	–	–	–	(907)
Write-offs	–	–	–	(24,364)
At 31 December 2019	7,373,902	2,363,743	3,950,755	929,014
Carrying amounts				
At 1 January 2018	13,878,671	3,880,637	265,770	56,371
At 31 December 2018	33,123,859	3,733,668	202,133	300,745
At 31 December 2019	45,897,281	3,586,698	136,867	443,324

NOTES TO THE FINANCIAL STATEMENTS

Warehouse equipment \$	Motor vehicles \$	Plant and machinery \$	Computers \$	Construction in progress \$	Total \$
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
388,420	686,478	115,999	1,902,648	–	53,202,009
–	–	–	–	–	14,486,047
388,420	686,478	115,999	1,902,648	–	67,688,056
23,380	–	–	32,693	–	170,721
(16,500)	–	(40,000)	–	–	(59,700)
–	–	–	–	–	(24,375)
395,300	686,478	75,999	1,935,341	–	67,774,702
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
261,785	514,464	86,866	1,050,425	–	14,661,599
20,032	61,587	7,600	175,326	–	2,159,171
(10,312)	–	(39,999)	–	–	(51,218)
–	–	–	–	–	(24,364)
271,505	576,051	54,467	1,225,751	–	16,745,188
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
123,795	110,427	21,532	709,590	–	51,029,514

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the Group acquired property, plant and equipment with an aggregate cost of \$14,031,470 (2018: \$44,878,832). At 31 December 2019, \$1,251,902 (2018: \$1,044,069) remained unsettled for acquisition of property, plant and equipment.

Included in property, plant and equipment of the Group are right-of-use assets with a total carrying amount of \$18,474,817 (2018: finance lease liabilities \$75,831), which are under lease liabilities (note 19).

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

	Group	
	2019	2018
	\$	\$
Carrying amounts		
Leasehold buildings	35,338,748	22,446,074
Plant and machinery	13,736,843	1,729,342
Construction in progress	–	11,122,714
Installation in progress	–	13,828,240
	49,075,591	49,126,370

Impairment of property, plant and equipment

In 2019, 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 \$198,863 (2018: \$737,721) arising from the obsolescence of equipment.

The recoverable amounts of the property, plant and equipment is the greater of its value-in-use ("VIU") and its fair value less costs of disposal. Cash flow projections used in these calculations were over a period of 5 to 20 years (2018: 5 to 15 years), based on the 2020 financial budget approved by management.

The approach to determine the recoverable amounts of the cash generating units ("CGU") is categorised as follows:

- The recoverable amounts of CGUs with leasehold property and land and building have been determined based on fair value less costs of disposal of the assets. The fair value less costs of disposal is based on market valuation performed by independent valuers with experience in the location and category of the properties being valued.
- The recoverable amount of all other CGUs have been determined based on the calculation of their value-in-use derived from management's cash flows projections for these CGUs.

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment of property, plant and equipment (Continued)

Value-in-use

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

	2019 %	2018 %
<i>Revenue growth rate</i>		
Singapore	2 – 3.27	3
People's Republic of China	6 – 8	4 – 17
Malaysia	4.4	2.48
<i>Pre-tax discount rate</i>		
Singapore	5.91 – 11	12
People's Republic of China	12 – 21	16 - 17
Malaysia	5.91	5.63

The Group considers its asset impairment accounting policy to be a policy that requires 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.

Fair value less cost of disposal

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 and plant and machinery	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

5. INTANGIBLE ASSETS

	Goodwill	Trademarks	Club Membership	Total
	\$	\$	\$	\$
Group				
Cost				
At 1 January 2018	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
Effect of movements in exchange rates	(30,317)	–	–	(30,317)
At 31 December 2019	1,053,094	–	95,000	1,148,094
Accumulated amortisation				
At 1 January 2018	–	363,050	–	363,050
Amortisation	–	–	3,000	3,000
Write off during the year*	–	(363,050)	–	(363,050)
Reclassification	–	–	80,000	80,000
31 December 2018	–	–	83,000	83,000
Amortisation	–	–	3,000	3,000
At 31 December 2019	–	–	86,000	86,000
Carrying amounts				
At 1 January 2018	1,115,513	–	–	1,115,513
At 31 December 2018	1,083,411	–	12,000	1,095,411
At 31 December 2019	1,053,094	–	9,000	1,062,094

* 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.

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS (CONTINUED)

Annual impairment tests for cash generating units containing goodwill

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

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

The recoverable amount of the CGU is based on VIU calculations. The calculation for VIU is based on cash flow projections derived from financial budgets approved by management covering a period of five years.

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

	2019 %	2018 %
<i>Revenue growth rate</i>		
Singapore	2	3
People's Republic of China	6 – 8	4 – 17
<i>Pre-tax discount rate</i>		
Singapore	15	16
People's Republic of China	16 – 19	19

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT PROPERTIES

	Group	
	2019	2018
	\$	\$
Cost		
At 1 January	11,336,790	8,043,962
Additions	150,079	2,952,322
Effect of movements in exchange rates	3,213	340,506
At 31 December	11,490,082	11,336,790
Accumulated depreciation		
At 1 January	271,298	223,846
Depreciation charge for the year	48,386	46,735
Effect of movements in exchange rates	(1,477)	717
At 31 December	318,207	271,298
Carrying amounts		
At 1 January	11,065,492	7,820,116
At 31 December	11,171,875	11,065,492
Fair value		
At 31 December	13,268,285	12,922,369

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 2019 and 31 December 2018 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.

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT PROPERTIES (CONTINUED)

Measurement of fair value (Continued)

Fair value hierarchy (Continued)

The following table shows the key unobservable input used in the valuation of investment properties as at 31 December 2019:

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.
Investment Method	Discount rate: 2% to 5.2%	The estimated fair value varies inversely against the discount rate.

7. SUBSIDIARIES

	Company	
	2019	2018
	\$	\$
Equity investments at cost	46,718,049	46,718,051
Impairment losses	(6,717,264)	(6,717,264)
	40,000,785	40,000,787

In 2019, 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 \$Nil (2018: \$8,307) on its investments in certain subsidiaries. The recoverable amounts of the investments were estimated using the fair value less costs to sell approach. The fair values of the underlying assets were estimated based on their estimated selling prices and the fair values of the underlying liabilities were based on the estimated cash outflows to settle the obligations.

NOTES TO THE FINANCIAL STATEMENTS

7. SUBSIDIARIES (CONTINUED)

Details of significant subsidiaries are as follows:

	Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Group	
				2019 %	2018 %
	Held by the Company				
@	Topseller Pte Ltd	Marketing and sale of agency lines and proprietary brands	Singapore	100	100
@	Tipex Pte Ltd	Supply of provisions and household products	Singapore	74	74
^	Socma Trading (M) Sendirian Berhad	Marketing and sale of household and consumer products	Malaysia	100	100
@	Tat Seng Packaging Group Ltd	Manufacture and sale of corrugated boards, corrugated cartons and other packaging products	Singapore	64	64
@	Fortune Food Manufacturing Pte Ltd	Manufacture of soya bean products and noodles	Singapore	100	100
	Held by Fortune Food Manufacturing Pte Ltd:				
^	Fortune Food Manufacturing Sdn Bhd.	The company has not commenced operation since the date of its incorporation	Malaysia	100	—
	Held by Topseller Pte Ltd:				
@	Coco & Frank Pte Ltd	Manufacture of bakery products and wholesale of confectionery and bakery products	Singapore	92.5	92.5
	Held by Tipex Pte Ltd:				
^	Tips Industry (M) Sdn Bhd	Packaging and sale of paper products	Malaysia	74	74
	Held by Socma Trading (M) Serdirian Berhad:				
^	Fresh Fruit Juice Manufacturing (M) Sdn Bhd	Manufacture of grass jelly products	Malaysia	100	100
	Held by PSC Investment Pte Ltd:				
∞	Guangzhou PSC Properties Co., Ltd	Property development, property holdings and property related activities	People’s Republic of China	100	100

NOTES TO THE FINANCIAL STATEMENTS

7. SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Group	
				2019 %	2018 %
	Held by Guangzhou PSC Properties Co., Ltd:				
α	PSC (China) Property Co., Limited	Property development, property holdings and property related activities	Hong Kong	100	100
	Held by Tat Seng Packaging Group Ltd:				
@	United Packaging Industries Pte Ltd	Manufacture and sale of corrugated boards, corrugated cartons and other packaging products	Singapore	64	64
^	Tat Seng Packaging (Suzhou) Co., Ltd	Manufacture and sale of corrugated boards, corrugated cartons and other packaging products	People’s Republic of China	64	64
^	Hefei Dansun Packaging Co., Ltd	Manufacture and sale of corrugated cartons and other packaging products	People’s Republic of China	60.4	60.4
^	Tianjin Dansun Packaging Co., Ltd	Manufacture and sale of corrugated cartons and other packaging products	People’s Republic of China	42.9	42.9
	Held by Tat Seng Packaging (Suzhou) Co., Ltd:				
^	Nantong Hengcheng Paper Industry Co., Ltd	Manufacture and sale of corrugated boards	People’s Republic of China	44.8	44.8
	Held by Nantong Hengcheng Paper Industry Co., Ltd:				
^	Nantong Tat Seng Packaging Co., Ltd	Manufacture and sale of corrugated boards	People’s Republic of China	44.8	44.8

@ Audited by KPMG LLP, Singapore.

^ Audited by other member firms of KPMG International.

∞ Audited by Moore Stephens CPA Limited.

α Audited by CWC CPA Limited.

NOTES TO THE FINANCIAL STATEMENTS

8. ASSOCIATES

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Investment in associates	1,697,679	1,697,679	8,044,492	8,044,492
Impairment losses	(1,697,679)	(1,697,679)	(8,044,492)	(8,044,492)
	–	–	–	–

Details of key associates are as follows:

Name of associate	Principal activities	Country of incorporation	Effective equity held by the			
			Group	Company	Group	Company
			2019	2018	2019	2018
			%	%	%	%
Held by the Company and its subsidiaries						
& China Worldbest Health Solutions Holding Co., Ltd	Inactive	People's Republic of China	31.3	31.3	31.3	31.3
& Longkou Luzhibei Preserved Fruit Company Limited	Manufacture and distribution of preserved fruits	People's Republic of China	40	40	–	–
Held by Health Solutions International Pte Ltd and its subsidiaries						
▽ Health Solutions (S.E. Asia) Sdn Bhd	Provision of healthcare consultancy and management services to the health industry	Malaysia	28.5	28.5	–	–
▽ HSI Philippines, Inc.	Dormant	Philippines	38	38	–	–

& 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 2019. As such, the Group's interests in associates remained fully impaired at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER FINANCIAL ASSETS

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Non-current investments				
Equity investments – at FVOCI	64,273	63,079	64,273	63,079
Current investments				
Equity investments – designated at FVTPL	1,878,059	2,496,412	1,878,059	2,496,412

Equity investments designated as at FVOCI

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.

	Fair value at 31 Dec 2019	Dividend income recognised during 2019	Fair value at 31 Dec 2018	Dividend income recognised during 2018
	\$	\$	\$	\$
Investment in listed company in Singapore	64,273	2,733	63,079	2,288

No strategic investments were disposed of during 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

NOTES TO THE FINANCIAL STATEMENTS

10. DEFERRED TAX ASSETS AND LIABILITIES

Movements in temporary differences during the year are as follows:

	At 1 January 2018 \$	Recognised in profit or loss (note 27) \$	Effect of movements in exchange rates \$	At 31 December 2018 \$	Recognised in profit or loss (note 27) \$	Effect of movements in exchange rates \$	At 31 December 2019 \$
Group							
Deferred tax assets							
Property, plant and equipment	534,972	177,217	–	712,189	(136,263)	–	575,926
Trade and other receivables	468,907	(280,064)	(66)	188,777	255,831	(46)	444,562
Tax value of loss carry forward	1,634,352	196,576	–	1,830,928	331,167	–	2,162,095
Trade and other payables	908,890	253,327	(44,896)	1,117,321	(516,465)	1,785	602,641
Other items	4,283	(4,347)	64	–	(59,097)	(3)	(59,100)
Total	3,551,404	342,709	(44,898)	3,849,215	(124,827)	1,736	3,726,124
Deferred tax liabilities							
Property, plant and equipment	(1,215,097)	140,295	1,942	(1,072,860)	(106,988)	(10,660)	(1,190,508)
Other items	(1,683,829)	24,666	44,353	(1,614,810)	(1,376,668)	(1,286)	(2,992,764)
Total	(2,898,926)	164,961	46,295	(2,687,670)	(1,483,656)	(11,946)	(4,183,272)

NOTES TO THE FINANCIAL STATEMENTS

10. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

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

	Group	
	2019	2018
	\$	\$
Tax losses	18,845,073	26,918,842
Capital allowances	188,152	462,802
Deductible temporary differences	1,770,817	748,581
	20,804,042	28,130,225

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 \$950,704 (2018: \$7,685,156) will expire in 2024. 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 2019, deferred tax liability for temporary differences of \$16,903,120 (2018: \$47,416,631) 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	
	2019	2018	2019	2018
	\$	\$	\$	\$
Finished goods:				
– at cost	20,800,266	20,994,513	–	–
Packing materials	769,302	830,841	–	–
Raw materials	23,336,287	27,764,552	–	–
Work-in-progress	499,869	465,053	–	–
	45,405,724	50,054,959	–	–

In 2019, inventories of the Group amounting to \$361,280,376 (2018: \$396,147,868) were recognised as an expense during the period and included in cost of sales.

In 2019, the Group recognised an allowance for inventory obsolescence of \$138,394 (2018: write-back for inventory obsolescence of \$231,789) and wrote off inventories amounting to \$134,247 (2018: \$195,465). The allowance made and write-off were included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

11. INVENTORIES (CONTINUED)

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

12. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2019 \$	2018 \$	2019 \$	2018 \$
Trade receivables		123,022,056	152,934,992	–	–
Impairment losses		(1,282,163)	(1,543,028)	–	–
Net trade receivables		121,739,893	151,391,964	–	–
Deposits		823,380	1,038,870	86,235	62,824
Non-trade receivables		11,446,496	11,196,297	367,475	542,535
Impairment losses		(10,089,597)	(9,475,709)	–	–
Net non-trade receivables		1,356,899	1,720,588	367,475	542,535
Amounts due from subsidiaries	13	–	–	41,390,080	47,180,302
Trade and other receivables		123,920,172	154,151,422	41,843,790	47,785,661
Advance to suppliers		4,246,867	3,845,271	–	–
Tax recoverable		449,801	609,766	–	–
Prepayments		1,687,284	902,261	53,250	22,465
		130,304,124	159,508,720	41,897,040	47,808,126
Non-current		534,078	–	–	–
Current		129,770,046	159,508,720	41,897,040	47,808,126
		130,304,124	159,508,720	41,897,040	47,808,126

13. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2019 \$	2018 \$
Loans to subsidiaries	10,325,607	10,325,607
Amount due from subsidiaries	53,501,485	58,021,620
Impairment losses	(22,437,012)	(21,166,925)
	31,064,473	36,854,695
	41,390,080	47,180,302

Loans to subsidiaries are interest bearing with interest charged at 3.5% per annum, unsecured and repayable on demand

Amount due from subsidiaries are unsecured, interest-free and repayable on demand.

The Company recorded an impairment loss of \$1,270,087 (2018: reversal of impairment loss \$1,343,611) during the year and wrote-off an amount due from a subsidiary amounting to \$Nil (2018: \$5,077,293). The impairment loss, reversal of impairment loss and write-off in 2019 and 2018 respectively were included in other expenses.

NOTES TO THE FINANCIAL STATEMENTS

14. AMOUNTS DUE FROM ASSOCIATES

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Non-trade	10,946,738	10,983,121	1,422,193	1,422,193
Impairment losses	(10,946,738)	(10,983,121)	(1,422,193)	(1,422,193)
	–	–	–	–

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

The movement in the balances during the current year also included exchange adjustments.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Cash at bank and in hand	56,531,155	71,530,577	5,780,104	3,709,858
Fixed deposits with banks	74,696,625	80,870,943	62,408,845	79,520,710
Cash and cash equivalents in the statement of financial position	131,227,780	152,401,520	68,188,949	83,230,568
Deposits pledged	(9,237,749)	(11,002,583)	–	–
Cash and cash equivalents in the statement of cash flows	121,990,031	141,398,937	68,188,949	83,230,568

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

16. ASSET HELD FOR SALE

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Carrying amount	–	44,730,268	–	–

Asset held for sale comprise of the investment in Million Cube Limited, which had been reclassified in prior year from investments in associates pursuant to a sales and purchase agreement entered into between the Group's wholly owned subsidiary, PSC (China) Property Co. Limited ("Vendor"), and Kang Cheng Holdings Limited ("Buyer").

In subsequent period, there were mutual agreement between the Vendor and Buyer to extend the date of completion of the transfer of the equity interest in Million Cube Limited from the Vendor to Buyer.

NOTES TO THE FINANCIAL STATEMENTS

16. ASSET HELD FOR SALE (CONTINUED)

Up till March 2019, the Group has received a total of HK\$200,000,000 (\$37,081,022) from the Buyer as non-refundable partial consideration and the amount was recognised as other payables under trade and other payables.

On 25 October 2019, the Group entered into a settlement agreement with the Buyer, under which, the Group will transfer its 49% shares in Million Cube Limited to the Buyer for a final consideration of HK\$28,800,000 (\$5,000,000) and waived the remaining amount of HK\$76,000,000 (\$13,283,383).

The final consideration was received on 13 November 2019. Following the receipt of the final consideration, the shares in Million Cube was transferred to the Buyer and the assets held for sale was derecognised from the balance sheet. The non-refundable partial consideration was recognised in profit and loss and a loss from disposal of \$5,453,963 was recorded.

17. CAPITAL AND RESERVES

Share capital

	2019 <u>No. of shares</u>	2018 <u>No. of shares</u>
Group and Company		
In issue at 1 January and 31 December	<u>570,996,746</u>	<u>570,996,746</u>

At 31 December 2019, the Company held 17,581,000 (2018: 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 2019 was 553,415,746 (2018: 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.

On 26 April 2019, the Company obtained approval of shareholders by way of a special resolution at an extraordinary general meeting to undertake capital reduction exercise and returned the surplus capital in excess of the Company's needs to its shareholders by way of a cash distribution for an amount of \$20,000,443 (equivalent to \$0.03614 per share) based on the total number of issued shares excluding treasury shares of 553,415,746 shares.

Reserves

	Group		Company	
	2019 \$	2018 \$	2019 \$	2018 \$
Other reserves	11,865,575	11,544,509	–	490,913
Fair value reserve	43,823	45,362	43,823	45,362
Translation reserve	(5,505,188)	(3,188,409)	–	–
Hedging reserve	–	(6,306)	–	–
Retained earnings/(Accumulated losses)	78,474,730	78,972,440	(4,691,757)	(1,899,321)
	<u>84,878,940</u>	<u>87,367,596</u>	<u>(4,647,934)</u>	<u>(1,363,046)</u>

NOTES TO THE FINANCIAL STATEMENTS

17. CAPITAL AND RESERVES (CONTINUED)

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 2019, the statutory reserve included in other reserves is \$11,628,916 (2018: \$10,772,262).

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 (2018: FVOCI) until the assets are derecognised or reclassified.

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.

NOTES TO THE FINANCIAL STATEMENTS

17. CAPITAL AND RESERVES (CONTINUED)

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	
	2019	2018
	\$	\$
First and Final tax-exempt dividend paid of 1.00 cent (2018: 0.25 cents) per share in respect of financial year ended 31 December 2018 (2018: in respect of financial year ended 31 December 2017)	5,534,157	1,383,545

Paid by subsidiaries to non-controlling interests

	Group	
	2019	2018
	\$	\$
Final tax-exempt dividend paid of nil cent (2018: 250 cents) per share in respect of financial year ended 31 December 2018 (2018: in respect of financial year ended 31 December 2017)	–	1,950,000
Final tax-exempt dividend paid of 2.00 cents (2018: 2.00 cents) per share in respect of financial year ended 31 December 2018 (2018: in respect of financial year ended 31 December 2017)	1,133,353	1,133,339
Interim tax-exempt dividend paid of 1.00 cent (2018: 1.00 cent) per share in respect of financial year ended 31 December 2019 (2018: in respect of financial year ended 31 December 2018)	566,677	566,669
	1,700,030	3,650,008

NOTES TO THE FINANCIAL STATEMENTS

18. NON-CONTROLLING INTERESTS

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

	Tat Seng Packaging Group Ltd and its subsidiaries	Tipex Pte Ltd and its subsidiaries	Other individually immaterial subsidiaries	Consolidation adjustments	Total
	\$	\$	\$	\$	\$
31 December 2019					
Revenue	288,617,835	26,621,381	198,106		
Profit/(loss)	14,856,476	922,922	(1,429,115)		
OCI	(3,436,528)	(64,810)	37,531		
Total comprehensive income/(loss)	11,419,948	858,112	(1,391,584)		
Attributable to NCI:					
– Profit/(loss)	5,688,257	239,960	(105,944)	(41,560)	5,780,713
– OCI	(2,714,492)	(16,851)	1,877	(33,481)	(2,762,947)
– Total comprehensive income/(loss)	2,973,765	223,109	(104,067)	(75,041)	3,017,766
Non-current assets	94,310,725	7,770,628			
Current assets	170,437,229	14,510,802			
Non-current liabilities	(22,938,972)	(324,202)			
Current liabilities	(98,651,307)	(2,358,726)			
Net assets	143,157,675	19,598,502			
Net assets/(liabilities) attributable to NCI	57,410,941	5,095,611	(369,838)	766,106	62,902,820
Cash flows from operating activities	38,351,313	2,047,750			
Cash flows used in investing activities	(9,192,258)	(648,486)			
Cash flows used in financing activities (dividends to NCI: note 17)	(34,094,567)	–			
Net (decrease)/increase in cash and cash equivalents	(4,935,512)	1,399,264			

NOTES TO THE FINANCIAL STATEMENTS

18. NON-CONTROLLING INTERESTS (CONTINUED)

	Tat Seng Packaging Group Ltd and its subsidiaries	Tipex Pte Ltd and its subsidiaries	Other individually immaterial subsidiaries	Consolidation adjustments	Total
	\$	\$	\$	\$	\$
31 December 2018					
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)		
Total comprehensive income/(loss)	17,750,493	604,886	(1,088,803)		
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)
– Total comprehensive income/(loss)	7,119,355	157,270	(81,394)	(79,447)	7,115,784
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)			
Net assets	138,774,277	18,740,390			
Net assets/(liabilities) attributable to NCI	56,505,518	4,872,501	(265,771)	841,085	61,953,333
Cash flows used in operating activities	27,671,122	(57,501)			
Cash flows used in investing activities	(29,866,759)	(3,443,377)			
Cash flows from/(used in) financing activities (dividends to NCI: note 17)	24,839,895	(7,500,000)			
Net increase/(decrease) in cash and cash equivalents	22,644,258	(11,000,878)			

NOTES TO THE FINANCIAL STATEMENTS

19. LOANS AND BORROWINGS

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

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Non-current liabilities				
Secured bank loans	14,572,187	18,491,181	–	–
Lease liabilities	17,367,207	–	13,951,238	–
	31,939,394	18,491,181	13,951,238	–
Current liabilities				
Secured bank loans	3,282,041	8,046,761	–	–
Unsecured bank loans	7,591,818	21,971,247	–	–
Bills payable	31,645,288	38,249,036	–	–
Lease liabilities (2018: finance lease liabilities)	2,673,703	13,254	315,034	–
Loan from non-controlling interests	386,193	397,390	–	–
	45,579,043	68,677,688	315,034	–
Total loans and borrowings	77,518,437	87,168,869	14,266,272	–

NOTES TO THE FINANCIAL STATEMENTS

19. LOANS AND BORROWINGS (CONTINUED)

Terms and debt repayment schedule

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

	Currency	Nominal interest rate %	Year of maturity	----- 2019 -----		----- 2018 -----	
				Face value \$	Carrying amount \$	Face value \$	Carrying amount \$
Group							
Bills payable (secured)	RMB	–	2020	31,645,288	31,645,288	38,249,036	38,249,036
Lease liabilities							
(2018: finance lease							
liabilities)	SGD	4.48	2019	–	–	14,820	13,254
Lease liabilities	SGD	3.89 – 4.55	2022 – 2049	23,960,392	14,266,272	–	–
Lease liabilities	RM	5.40	2021	672,075	647,869	–	–
Lease liabilities	SGD	3.89 – 5.39	2020 – 2036	5,609,000	5,126,769	–	–
Loan A (secured)	RMB	5.23	2023	17,468,035	17,468,035	19,464,401	19,464,401
Loan B (secured)	RMB	5.13	2020	386,193	386,193	–	–
Loan C (secured)	RMB	5.00	2019	–	–	1,986,950	1,986,950
Loan D (secured)	RMB	4.79	2019	–	–	5,086,591	5,086,591
Loan E (unsecured)	RMB	4.78	2020	1,798,925	1,798,925	–	–
Loan F (unsecured)	RMB	4.57	2020	5,792,893	5,792,893	–	–
Loan G (unsecured)	RMB	5.46	2019	–	–	202,073	202,073
Loan H (unsecured)	RMB	4.87	2019	–	–	4,607,056	4,607,056
Loan I (unsecured)	RMB	4.70	2019	–	–	13,709,953	13,709,953
Loan J (unsecured)	RMB	4.79	2019	–	–	2,539,322	2,539,322
Loan K (unsecured)	RMB	5.00	2019	–	–	912,843	912,843
Loan from							
non-controlling							
interests (unsecured)	RMB	4.79	2020	386,193	386,193	397,390	397,390
				87,718,994	77,518,437	87,170,435	87,168,869
Company							
Lease Liabilities	SGD	3.89 – 4.55	2022 – 2049	23,960,392	14,266,272	–	–

- (i) The bills payable of the Group are secured on bank deposits of \$9,237,749 (2018: \$11,002,583) (note 15).
- (ii) The secured bank loans and certain bills payable are secured on certain leasehold buildings and certain plant and machinery held by certain subsidiaries (see note 4).

NOTES TO THE FINANCIAL STATEMENTS

19. LOANS AND BORROWINGS (CONTINUED)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments 2019 \$	Interest 2019 \$	Present value of minimum lease payments 2019 \$	Future minimum lease payments 2018 \$	Interest 2018 \$	Present value of minimum lease payments 2018 \$
Group						
Within one year	–	–	–	14,820	1,566	13,254

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

	Liabilities		
	Lease liabilities \$	Loans and borrowings \$	Total \$
Group			
Balance at 1 January 2018	29,262	61,416,557	61,445,819
Changes from financing cash flows			
Payment of finance lease liabilities	(16,008)	–	(16,008)
Proceeds from loans and borrowings	–	145,771,726	145,771,726
Repayment of loans and borrowings	–	(117,521,304)	(117,521,304)
Interest paid	(1,824)	(1,488,135)	(1,489,959)
Total changes from financing cash flows	(17,832)	26,762,287	26,744,455
The effect of changes in foreign exchange rates	–	(2,510,305)	(2,510,305)
Finance costs	1,824	1,487,076	1,488,900
Balance at 31 December 2018	13,254	87,155,615	87,168,869
Balance at 1 January 2019	13,254	87,155,615	87,168,869
Recognition of lease liabilities on initial application on SFRS(I) 16	22,627,901	–	22,627,901
Restated Balance at 1 January 2019	22,641,155	87,155,615	109,796,770
Changes from financing cash flows			
Proceeds from loans and borrowings	–	108,529,370	108,529,370
Repayment of loans and borrowings	–	(136,367,628)	(136,367,628)
Payment of lease liabilities	(2,635,945)	–	(2,635,945)
Interest paid	(854,714)	(1,877,926)	(2,732,640)
Total changes from financing cash flows	(3,490,659)	(29,716,184)	(33,206,843)
The effect of changes in foreign exchange rates	(29,019)	(1,839,828)	(1,868,847)
Finance costs	866,693	1,877,924	2,744,617
New leases	379,699	–	379,699
Derecognition of lease liabilities	(326,959)	–	(326,959)
Balance at 31 December 2019	20,040,910	57,477,527	77,518,437

NOTES TO THE FINANCIAL STATEMENTS

19. LOANS AND BORROWINGS (CONTINUED)

	Lease liabilities \$
Company	
Balance at 1 January 2019	–
Recognition of lease liabilities on initial application on SFRS(I) 16	14,486,047
Changes from financing cash flows	
Payment of lease liabilities	(301,475)
Interest paid	(561,717)
Total changes from financing cash flows	(863,192)
Finance costs	561,717
New lease	81,700
Balance at 31 December 2019	14,266,272

Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees given by the Company to banks in respect of banking facilities amounting to \$3,360,705 (2018: \$3,277,620) 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.

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Credit risk

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

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

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 at the reporting date (by type of customer) was as follows:

	Group			
	Credit-impaired 2019	Not credit-impaired 2019	Credit-impaired 2018	Not credit-impaired 2018
	\$	\$	\$	\$
Group				
Consumer business	952,461	31,214,822	1,131,556	30,462,293
Packaging	275,697	90,575,801	208,931	121,132,212
Other	—	3,275	—	—
Total gross carrying amount	1,228,158	121,793,898	1,340,487	151,594,505
Loss allowance	(1,209,194)	(72,969)	(1,317,496)	(225,532)
	18,964	121,720,929	22,991	151,368,973

There are no trade receivables and loss allowance at the Company level.

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Credit risk (Continued)

Trade and other receivables (Continued)

Impairment losses

The ageing of trade receivables at reporting date was as follows:

	Gross 2019 \$	Impairment 2019 \$	Gross 2018 \$	Impairment 2018 \$
Group				
Not past due	104,801,782	(3,801)	126,947,098	–
Past due 0 – 90 days	16,687,736	(20,790)	23,836,096	(248)
Past due 91 – 180 days	215,672	(289)	548,169	(77,016)
Past due 181 – 365 days	88,708	(48,089)	263,142	(148,268)
More than one year	1,228,158	(1,209,194)	1,340,487	(1,317,496)
	123,022,056	(1,282,163)	152,934,992	(1,543,028)

The following table provides information about the exposure to credit risk and ECLs for trade receivables for individual customers as at 31 December 2019:

	Weighted average loss rate %	Gross carrying amount \$	Impairment loss allowance \$	Credit impaired
Group				
2019				
Current (not past due)	0.004%	104,801,782	3,801	No
Past due 0 – 90 days	0.12%	16,687,736	20,790	No
Past due 91 – 180 days	0.13%	215,672	289	No
Past due 181 – 365 days	54.21%	88,708	48,089	No
More than one year	98.46%	1,228,158	1,209,194	Yes
2018				
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	Yes

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Credit risk (Continued)

Trade and other receivables (Continued)

Impairment losses (Continued)

Loss rates are based on actual credit loss experience over the past 4 years taking into consideration any potential defaults.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group ECL \$	Company ECL \$
At 1 January 2019	1,543,028	–
Impairment loss recognised	194,223	–
Impairment loss reversed	(20,484)	–
Effect of movements in exchange rates	(13,182)	–
Utilised	(421,422)	–
At 31 December 2019	<u>1,282,163</u>	<u>–</u>
At 1 January 2018	3,006,201	2,278,712
Impairment loss recognised	75,257	–
Impairment loss reversed	(178,007)	–
Effect of movements in exchange rates	(12,855)	–
Utilised	(1,347,568)	(2,278,712)
At 31 December 2018	<u>1,543,028</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Credit risk (Continued)

Trade and other receivables (Continued)

Impairment losses (Continued)

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	
	2019	2018	2019	2018
	\$	\$	\$	\$
Bankers' guarantee	14,773	13,194	–	–

Non-trade loans and amount due from subsidiaries

The Company held non-trade receivables from its subsidiaries of \$63,827,092 (2018: \$68,347,227). These balances are amount lent to subsidiaries to satisfy short and long term funding requirements. The Company uses an approach that is based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections, if available, and applying experienced credit judgement).

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

	Group ECL \$	Company ECL \$
At 1 January 2019	20,458,830	22,589,118
Impairment loss recognised	657,840	1,270,087
Effect of movements in exchange rates	(80,335)	–
At 31 December 2019	21,036,335	23,859,205
At 1 January 2018	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	20,458,830	22,589,118

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Credit risk (Continued)

Investments

Risk management policy

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

As described above, the Group may undertake investments in financial assets in accordance with its investment policy.

The Group has not invested in debt securities for years ended 31 December 2018 and 2019.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of \$131,227,780 and \$68,188,949 respectively at 31 December 2019 (2018: \$152,401,520 and \$83,230,568 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 Ba1 to Aa1, based on rating agency Moody's 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

The management has implemented a credit risk policy to monitor and manage the credit risk arising from the bill receivables. The policy includes an analysis considering both quantitative and qualitative information in determining the ECL of the bill receivables. The ECL for bill receivables are considered immaterial after taking into consideration of the credit risk assessment and historical default rates.

Liquidity risk

Risk management policy

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

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

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Liquidity risk (Continued)

Exposure to liquidity risk

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

	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	Within 1 to 5 years \$	More than 5 years \$
Group					
31 December 2019					
Non-derivative financial liabilities					
Variable rate loans	25,446,046	(27,383,149)	(11,932,709)	(15,450,440)	–
Bills payable	31,645,288	(31,645,288)	(31,645,288)	–	–
Lease liabilities	20,040,910	(30,241,463)	(3,419,493)	(6,559,810)	(20,262,160)
Loan from non-controlling interests	386,193	(404,672)	(404,672)	–	–
Trade and other payables	74,654,185	(74,654,185)	(74,654,185)	–	–
	152,172,622	(164,328,757)	(122,056,347)	(22,010,250)	(20,262,160)
31 December 2018					
Non-derivative financial liabilities					
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)	–	–
	182,496,904	(188,697,265)	(169,057,684)	(19,639,581)	–
Derivative financial instruments					
Forward exchange contracts used for hedging (gross-settled):	9,861				
– Outflow		(1,040,418)	(1,040,418)	–	–
– Inflow		1,030,557	1,030,557	–	–
	9,861	(9,861)	(9,861)	–	–

* Excludes derivatives and non-refundable partial payments of the consideration (shown separately).

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Liquidity risk (Continued)

Exposure to liquidity risk (Continued)

	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	Within 1 to 5 years \$	More than 5 years \$
Company					
31 December 2019					
Non-derivative financial liabilities					
Lease Liabilities	14,266,272	(23,960,392)	(864,716)	(3,312,592)	(19,783,084)
Trade and other payables	12,911,928	(12,911,928)	(12,911,928)	–	–
31 December 2018					
Non-derivative financial liabilities					
Trade and other payables	12,970,342	(12,970,342)	(12,970,342)	–	–

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Currency risk (Continued)

Exposure to currency risk

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

	Malaysian Ringgit \$	Hong Kong Dollar \$	Australian Dollar \$	Singapore Dollar \$	US Dollar \$	Japanese Yen \$	Other currencies \$
Group							
31 December 2019							
Other financial assets	–	1,878,059	–	–	–	–	–
Trade and other receivables	3,971	66,076	–	–	5,922,255	–	116,249
Cash and cash equivalents	156,894	503,615	9,889,857	20,832	11,546,709	3,374	73,973
Trade and other payables	(1,356,918)	–	(93,824)	(7,493,729)	(3,867,914)	(79,626)	(31,424)
Net exposure	<u>(1,196,053)</u>	<u>2,447,750</u>	<u>9,796,033</u>	<u>(7,472,897)</u>	<u>13,601,050</u>	<u>(76,252)</u>	<u>158,798</u>
31 December 2018							
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	<u>1,039,382</u>	<u>2,686,933</u>	<u>9,586,309</u>	<u>(7,991,691)</u>	<u>10,785,296</u>	<u>10,402,249</u>	<u>137,768</u>

* Excludes non-refundable partial payments of the consideration

	Malaysian Ringgit \$	Hong Kong Dollar \$	Australian Dollar \$	US Dollar \$	Japanese Yen \$
Company					
31 December 2019					
Other financial assets	–	1,878,059	–	–	–
Trade and other receivables	–	66,076	–	–	–
Cash and cash equivalents	12,692	503,615	9,889,857	1,891,714	3,374
Net exposure	<u>12,692</u>	<u>2,447,750</u>	<u>9,889,857</u>	<u>1,891,714</u>	<u>3,374</u>
31 December 2018					
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	<u>2,152,278</u>	<u>2,686,933</u>	<u>9,775,195</u>	<u>1,906,740</u>	<u>3,371</u>

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Currency risk (Continued)

Sensitivity analysis

A strengthening 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 2018, as indicated below.

	Group		Company	
	Equity	Profit or loss	Equity	Profit or loss
	\$	\$	\$	\$
2019				
Malaysian Ringgit	–	(119,605)	–	1,269
Hong Kong Dollar	–	244,775	–	244,775
Australian Dollar	–	979,603	–	988,986
Singapore Dollar	–	747,289	–	–
US Dollar	–	1,360,105	–	189,171
Japanese Yen	–	(7,625)	–	337
Other currencies	–	15,880	–	–
2018				
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	–	–

A 10% (2018: 10%) weakening of the above currencies against the functional currencies of the respective Group entities would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant. The analysis is performed on the same basis for 2018.

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (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		Company	
	Nominal amount		Nominal amount	
	2019	2018	2019	2018
	\$	\$	\$	\$
Fixed rate instruments				
Financial assets	9,000,000	–	10,325,607	10,325,607
Financial liabilities	(20,040,910)	(2,000,204)	(14,266,272)	–
	(11,040,910)	(2,000,204)	(3,940,665)	10,325,607
Variable rate instruments				
Financial assets	104,473,431	137,697,303	62,408,845	79,520,710
Financial liabilities	(25,832,239)	(46,919,629)	–	–
	78,641,192	90,777,674	62,408,845	79,520,710

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 2018.

	Profit or loss			
	Group		Company	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	\$	\$	\$	\$
2019				
Variable rate instruments	786,412	(786,412)	624,088	(624,088)
2018				
Variable rate instruments	907,777	(907,777)	795,207	(795,207)

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Interest rate risk (Continued)

Sensitivity analysis – equity price risk

The financial assets designated at FVOCI and FVTPL of the Group and the Company relate to investments in quoted equity securities which are listed on the Singapore Stock Exchange and Hong Kong Stock Exchange respectively.

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 2018.

	Group		Company	
	10% increase	10% decrease	10% increase	10% decrease
	\$	\$	\$	\$
2019				
Profit before tax	187,806	(187,806)	187,806	(187,806)
Equity	6,427	(6,427)	6,427	(6,427)
2018				
Profit before tax	249,641	(249,641)	249,641	(249,641)
Equity	6,308	(6,308)	6,308	(6,308)

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 in 2018.

	Carrying amount	Expected net cash outflows	Within 1 year
	\$	\$	\$
Group			
2018			
Forward exchange contracts used for hedging – liabilities	(9,861)	(9,861)	(9,861)

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 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values

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

	Carrying amount		
	Amortised cost	FVOCI-equity instruments	Designated at FVTPL
	\$	\$	\$
Group			
31 December 2019			
Financial assets measured at fair value			
Equity investments – at FVOCI	–	64,273	–
Equity investments – at FVTPL	–	–	1,878,059
	–	64,273	1,878,059
Financial assets not measured at fair value			
Cash and cash equivalents	131,227,780	–	–
Trade and other receivables [#]	123,920,172	–	–
	255,147,952	–	–
Financial liabilities not measured at fair value			
Secured bank loans	–	–	–
Unsecured bank loans	–	–	–
Bills payable	–	–	–
Loan from non-controlling interests	–	–	–
Trade and other payables	–	–	–
	–	–	–

[#] Exclude advances to suppliers, tax recoverable and prepayments

NOTES TO THE FINANCIAL STATEMENTS

		Fair value			
Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
\$	\$	\$	\$	\$	\$
–	64,273	64,273	–	–	64,273
–	1,878,059	1,878,059	–	–	1,878,059
–	1,942,332				
–	131,227,780				
–	123,920,172				
–	255,147,952				
(17,854,228)	(17,854,228)				
(7,591,818)	(7,591,818)				
(31,645,288)	(31,645,288)				
(386,193)	(386,193)				
(74,654,185)	(74,654,185)				
(132,131,712)	(132,131,712)				

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

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

[#] Exclude advance to suppliers, tax recoverable and prepayments

^{*} Exclude financial derivatives and non-refundable partial payments of the consideration

NOTES TO THE FINANCIAL STATEMENTS

		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				
–	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

20. FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

	Carrying amount		
	Amortised cost \$	FVOCI-equity instruments \$	Designated at FVTPL \$
Company			
31 December 2019			
Financial assets measured at fair value			
Equity investments – at FVOCI	–	64,273	–
Equity investments – at FVTPL	–	–	1,878,059
	–	64,273	1,878,059
Financial assets not measured at fair value			
Cash and cash equivalents	68,188,949	–	–
Trade and other receivables [#]	41,843,790	–	–
	110,032,739	–	–
Financial liabilities not measured at fair value			
Trade and other payables	–	–	–
31 December 2018			
Financial assets measured at fair value			
Equity investments – at FVOCI	–	63,079	–
Equity investments – at FVTPL	–	–	2,496,412
	–	63,079	2,496,412
Financial assets not measured at fair value			
Cash and cash equivalents	83,230,568	–	–
Trade and other receivables [#]	47,785,661	–	–
	131,016,229	–	–
Financial liabilities not measured at fair value			
Trade and other payables	–	–	–

[#] Exclude prepayments

NOTES TO THE FINANCIAL STATEMENTS

		Fair value			
Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
\$	\$	\$	\$	\$	\$
–	64,273	64,273	–	–	64,273
–	1,878,059	1,878,059	–	–	1,878,059
–	1,942,332				
–	68,188,949				
–	41,843,790				
–	110,032,739				
(12,911,928)	(12,911,928)				
–	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)				

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL INSTRUMENTS (CONTINUED)

Measurement of fair values

Valuation techniques and significant unobservable inputs

Financial instruments measured at fair value

Equity securities

The fair value of Equity investments – at FVOCI and Equity investments – at FVTPL are based on their quoted closing bid price at the reporting date.

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

Type	Valuation technique	Significant unobservable inputs
Group		
Forward exchange contracts (2018)	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable.

During the financial years ended 31 December 2019 and 31 December 2018, 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 four directors, John Chen Seow Phun (Chairman), Kong WeiLi, 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.

NOTES TO THE FINANCIAL STATEMENTS

21. EQUITY COMPENSATION BENEFITS (CONTINUED)

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

Date of grant of options	Exercise price of the option	Options outstanding at 01/01/2019	Options exercised	Options expired	Options outstanding at 31/12/2019	Numbers of option holders at 31/12/2019	Exercise period
22/01/2009	\$0.16	<u>10,150,000</u>	<u>–</u>	<u>(10,150,000)</u>	<u>–</u>	<u>–</u>	22/01/2010 – 21/01/2019

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	<u>10,150,000</u>	<u>–</u>	<u>–</u>	<u>10,150,000</u>	<u>2</u>	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:

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

In 2018, the options outstanding had an exercise price of \$0.16 and a weighted average contractual life of less than 1 year.

There is no share options exercised in 2018 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

22. DEFERRED INCOME

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Capital Grant				
At 1 January	2,426,748	2,183,447	432,878	443,085
Grants received	1,199,248	528,900	50,000	22,400
Amortisation charge for the year	(375,244)	(240,754)	(53,289)	(32,607)
Effect of movements in exchange rates	(62,584)	(44,845)	–	–
At 31 December	3,188,168	2,426,748	429,589	432,878
Current	380,060	277,865	55,944	50,634
Non-current	2,808,108	2,148,883	373,645	382,244
	3,188,168	2,426,748	429,589	432,878

Included in deferred income are deferred capital grant relating to subsidiaries received from local 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	
	2019	2018	2019	2018
	\$	\$	\$	\$
Trade payables	47,216,988	64,422,046	–	–
Amounts due to subsidiaries (non-trade)	–	–	9,051,045	9,076,595
Other payables	10,816,315	45,225,859	2,949,682	3,005,121
Financial derivative liability	–	9,861	–	–
Accruals	16,620,882	19,208,420	911,201	888,626
	74,654,185	128,866,186	12,911,928	12,970,342

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

In 2018, included in other payables is a non-refundable partial consideration received for the disposal of the Group's interest in Million Cube Limited (see note 16) amounting to \$33,528,290.

NOTES TO THE FINANCIAL STATEMENTS

24. REVENUE

	Group	
	2019	2018
	\$	\$
Sale of goods		
– Consumer business	172,094,003	168,091,713
– Packaging business	288,564,048	333,278,822
– Others	448,967	182,074
	<u>461,107,018</u>	<u>501,552,609</u>

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	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	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.

NOTES TO THE FINANCIAL STATEMENTS

25. PROFIT FOR THE YEAR

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

	Group	
	2019	2018
	\$	\$
Allowance/(Write-back) for inventory obsolescence	138,394	(231,789)
Amortisation of deferred income	(375,244)	(240,754)
Inventories written off	134,247	195,465
Audit fees paid to:		
– auditors of the Company	434,269	389,542
– other auditors	212,438	224,921
Non-audit fees paid to:		
– auditors of the Company	33,506	29,344
– other auditors	99,957	97,130
Bad debts (written back)/written off	(9,170)	1,984,731
Amortisation of intangible assets	3,000	3,000
Staff costs	57,041,792	57,142,797
Contribution to defined contribution plans included in staff costs	4,158,878	4,341,718
Depreciation of investment properties	48,386	46,735
Depreciation of property, plant and equipment	14,724,755	9,992,942
Exchange gain	(183,732)	(1,244,514)
(Gain)/Loss on disposal of property, plant and equipment	(103,108)	36,237
Operating expenses arising from investment properties	165,591	233,902
Operating lease expense	765,319	4,514,964
Impairment losses on property, plant and equipment	198,863	737,721
Property, plant and equipment written off	265,992	211,635

NOTES TO THE FINANCIAL STATEMENTS

26. FINANCE INCOME AND FINANCE COSTS

	Group	
	2019	2018
	\$	\$
Recognised in profit or loss		
Interest income:		
– other receivables	673,031	665,416
– fixed deposits	1,680,388	1,655,975
Dividend income on Equity investment – at FVOCI	2,733	2,288
Net increase in fair value of financial assets designated at FVTPL	–	498,092
Finance income	2,356,152	2,821,771
Interest expense:		
– bank borrowings	(1,877,924)	(1,487,076)
– lease liabilities (2018: finance lease liabilities)	(866,693)	(1,824)
Net decrease in fair value of financial assets designated at FVTPL	(618,352)	–
Finance costs	(3,362,969)	(1,488,900)
Net finance (costs)/income recognised in profit or loss	(1,006,817)	1,332,871
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	2,353,419	2,321,391
– Total interest expense on financial liabilities	(2,744,617)	(1,488,900)
Net finance expense/(income) in statement of cash flows	391,198	(832,491)

27. TAX EXPENSE

	Group	
Note	2019	2018
	\$	\$
Tax recognised in profit or loss		
Current tax expense		
Current year	4,870,724	6,216,261
Adjustments for prior years	(765,808)	492,036
	4,104,916	6,708,297
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	1,246,275	(392,372)
Adjustments for prior years	362,208	(115,298)
10	1,608,483	(507,670)
Total tax expense	5,713,399	6,200,627

NOTES TO THE FINANCIAL STATEMENTS

27. TAX EXPENSE (CONTINUED)

	Group	
	2019	2018
	\$	\$
Reconciliation of effective tax rate		
Profit for the year	11,836,137	22,227,265
Total tax expense	5,713,399	6,200,627
Profit excluding tax	17,549,536	28,427,892
Tax calculated using Singapore tax rate of 17% (2018: 17%)	2,983,421	4,832,742
Effects of tax rates in foreign jurisdiction	336,060	448,414
Income not subject to tax	(30,762)	(194,254)
Non-deductible expenses	1,517,466	541,614
Tax rebates and incentives	(390,905)	(199,956)
Deferred tax assets not recognised	545,873	309,465
Recognition of tax effect of previously unrecognised tax losses	(1,012,475)	(249,226)
Withholding tax	2,164,675	334,069
(Over)/Under provided in prior years	(403,600)	376,738
Others	3,640	1,021
	5,713,399	6,200,627

28. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2019 was based on the profit attributable to ordinary shareholders of \$6,055,424 (2018: \$13,433,910), and a weighted average number of ordinary shares outstanding of 553,415,746 (2018: 553,415,746), calculated as follows:

Weighted average number of ordinary shares (basic)

	Group	
	2019	2018
Issued ordinary shares at 1 January	553,415,746	553,415,746
Weighted average number of ordinary shares during the year	553,415,746	553,415,746

Note

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28. EARNINGS PER SHARE (CONTINUED)

The calculation of diluted earnings per share at 31 December 2019 was based on profit attributable to ordinary shareholders of \$6,055,424 (2018: profit of \$13,433,910) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 553,415,746 (2018: 556,625,813), calculated as follows:

	Group	
	2019	2018
Weighted average number of ordinary shares (basic)	553,415,746	553,415,746
Effect of share options on issue	–	3,210,067
Weighted average number of ordinary shares (diluted) during the year	553,415,746	556,625,813

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.

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

- | | | | |
|----|--|---|---|
| I | Consumer Essentials
Consumer Business | : | Supply of provisions and household consumer products. |
| 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 2019 and 2018.

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

29. OPERATING SEGMENTS (CONTINUED)

	Consumer Essentials Consumer Business \$	Strategic Investments Packaging \$	Others \$	Total operations \$
Group				
31 December 2019				
External revenues	172,094,003	288,564,048	448,967	461,107,018
Results from operating activities	9,359,589	20,498,380	(6,427,745)	23,430,224
Unallocated amounts – Other corporate expenses, net of income				(4,873,871)
Net finance costs				(1,006,817)
Profit before tax				17,549,536
Tax expense				(5,713,399)
Profit for the year				11,836,137
Other segment information				
Allowance made/(reversed) for doubtful receivables:				
– trade receivables	112,050	61,689	–	173,739
– other receivables	–	(15,193)	673,033	657,840
Allowance made for inventory obsolescence	133,776	4,618	–	138,394
Inventories written off	134,293	–	–	134,293
Bad debts written off	1,359	(10,529)	–	(9,170)
Depreciation of:				
– property, plant and equipment	4,474,804	10,249,951	–	14,724,755
– investment properties	–	–	48,386	48,386
Property, plant and equipment written off	246,259	19,733	–	265,992
Capital expenditure on property, plant and equipment	3,488,800	10,460,970	–	13,949,770
Capital expenditure on investment property	–	–	150,079	150,079

NOTES TO THE FINANCIAL STATEMENTS

29. OPERATING SEGMENTS (CONTINUED)

	Consumer Essentials Consumer Business \$	Strategic Investments Packaging \$	Others \$	Total operations \$
Group				
31 December 2018				
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)
Profit for the year				22,227,265
Other segment information				
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

29. OPERATING SEGMENTS (CONTINUED)

Geographical segments

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

	Singapore \$	Malaysia \$	China \$	Japan \$	Total \$
31 December 2019					
External revenue	146,121,059	72,764,821	241,772,171	448,967	461,107,018
Non-current assets	80,106,691	10,796,308	78,630,254	10,445,719	179,978,972
31 December 2018					
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

30. LEASES

Leases as lessee (SFRS(I) 16)

In prior year, the leases of leasehold land and buildings, plant and machinery and office equipment were classified as operating leases under SFRS(I) 1-17 except for motor vehicle which was classified as finance lease under SFRS(I) 1-17 in note 19. Some leases provide for additional rent payments that are based on changes in local price indices.

The Group lease warehouse space with contract terms less than one year. This is lease of short-term items. The Group has elected not to recognise right-of-use assets and lease liabilities for the lease.

Information about leases for which the Group is a lessee is presented below.

NOTES TO THE FINANCIAL STATEMENTS

30. LEASES (CONTINUED)

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 4).

	Land and buildings 2019 \$	Production equipment 2019 \$	Office equipment 2019 \$	Total 2019 \$
Balance at 1 January	20,664,927	159,031	127,506	20,951,464
Depreciation charge for the year	(2,199,011)	(99,850)	(84,436)	(2,383,297)
Additions to right-of-use assets	–	129,368	250,331	379,699
Derecognition of right-of-use assets*	(454,685)	–	–	(454,685)
Effect of movement in exchange rate	(18,364)	–	–	(18,364)
Balance at 31 December	17,992,867	188,549	293,401	18,474,817

* Derecognition of the right-of-use assets in 2019 is due to cancellation of leases by a subsidiary

Amounts recognised in profit or loss

	\$
2019 – Leases under SFRS(I) 16	
Interest on lease liabilities	866,693
Expenses relating to short-term leases	765,319
2018 – Operating leases under SFRS(I) 1-17	
Lease expense	4,514,964
Amount recognised in statement of cash flows	
Total cash outflow for leases	3,490,659

Extension options

One of the leased property's agreement contains 5 years extension option to be exercisable by the Company before the expiry of the lease term and the lease rental price of the extension period to be determined in accordance with the prevailing market rate. The Group has not included the extension option in the computation of the right-of-use and lease liabilities for this particular lease as the Group is still assessing the various alternatives other than to exercise the lease option.

Another leased property's agreement contains 1 year extension option to be exercisable by the Company before the expiry of the lease term and the lease rental price of the extension period to be determined in accordance with the prevailing market rate. The Group assessed that it will exercise the option for the particular lease and the lease payment arising from the extension were included in the lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

30. LEASES (CONTINUED)

Leases as lessor

The Group leases out its investment property consisting of its owned commercial properties. All leases are classified as operating leases from a lessor perspective.

Operating lease

The Group has classified the leases of its investment property as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the investment property.

Rental income from investment property recognised by the Group in 2019 was \$448,967 (2018: \$182,074).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	\$
2019 – Operating leases under SFRS(I) 16	
Less than one year	416,392
One to two years	342,547
Two to three years	342,547
Three to four years	342,547
Total	1,444,033
	\$
2018 – Operating leases under SFRS(I) 1-17	
Less than one year	450,663
Between one and five years	1,408,843
Total	1,859,506

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	
	2019	2018	2019	2018
	\$	\$	\$	\$
Contracted but not provided for	4,318,275	4,285,499	–	–

NOTES TO THE FINANCIAL STATEMENTS

32. RELATED PARTIES

Key management personnel compensation

Compensation paid/payable to key management personnel comprise:

	Group	
	2019	2018
	\$	\$
Director fees	455,078	461,295
Short-term employee benefits	6,343,938	7,215,156
Post-employment benefits	191,061	183,586
	<u>6,990,077</u>	<u>7,860,037</u>

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. SUBSEQUENT EVENTS

Subsequent to 31 December 2019, a new virus ("COVID-19") emerged and infections started to occur around the globe. Subsequently, on 11 March, 2020, the World Health Organisation ("WHO") declared it a pandemic and national governments have implemented a range of policies and actions to combat it. The outbreak of COVID-19 has resulted in quarantines, supply chain disruptions, lower consumer demand, general market uncertainty which caused market volatility. Until the date of approval of the financial statements, there were no material impact to the Group. However, the long term impact of COVID-19 on world economies and the Group in particular is difficult to determine and not known at this time. Management will continue to monitor the developments and impact to the Group, including its operation, lending arrangements and debt covenants.

SUPPLEMENTARY INFORMATION

(SGX LISTING MANUAL DISCLOSURE REQUIREMENTS)

1 GROUP PROPERTIES

Description of properties held by the Group is as follows:

Location	Description	Tenure
348 Jalan Boon Lay, Singapore 619529	Single storey warehouse with mezzanine (Block B) with annexed office block used by the Group both for its operations and for rental income and 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 Mukim Bukit Batu, Daerah Kulaijaya, Johor, Malaysia	Factory used for its operations	Freehold
H.S. (M) 4272, PTD 32702 Mukim Bukit Batu, Daerah Kulaijaya, Johor, Malaysia	Factory used for its operations	Freehold
H.S. (M) 4188, PTD 193211 Mukim of Tebrau, District of Johor Bahru, Johor, Malaysia	Factory used for its operations	Freehold
1-5-9 Dotonbori, Chuo-ku, Osaka-Shi, Japan 542-0071	5-storey building with an underground basement for rental income	Freehold
Kyoto City, Higashiyama-ku, Gion Machikitagawa 305 Japan	Vacant land (to be developed as a boutique hotel with food and beverage outlets)	Freehold
Jiangsu Province, Suzhou City, Xiangcheng District, Wanting Town, Wendu Road, No. 88, The People's Republic of China 215155	Factory premises, office building, dormitory	58,798.6 sq m on 50 year lease expiring on 4 September 2047

SUPPLEMENTARY INFORMATION

(SGX LISTING MANUAL DISCLOSURE REQUIREMENTS)

Location	Description	Tenure
Anhui Province, HeFei Eco-Tech Development Zone, Zipeng Road, No. 105, The People's Republic of China 230601	Factory premises, office building	35,800 sq m on 48 year lease expiring on August 2053 13,600 sq m on 49 year and 8 months lease expiring on 8 December 2056
Jiangsu Province, Nantong City, Tongzhou District, Xiting Town, Ting Nan Heng Road, The People's Republic of China 226301	Factory premises, office building	26,586 sq m on 50 year lease expiring on 18 March 2060
Tianjin City, Airport Economic Zone, Jingyi Road, No. 257, The People's Republic of China 300308	Factory premises, office building	33,233.3 sq m on 50 year lease expiring on 3 April 2062
Jiangsu Province Nantong City Tongzhou District The People's Republic of China*	Factory premises, office building	74,115 sq m on 50 year lease expiring on 11 March 2068
Units 233, 237, 326, 358, 3A30, 3A31 Cinta Ayu Resort Apartments, all situated at 20 KM, Jalan Pontian Lama 81110 Pulau, Johor, Malaysia	Apartments	Freehold

* The address is still pending finalization from the relevant authority.

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 executive director or each director of the Company.

资产负债表

于2019年12月31日

		集团		公司	
	附注	2019	2018	2019	2018
		\$	\$	\$	\$
资产					
产业及机器设备	4	163,420,528	146,867,579	51,029,514	38,540,410
无形资产	5	1,062,094	1,095,411	—	—
物业投资	6	11,171,875	11,065,492	—	—
子公司	7	—	—	40,000,785	40,000,787
其他金融资产	9	64,273	63,079	64,273	63,079
递延税款资产	10	3,726,124	3,849,215	—	—
应收账款及其它应收款	12	534,078	—	—	—
非流动资产合计		179,978,972	162,940,776	91,094,572	78,604,276
其他金融资产	9	1,878,059	2,496,412	1,878,059	2,496,412
存货	11	45,405,724	50,054,959	—	—
应收账款及其它应收款	12	129,770,046	159,508,720	41,897,040	47,808,126
现金和现金等同物	15	131,227,780	152,401,520	68,188,949	83,230,568
持有的待售资产	16	—	44,730,268	—	—
流动资产合计		308,281,609	409,191,879	111,964,048	133,535,106
资产合计		488,260,581	572,132,655	203,058,620	212,139,382
股东权益					
股本	17	180,098,765	200,099,208	180,098,765	200,099,208
储备	17	84,878,940	87,367,596	(4,647,934)	(1,363,046)
归属于公司业主的股东权益		264,977,705	287,466,804	175,450,831	198,736,162
少数股东权益	18	62,902,820	61,953,333	—	—
股东权益合计		327,880,525	349,420,137	175,450,831	198,736,162
负债					
贷款与借贷	19	31,939,394	18,491,181	13,951,238	—
递延收益	22	2,808,108	2,148,883	373,645	382,244
递延应付税款	10	4,183,272	2,687,670	—	—
非流动负债合计		38,930,774	23,327,734	14,324,883	382,244
贷款与借款	19	45,579,043	68,677,688	315,034	—
应付账款和其他应付款	23	74,654,185	128,866,186	12,911,928	12,970,342
递延收益	22	380,060	277,865	55,944	50,634
本期应付税款		835,994	1,563,045	—	—
流动负债合计		121,449,282	199,384,784	13,282,906	13,020,976
负债合计		160,380,056	222,712,518	27,607,789	13,403,220
负债及股东权益合计		488,260,581	572,132,655	203,058,620	212,139,382

附注内容是财务报表的组成部分之一。

综合损益表

截至2019年12月31日止年度

	附注	2019 \$	2018 \$
收入	24	461,107,018	501,552,609
售出产品成本		(366,285,613)	(398,456,720)
毛利		94,821,405	103,095,889
其他收入		2,913,749	3,404,292
分销费用		(42,302,113)	(43,040,320)
行政费用		(30,128,280)	(32,898,665)
应收账款及其它应收款之减值损失		(831,579)	(562,666)
出售持有的待售资产之亏损		(5,453,963)	—
其他费用		(462,866)	(2,903,509)
营业活动之盈利		18,556,353	27,095,021
金融收入		2,356,152	2,821,771
金融费用		(3,362,969)	(1,488,900)
净金融(费用)/收入	26	(1,006,817)	1,332,871
税前盈利		17,549,536	28,427,892
所得税	27	(5,713,399)	(6,200,627)
本期盈利	25	11,836,137	22,227,265
盈利可归属：			
公司业主		6,055,424	13,433,910
少数股东权益		5,780,713	8,793,355
本期盈利		11,836,137	22,227,265
每股盈利			
每股盈利基额(分)	28	1.09	2.43
每股盈利摊薄(分)	28	1.09	2.41

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\$180,098,762.19

SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2020

SUBSTANTIAL SHAREHOLDERS	NUMBER OF SHARES HELD		SHAREHOLDING PERCENTAGE (%)
	DIRECT INTEREST	DEEMED INTEREST	
Violet Profit Holdings Limited	134,112,551	–	24.23
Ku Yun-Sen ⁽¹⁾	–	134,112,551	24.23
Tang Cheuk Chee ⁽²⁾	49,449,500	49,498,000	17.88
Allan Yap ⁽³⁾	1,000,000	97,947,500	17.88
Goi Seng Hui	95,904,004	–	17.33

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 2020

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

ANALYSIS OF SHAREHOLDINGS AS AT 16 MARCH 2020

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 – 99	280	3.63	10,781	0.00
100 – 1,000	2,316	30.01	1,309,833	0.24
1,001 – 10,000	3,230	41.85	15,136,062	2.74
10,001 – 1,000,000	1,868	24.21	103,111,663	18.63
1,000,001 and above	23	0.30	433,847,407	78.39
	7,717	100.00	553,415,746	100.00

Note:

* Percentage is based on 553,415,746 shares (excluding 17,581,000 Treasury Shares) as at 16 March 2020.

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 16 March 2020, 40.49% 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 16 MARCH 2020

NO.	NAME	NO. OF SHARES HELD	%*
1.	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	134,554,366	24.31
2.	GOI SENG HUI	95,904,004	17.33
3.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	68,162,651	12.32
4.	TANG CHEUK CHEE	49,449,500	8.94
5.	DBS NOMINEES PTE LTD	16,274,576	2.94
6.	PHILLIP SECURITIES PTE LTD	12,534,383	2.26
7.	CITIBANK NOMINEES SINGAPORE PTE LTD	11,282,396	2.04
8.	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	9,216,132	1.67
9.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	4,178,097	0.76
10.	LIM SOH HUA	3,893,800	0.70
11.	CHEW GHIM BOK	3,769,000	0.68
12.	SIM TENG YAM	3,480,000	0.63
13.	RAFFLES NOMINEES (PTE) LIMITED	2,548,479	0.46
14.	UOB KAY HIAN PTE LTD	2,444,236	0.44
15.	HENG SIEW ENG	2,159,100	0.39
16.	JACK INVESTMENT PTE LTD	2,049,800	0.37
17.	TAN WAI SEE	1,979,000	0.36
18.	ANG JUI KHOON	1,898,400	0.34
19.	CHEW THYE CHUAN OR TAN SEW MAI	1,896,100	0.34
20.	LEOW KIM SIANG OR NG MAY CHOO	1,825,000	0.33
		429,499,020	77.61

Note:

* Percentage is based on 553,415,746 shares (excluding 17,581,000 Treasury Shares) as at 16 March 2020.

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