HANWELL HOLDINGS 恒威

FIT FOR THE FAMILY

ANNUAL REPORT 2020

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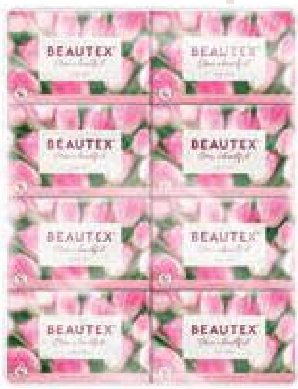


OUR VISION

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

OUR 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

CHAIRMAN'S STATEMENT

This fiscal year 2020 has been an eye opener on both business and social front. Working with our suppliers, stakeholders, and customers towards a safe and sustainable environment during this pandemic has seen more camaraderie that is intense yet humbling.

DEAR SHAREHOLDERS,

It is a great privilege to have Mr Goi Seng Hui joined Hanwell Holdings Limited recently as our Non-Executive Chairman. I wish to take this opportunity to welcome him as a board member and look forward to building a professional relationship with him. Mr Goi has a remarkable track record in both business, public as well as community services. We hope to learn and tap into his wealth of experience including his excellent business network to broaden and deepen the Company's next phase of development.

Most notably, COVID-19 took all of us by surprise, and given its unprecedented nature, the full extent of its repercussion is still unimaginable. Conscious of the impact that our business has on the environment and community, the Group will continue to look beyond its current market, exercise vigilance on its financial and non-financial exposure, leverage more on automation and digital solutions to be manpower-smart whilst focusing on our core competencies.

Apart from keeping a keen eye on our business objectives, we assert safety management measures for everyone to adhere to as our employees carry on with telecommuting. Moving forward, we continue to identify and evaluate areas for improvements to people, process, and technology in terms of striving positive contributions to our local community and sustainability of our suppliers and partners.

FINANCIAL SEGMENTS

In financial year 2020 (FY 2020), the Group achieved a total revenue of S$471.38 million, an increase of 2.23% or S$10.28 million as compared to the financial year 2019 (FY 2019). The increase was due to higher revenue achieved by Singapore Consumer Business, which observed higher demand for its products such as rice and tofu during the year. Additionally, growth in China sector of the Packaging Business (Tat Seng Group) also contributed to the higher revenue in FY 2020. This is driven by higher sales volume of 4.8% as compared to FY 2019 and partially attributed to strengthening of Renminbi. This is offset by weaker performance for the Malaysia Consumer Business which is affected by the Movement Control Order implemented during the year.

Profit before tax was S$40.24 million in FY 2020 as compared to S$ 17.55 million in FY 2019, an increase of 129.29% or S$ 22.69 million. Excluding foreign exchange gain of S$ 0.01 million in FY 2020 and S$ 0.18 million in FY 2019, the profit before tax would be S$ 40.23 million in FY 2020 and S$ 17.37 million in FY 2019.

The Group's net profit after tax for FY 2020 was S$33.10 million as compared to S$ 11.84 million reported for FY 2019. The net profit attributable to shareholders was S$ 22.24 million for FY 2020 as compared to S$ 6.06 million reported for FY 2019.

Tat Seng Group registered revenue of S$303.1 million in FY2020, representing an increase of 5.0% or S$14.5 million as compared to S$288.6 million in FY2019.

Tat Seng Group's gross profit increased by 24.7% or S$12.7 million to S$64.3 million in FY2020. This is mainly attributed to higher margin achieved from rationalising its production workflow, reduction in raw material costs and increased of sales volumes.

DEVELOPMENTS IN FY2020

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.

Separately, Fortune Food Manufacturing Pte Ltd ("**Fortune Food**") is committed to remain relevant and competitive by keeping ourselves up to date on everchanging consumer expectations and market forces in our production of premium quality Tofu. This includes R&D efforts focusing to bring more nutritional products to meet our customers' healthy lifestyle. Recently, Fortune Food launched our Deep Fried Tau Kwa in 350g pack and Food Service pack Tau Kwa in 1.2kg pack for export reaching out to various international markets. These products come with convenient vacuum packaging to ensure freshness, goodness and quality.

Moreover, 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. Tipex also carries a variety of washroom hygiene products, such as cleaning agents and dispensers. In recent years, Tipex has also branched into the household and automobile cleaning industry marketing products through Mr. CLEAN.

COVID-19 PANDEMIC

This fiscal year in 2020 has been an eye opener on both business and social front. Working with our suppliers, stakeholders, and customers towards a safe and sustainable environment during this pandemic has seen more camaraderie that is intense yet humbling.

FUTURE PROSPECTS

We expect the business environment to remain challenging attributable to escalating raw materials and labour cost in a low interest environment. 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.

Although traditional brick and mortar trade continues to make up majority of sales locally and overseas, this has invariably reduced due to a paradigm shift of consumers' spending pattern towards virtual platforms as global markets continue to transform and reform. 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 has grown exponentially spiraled by progressive consumers' preference and business partners' inclination to trade on various e-commerce platforms.

As there remains significant uncertainty over when normalcy can resume given the "new normal" is here to stay in the long run, our business strategy in 2021 would be focusing on incorporating sustainability issues into the formulation of our business strategy and integrating sustainability efforts into our daily operations, production and products' portfolio with greater diversification whilst exploring more markets to boost our exports and sales; thereby seeking more opportunities to improve our margins.

In this light, we strive to manage costs prudently and effectively so as to keep our pricing reasonable without compromising on the quality of our products.

ACKNOWLEDGEMENTS

The Board noted that Dr Allan Yap, our former Executive Chairman, and Mr Kong WeiLi, past Non-Executive and Independent Director have resigned and would like to wish them well in all their future endeavours.

I would like to congratulate Mr Yeo See Liang, who has been promoted from Chief Operating Officer to the position of Executive Director of the Company.

Most importantly, I wish 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 achieving better results in the years to come.

DR JOHN CHEN SEOW PHUN
Deputy Chairman

BOARD OF DIRECTORS

MR GOI SENG HUI

NON-EXECUTIVE CHAIRMAN AND NON-INDEPENDENT DIRECTOR

Date of first appointment as director: 8 March 2021

Date of last re-election as director: NA

Mr Goi Seng Hui is the Executive Chairman of Tee Yih Jia Food Manufacturing Private Limited and Mainboard-listed company, GSH Corporation Limited. He is also the Vice Chairman of other Mainboard-listed companies, namely Envictus International Holdings Limited, JB Foods Limited and a Non-Executive and Non-Independent Director of Catalist-listed company, Tung Lok Group Restaurants (2000) Ltd.

Mr Goi is a self-made entrepreneur, and has diverse business interests in Singapore, China, Malaysia, United States and the rest of the world. He is active in both business and community organisations, both local and overseas, such as the Singapore Chinese Chamber of Commerce & Industry and the Singapore Jiangsu Cooperation Council, Singapore-Zhejiang Economic and Trade Council, and Singapore Tianjin Economic and Trade Council.

Mr Goi was awarded the Public Service Star (Bar) or BBM (L) by the Singapore Government, and the Panglima Gemilang Darjah Kinabalu (Datuk) by the State of Sabah in 2014. He was honoured in Beijing, China, for his contributions and success as an overseas Chinese by the People's Tribune Magazine in 2017, and was conferred the "Businessman of the Year Award" by The Business Times in 2014.

Mr Goi was appointed Singapore's Non-Resident Ambassador to the Federative Republic of Brazil on 20 April 2018, and Justice of the Peace by the President of the Republic of Singapore in 2020.

DR JOHN CHEN SEOW PHUN

DEPUTY CHAIRMAN, NON-EXECUTIVE AND 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 Committee and the Nominating Committee and a member of the Audit Committee of the Company.

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

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

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

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

DR TANG CHEUK CHEE

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 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)

NON-EXECUTIVE DIRECTOR AND NON-INDEPENDENT DIRECTOR

Date of first appointment as director: 10 August 2012

Date of last re-election as director: 18 June 2020

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

Mr Goi is also a Director of Tee Yih Jia Food Group, a global food and beverage group with operations in Singapore, Malaysia, USA, Europe, Japan and China, 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.

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

MR SIU WAI KAM

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 YEO SEE LIANG

EXECUTIVE DIRECTOR

Date of first appointment as director: 26 February 2021

Date of last re-election as director: NA

Mr Yeo is very well versed with Fast Moving Consumer Goods' operations, having accumulated more than 39 years of experience in diverse industries, including beverage, household, confectionery and groceries. He holds a degree in Business Studies from Middlesex University, United Kingdom.

Prior to Mr Yeo's current appointment as Executive Director, he held the position as Chief Operating Officer of the Company since 2016.

MR GOH YANG JUN, JASPER

NON-EXECUTIVE AND INDEPENDENT DIRECTOR

Date of first appointment as director: 26 December 2018

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

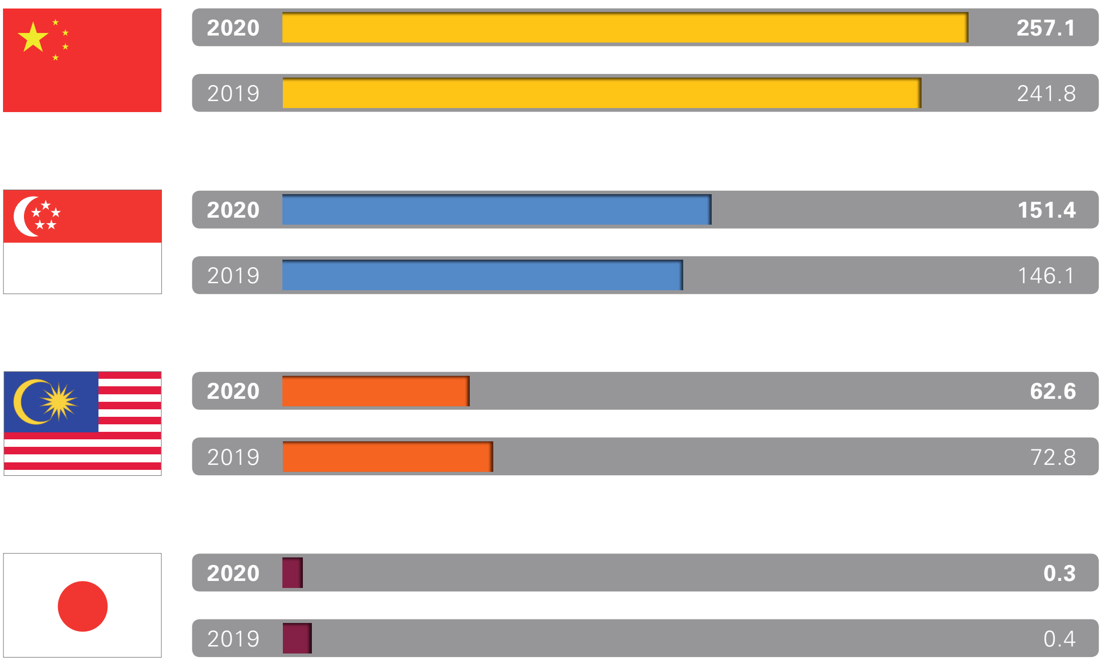
Mr Goh Yang Jun, Jasper is the Non-Executive and Independent Director, a member of Audit, Remuneration, Risk Management and Nominating Committees of the Company.

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).

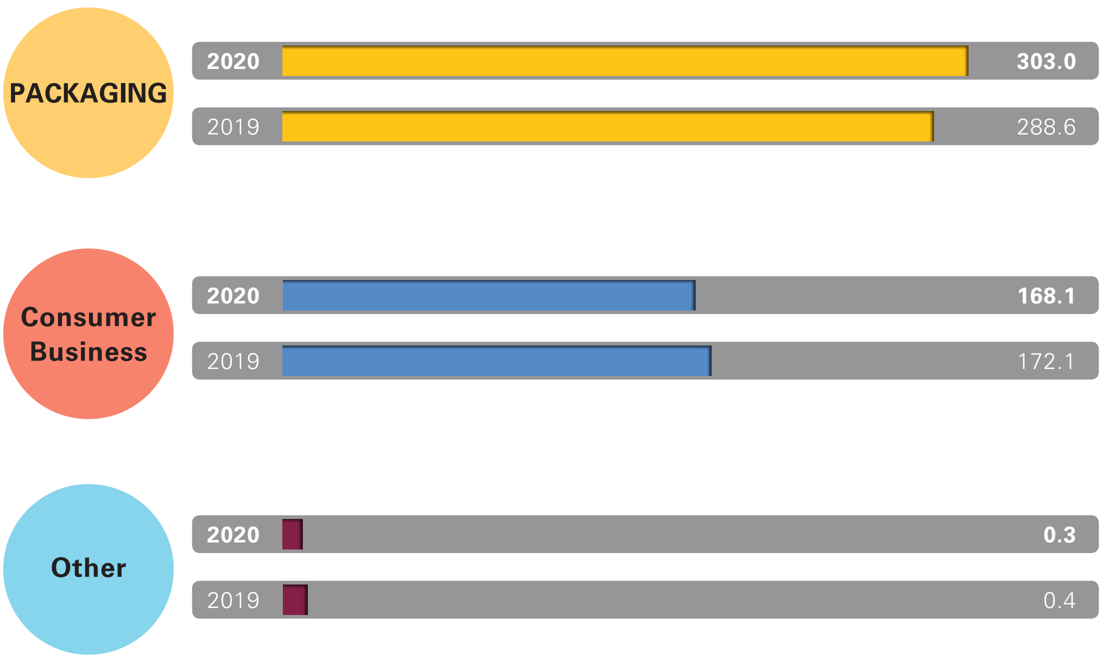
He is currently the Managing Partner of Back Office Partners Pte Ltd and Lead Business Development, Asterisk Computer (FE) Pte Ltd. Mr Goh is also a Non-Executive and Independent Director of Tat Seng Packaging Group Ltd, a company listed on the Singapore Exchange Securities Trading Limited.

GROUP
FINANCIAL SUMMARY

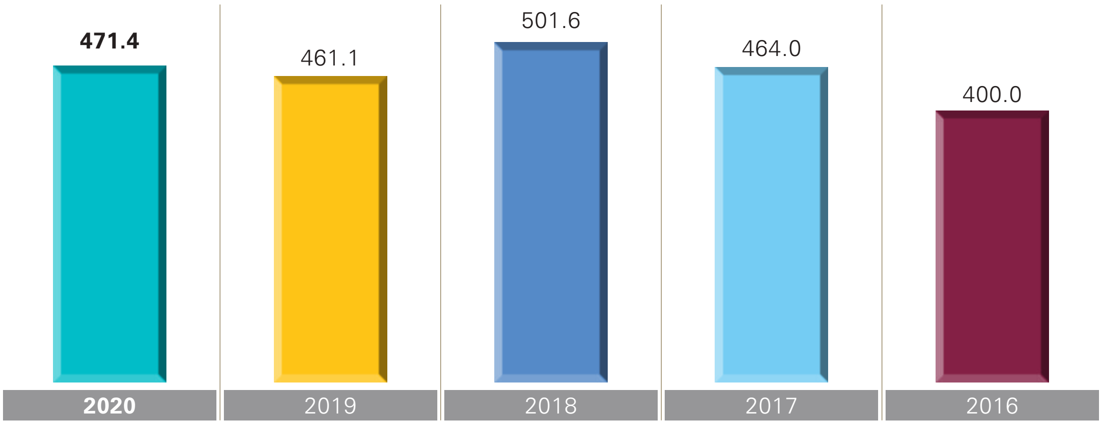
TURNOVER BY GEOGRAPHICAL SEGMENTS ($ MILLION)



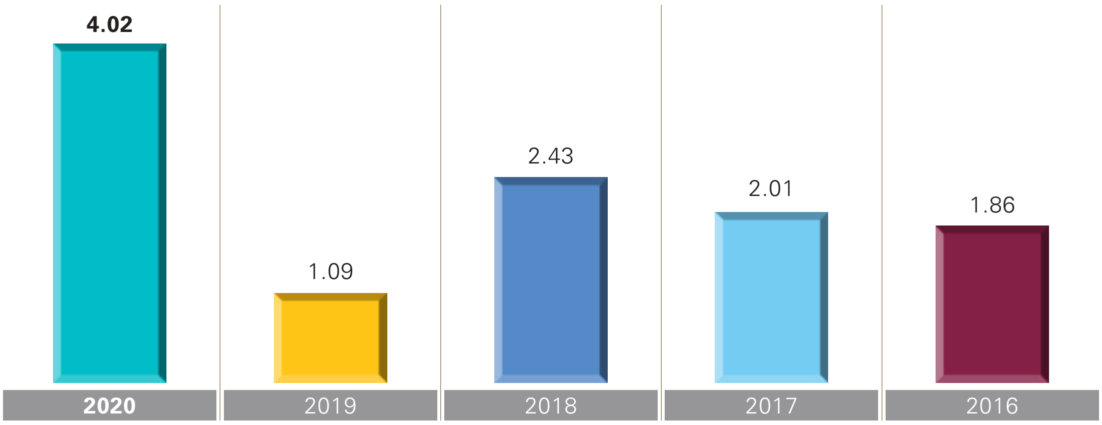
TURNOVER BY BUSINESS SEGMENTS ($ MILLION)



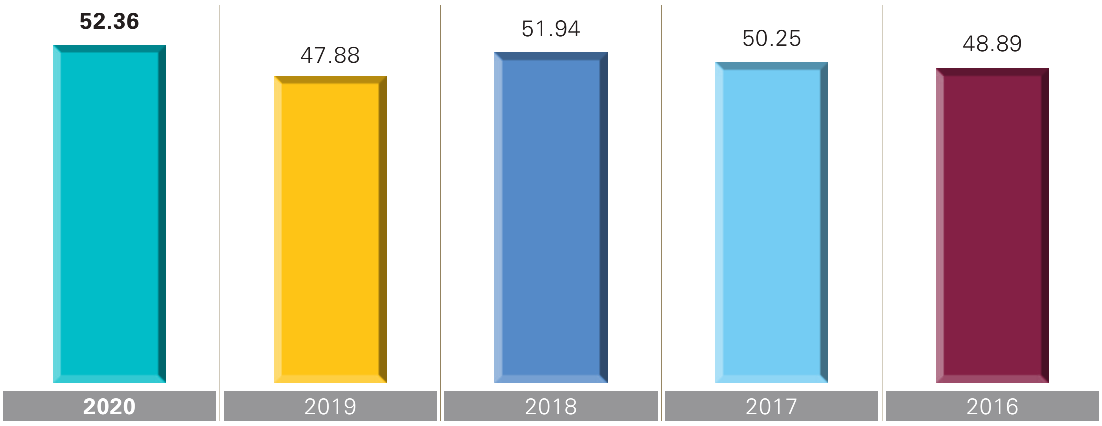
TURNOVER ($ MILLION)



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 (from 2004 to 2020) with Royal Umbrella awarded Platinum Award in 2017 and 2018.

We have introduced the Taj website at https://www.tajbasmati.com elaborating all about a low GI (glycaemic-index) plus its nutritional benefits of a low GI diet. Apart from this, under the Origrain series in the nitrogen flush container, we have the organic brown and berry rice; details of which can be found at http://www.topseller.com.sg/our-brand/16-food/house/93-origrains-thai-rice.html.

Demand for our rice was impacted by the global increase in cost of rice, particularly competition from Vietnam and US rice. And, the strengthening

*According to Neilsen MAT Sept 18 retail audit of the USD further fueled our purchase costs. The Company managed to mitigate some of these cost pressure through managing price discounts prudently.

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

During 2020, we launched our Royal Umbrella Healthy Rice Series at the website https://www.royalumbrellasg.com/ruhealthyrice. There are two variants being introduced, namely: Royal Umbrella Thai Fragrant Brown Rice and Royal Umbrella Thai Mixed. The Royal Umbrella Healthy Rice series not only carries dietary fiber but also other important sources of vitamins and minerals that are beneficial as a common staple. Both products are endorsed with the healthier choice logo.

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, our partner Chaoren Pokphand (CP), a Thai conglomerate based in Bangkok has consistently been adopting 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

Socma Trading (M) Sendirian Berhad ("**SOCMA**") is the distribution and marketing arm of Hanwell in Malaysia for Fast Moving Consumer Goods since 1989. The range of products it handles include confectionery, snack, beverages, grocery, paper and toiletries.

OPERATIONAL **REVIEW**

Year 2020 was not only unprecedented due to the COVID-19 pandemic, but also caused enormous damage to the global economy. The lockdowns by the Malaysia Government that started in March 2020 and other months extending to 2021 had affected consumers offtake and our sales turnover. SOCMA registered a contraction of 13.6% for sales turnover for 2020 compared against 2019. Consumer essentials beat the trend as we registered +35% growth for Mazola oil, +5.0% growth for instant beverage and holding up for our snack sales. The main drop is from our confectionery segment.

Snack category sales performance improved in the second half of 2020 as movement control eased where we managed to re-activate promotional campaign to erase the loss for first half of 2020.

Although E-commerce sales gained momentum during lockdown periods, incremental sales volume generated online was not strong enough to mitigate the sales decline from the brick-and-mortar retail channels. Furthermore, we worked with Shopee to launch TaoKaeNoi Flagship store to boost sales for the TaoKaeNoi snack.

Moving into year 2021, business sentiments remained uncertain in the face of the current pandemic. We adopt a prudent approach in anticipation that business recovery will be slow and sluggish especially for impulse goods as consumers purchasing habits and lifestyle has shifted towards consumer essentials and healthy eating habits as more people work from home; spending more time at home and doing more home cooking.

FORTUNE FOOD MANUFACTURING PTE LTD

Fortune Food Manufacturing Pte Ltd ("**Fortune Food**") specializes in the production of soya bean-based products such as Japanese Silken Tofu, Chinese Tofu, Egg Tofu and Tau Kwa, under the brand name of Fortune. We successfully widened our product offering to export markets including European zone countries, South Africa, Middle East, Israel, and other Asia countries.

Fortune Food is proud to mention that our manufacturing factory has achieved another milestone with an upgrade to FSSC 22000:2018 certification recently, i.e., the Global Food Initiative (**GFSI**) that is an internationally recognized certification scheme demonstrating that a product or process complies with specific international standards. It allows a food supplier to give assurances that food has been produced, prepared and handled according to the most recognized standards.

We are committed to remain relevant and competitive by keeping ourselves up to date on everchanging consumer expectations and market forces in our production of premium quality Tofu. This includes R&D efforts focusing to bring more nutritional products to meet our customers' healthy lifestyle. Recently, we launched our Deep Fried Tau Kwa in 350g pack and Food Service pack Tau Kwa in 1.2kg pack for export reaching out to various international markets. These products come with convenient vacuum packaging to ensure freshness, goodness and quality.

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. In recent years, Tipex has also branched into the household and automobile cleaning industry marketing products through Mr. CLEAN.

2020 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 overheads 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 (including social media influencer programmes) 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 a cost advantage vis-à-vis traditional media to market and promote our products and special offers.

During the Circuit breaker imposed by the Singapore Government in April 2020 arising from the COVID-19 pandemic, there was a shortage of supplies which poised challenges to our supply chain and logistics. Tipex took swift action by building up its contingency supply options (including raw materials and finished goods) and taking proactive action to address alternative shipping plans.

Apart from this, Tipex ramped up its digital presence (social media sponsored advertisements, increasing tie ups with social media influencers, having more television and radio advertisements to create more sales leads.

Moreover, we made improvements to our paper products by launching new products such as Lotion tissues (both softpack & travel pack), antibacterial tissues, cloth like reusable kitchen towel and hand sanitizers.

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.

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$303.1 million in FY2020, representing an increase of 5.0% or S$14.5 million as compared to S$288.6 million in FY2019.

Total revenue achieved by Tat Seng's Singapore entities in FY2020 slipped by 1.9% or S$0.9 million from S$46.8 million in FY2019 mainly due to reduction of sales of lower margin trading products as compared to FY2019. However, the total sales volume (sqm) of Singapore's operations increased by 2.2% as compared to FY2019.

Total revenue of Tat Seng China's operations increased by 6.3% or S$15.4 million in the Group's reporting currency in FY2020 mainly driven by higher sales volume (sqm) by 4.8% as compared to FY2019, and partially attributable to strengthen of Renminbi ("RMB") against Singapore Dollars ("SGD") as compared to FY2019.

Tat Seng Group's gross profit increased by 24.7% or S$12.7 million to S$64.3 million in FY2020. This is mainly attributed to higher margin achieved from rationalising its production workflow, reduction in raw material costs and increased of sales volumes.

Other income increased by S$0.8 million as compared to FY2019 mainly due to the COVID-19 government grant and finance income. However, it was partially offset by the one-off insurance compensation recorded in FY2019.

General and administrative expenses increased by S$0.9 million mainly due to higher provision of incentives bonus of Senior Management as a result of higher profit before tax achieved for FY2020 as compared to FY2019.

Other expenses increased by S$1.4 million mainly due to net foreign exchange loss of S$1.0 million and partially due to net loss on disposal of property, plant and equipment.

Finance costs decreased by S$0.5 million mainly due to lower borrowings during FY2020 as compared to FY2019.

As a result, the net profit attributable to owners of the Company increased by 61.4% or S$8.8 million in FY2020 as compared to FY2019.

OUTLOOK FOR THE GROUP

The ongoing COVID-19 pandemic is expected to continue to weigh down the global economy and business environment. In addition, the increase in raw material prices may also impact its results.

Tat Seng Group continues to remain vigilant over the credit exposure and maintain a healthy financial position. The Group has been proactive in controlling costs and conserving cash to mitigate against potential adverse impact from the crisis posed by COVID-19.

Notwithstanding challenges ahead, Tat Seng management endeavours in enhancing the Group's business performance by executing the improvement strategies in terms of enhancing operational efficiency and boosting productivity while concurrently exploring innovative digital solutions to optimise business processes.

CORPORATE SOCIAL RESPONSIBILITY

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

Care for Local Communities

NKF Project 我爱你 (520) – Join our Fight Against the COVID-19 Pandemic

Topseller supported the National Kidney Foundation ("***NKF***") in their Project 我爱你 (520) by providing 168 bottles of 500ml TP706 Hand Sanitiser to the patients at two dialysis centres located at Bukit Merah Dialysis Centre and The Singapore Buddhist Lodge – NKF Dialysis Centre. To show our appreciation, we gave each nurse at the centre one bottle, totaling to 24 bottles. These nurses had worked extra hard at the centres during the lockdown in Singapore, and went the extra mile to safeguard the patients' health.

Donation to Care Corner

Established since 1981, Care Corner Singapore is a non-profit organisation that has 33 service centres island-wide. They serve the isolated and disadvantaged in Singapore through extensive services such as helping families in need, youths at-risk, special needs children, children from low-income families, seniors and counselling needs. Topseller donated a total 1,500 packets of 500g Royal Umbrella Rice and 250ml bottles of Golden Circle Sunflower Oil.

Thanking the Unsung Heroes – The Comfort & TransCab Drivers

Topseller donated 7,500 packets of 500gm Royal Umbrella Rice and 500ml bottles Golden Circle Vegetable Oil to the taxi drivers in June 2020. The CEO of ComfortDelGro Taxi, Mr Ang Wei Neng, personally saw to the distribution which was conducted at Sin Ming, Singapore and the activation was subsequently published in the local newspapers Lianhe Zaobao, dated 27 June 2020.

本地著名米商

给7500德士司机
送米又送油

德士司机士气受鼓舞

Together, we will fight for a healthier nation

Despite the cancellation of the 12th Beautex Life's Beautiful Art competition due to the COVID-19 pandemic, we had collaborated with the Community Chest Singapore initiating a special edition of Charity Box tissues: "Together, we will fight for a healthier nation". With every 5 box packs sold, 20 cents will be donated to Community Chest Singapore targeting a donation of $15,000/- or thereabout Last but not least, Tipex contributed its Sponsorship to Neighbourhood Health Service Kids: 2020 Kembangan Chai Chee Goodie Bag to about 125 families.

CORPORATE INFORMATION

BOARD OF DIRECTORS

MR GOI SENG HUI	Non-Executive Chairman and Non-Independent Director
DR JOHN CHEN SEOW PHUN	Deputy Chairman, Non-Executive and Independent Director
DR TANG CHEUK CHEE	Executive Director
MR YEO SEE LIANG	Executive Director
MR GOI KOK MING (WEI GUOMING)	Non-Executive Director and Non-Independent Director
MR SIU WAI KAM	Non-Executive and Independent Director
MR GOH YANG JUN, JASPER	Non-Executive and Independent Director

SENIOR MANAGEMENT

MS WONG YUEN MAY SANDY	Group Financial Controller | Hanwell Holdings Limited
MR TANG CHI MING DANNY	Vice President | Fortune Food Manufacturing Pte Ltd
MR SIM SEE HIANG RICHARD	Vice President | Tipex Pte. Ltd.
MR LOH SEE MOON	Managing Director/Chief Executive Officer | Tat Seng Packaging Group Ltd
MDM CHEONG POH HUA	Executive Director | Tat Seng Packaging Group Ltd

JOINT COMPANY SECRETARIES

MR CHEW KOK LIANG
MS SIAU KUEI LIAN

AUDIT COMMITTEE

DR JOHN CHEN SEOW PHUN
MR SIU WAI KAM
MR GOH YANG JUN, JASPER

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

RISK MANAGEMENT COMMITTEE

DR TANG CHEUK CHEE
MR SIU WAI KAM
MR GOH YANG JUN, JASPER

REGISTERED OFFICE

348 Jalan Boon Lay Singapore 619529
Tel: +65 6268 4822
Fax: +65 6266 2607
Email: corpcomms@hanwell.com.sg
Website: www.hanwell.com.sg
Company Registration Number: 197400888M

SHARE REGISTRAR

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

AUDITORS

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

(Engagement Partner since
financial year ended 31 December 2017
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. 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 Code, which have been adopted based on 2018 Code. The Company believes that it has complied with the spirit and intent of the 2018 Code except in areas where the Company's practices have deviated from the 2018 Code; explanation 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.

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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 organisational 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, briefings or discussions on key aspects to gain insight for a better understanding of the Group's businesses 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 Listing Rules of the SGX-ST and accounting standards.

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 2020, the Directors attended seminars that they find useful to better perform their duties through electronic means.

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 half yearly results announcements;
- approval of the annual report and financial statements;

CORPORATE GOVERNANCE **STATEMENT**

- 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 during the financial year ended 31 December 2020 ("**FY2020**") are as follows:

Directors	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
John Chen Seow Phun	Member	Chairman	Chairman	–
Tang Cheuk Chee	–	–	–	Member
Kong WeiLi*	Chairman	Member	Member	Chairman
Siu Wai Kam	Member	Member	Member	Member
Goh Yang Jun, Jasper	Member	Member	Member	Member

Note:

* Resigned as Non-Executive and Independent Director on 18 February 2021

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 discussions 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.

CORPORATE GOVERNANCE **STATEMENT**

Board and Board Committees Meetings held in FY2020

Meetings: The attendance of the Directors by electronic means at scheduled meetings of the Board and Board Committees during FY2020 is disclosed below:

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

Notes:

Resigned as Executive Chairman and Director on 23 September 2020

† Attendance by invitation of the relevant committee

* Resigned as Non-Executive and Independent Director on 18 February 2021

The schedules of the Board and Board Committees meetings are given to all Directors well in advance. The Board meets at least two (2) times in a year. Besides the scheduled half yearly 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 during 2020 were prepared in consultation with the former Executive Chairman and/or Deputy Chairman and/or the Executive Director and/or the Chairman of the respective Board Committee. The agendas and meeting materials are circulated in advance of the scheduled meetings to the members of the Board and/or Board Committees.

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

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.

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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 (5) 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 it can be 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.

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 Executive Chairman (up till 23 September 2020) and/or Deputy Chairman, the respective Board Committee Chairman and the Executive Director, and attended Board and Board Committee meetings during 2020. 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.

CORPORATE GOVERNANCE **STATEMENT**

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: As at the date of this report, the Board consists of seven (7) Directors of whom one (1) Non-Executive Chairman, two (2) are Executive Directors, one (1) is Non-Executive and Non-Independent Director and three (3) 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
Goi Seng Hui	• Non-Executive Chairman	8 March 2021	N.A.	• Envictus International Holdings Limited (Etika) (Non-executive director and non-independent director) • GSH Corporation Limited (Executive Chairman) • JB Foods Limited (Vice Chairman) • Tung Lok Restaurants (2000) Ltd (Vice Chairman)	–
John Chen Seow Phun	• Deputy Chairman, Non-Executive and Independent Director • Chairman of Nominating and Remuneration Committees • Member of Audit Committee	9 June 2003	26 April 2019	• Fu Yu Corporation Limited (Non-Executive Chairman and Independent Director) • Hiap Seng Engineering Ltd (Independent Director) • Hong Lai Huat 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)	–

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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
Tang Cheuk Chee	• Executive Director • Member of Risk Management Committee	1 August 2011	20 April 2018	• Tat Seng Packaging Group Ltd (Executive Director)	–
Goi Kok Ming (Wei Guoming)	• Non-Executive Director	10 August 2012	18 June 2020	• GSH Corporation Limited (Executive Director) • Serial System Ltd (Non-Executive Director) • Union Steel Holdings Limited	–
Siu Wai Kam	• Non-Executive and Independent Director • Member of Audit, Nominating, and Remuneration Committees	19 June 2018	26 April 2019	• Tat Seng Packaging Group Ltd (Non-Executive and Independent Director)	–
Goh Yang Jun, Jasper	• Non-Executive and Independent Director • Member of Audit, Nominating, and Remuneration Committees	26 December 2018	26 April 2019	• Tat Seng Packaging Group Ltd (Non-Executive and Independent Director)	–
Yeo See Liang	• Executive Director	26 February 2021	N.A.	Nil	–

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. During FY2020, 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.

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Save for Dr John Chen Seow Phun ("**Dr John Chen**") (who has served on the Board beyond nine (9) years), none of the Independent Directors has served on the Board beyond nine (9) years from the date of his appointment. The Board has subjected the independence of Dr John Chen to particularly rigorous review. Notwithstanding that Dr John Chen is presently the Deputy Chairman and Non-Executive and Independent Director, has served the Board beyond nine (9) years, the NC, with the concurrence of the Board, is satisfied that Dr John Chen has been able to objectively guide and oversee the Management of the Group, provide the check and balance and exercise an independent business judgement to the best interests of the Group. Dr John Chen had abstained from the discussions pertaining to the review of his independence, and being Chairman of the NC has abstained from voting on any resolution in relation to his independence.

Dr John Chen, a Director who is retiring pursuant to Regulation 87 of the Company's Constitution is offering himself for re-election. Contingent upon the passing of Ordinary Resolution 4 as set out in the Notice of the forthcoming Annual General Meeting ("**AGM**") and pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Shareholders' approval will be sought for the continued appointment of Dr John Chen as an Independent Director, and that upon due approval, the approval shall remain in force until the earlier of: (a) the retirement or resignation of the Director; or (b) the conclusion of the third AGM from the aforesaid approval.

Dr John Chen will, upon re-election as a Director of the Company, remain as an Independent Director of the Company, Chairman of the Remuneration Committee and Nominating Committee, and a member of the Audit Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. There are no relationships (including immediate family relationships) between Dr John Chen and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence. Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Dr John Chen, having served on the Board beyond nine (9) years from the date of his first appointment, will not be considered an Independent Director on 1 January 2022 unless his appointment as an Independent Director is approved in separate resolutions by (A) all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates. The Company is seeking at this AGM to obtain the required approval in separate resolutions by (A) by all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates prior to 1 January 2022 as required for his continued appointment as an Independent Director. Ordinary Resolutions 7 and 8, if passed, will enable Dr John Chen to continue his appointment as an Independent Director (unless the appointment has been changed subsequent to the AGM) pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST and to Provisions 2.1 of the 2018 Code and the approvals shall remain in force until the earlier of (a) his retirement or resignation; or (b) the conclusion of the third AGM of the Company. Resolution 8 is conditional upon Resolution 7 being duly approved, else the aforesaid director will be designated as Non-Independent Director with effect from the date of the AGM and the Company will consider other alternative including refreshment of the Board.

Similarly, the NC has reviewed the independence status of the Independent Directors for FY2020, 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. As at the date of this report, Mr Kong has tendered his resignation with effect from 18 February 2021. Each of Mr Siu and Mr Jasper Goh has abstained from voting on any resolution in relation to his independence.

As at the date of this report, Dr John Chen, Mr Siu and Mr Jasper Goh sit on the board of Tat Seng Packaging Group Ltd ("**Tat Seng**"), a subsidiary of the Company listed on the SGX-ST. 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.

Following the cessation of Dr Allan Yap as Executive Chairman with effect from 23 September 2020, the NC had conducted interviews to ascertain the suitability of several candidates' qualities and capabilities, taking into consideration the appropriate skills and relevant industry knowledge to perform his/her roles on the Board and Board Committee effectively. After due deliberation, the NC recommended to the Board the appointment of Mr Goi Seng Hui as the Non-Executive Chairman and Mr Yeo See Liang as Executive Director with effect from 8 March 2021 and 26 February 2021, respectively.

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Independent Directors: The composition of the Board in FY2020 complies with Provision 2.2 of the 2018 Code as Independent Non-Executive Directors make up a majority of the Board where the Chairman is not independent.

Upon the appointment of Mr Goi Seng Hui as the Non-Executive and Non-Independent Director of the Company with effect from 8 March 2021, the current Board composition does not comply with Provision 2.2 of the 2018 Code. Nevertheless, the Board believes that there is a strong and independent element as the Board and the NC, in consultation with the Board, will be taking steps to appoint additional Independent Directors to fulfill this requirement under the 2018 Code.

Non-Executive Directors: The NC is of the view that in FY2020 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 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 without any individual or small group of individuals influencing or dominating the process.

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 (1) director each in the age group of his/her forties, fifties and sixties respectively. The Board composition reflects a diversity of gender, age, skills and knowledge in FY2020.

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 recognises 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 is mindful of related regulatory requirements (including the Listing Rules issued by the SGX-ST and the 2018 Code), and will 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.

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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 (1) 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.

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 held on 25 February 2021, a Non-executive and Independent Directors session without the 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 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.

Dr Allan Yap resigned as the Executive Chairman and Director on 23 September 2020. Following the cessation of Dr Allan Yap as the Executive Chairman of the Board, the NC, in consultation with the Board, had taken steps to source either internally or externally to fill the vacancy of the Chairman of the Board and shall determine the selection criteria for such position based on the skills and knowledge deemed necessary. During this period, the Deputy Non-Executive and Independent Chairman assumed the Non-Executive function of the Chairman.

During FY2020, there was a distinct separation of responsibilities between the role of the Chairman and the Chief Executive Officer ("**CEO**"), to ensure that there is an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. In addition, the Company will endeavor to source for a suitable candidate to fill the vacancy of the CEO. The Executive Directors of the Company are subsuming the executive duties and responsibilities of the former Executive Chairman in terms of overseeing, planning, directing, controlling the activities; and to developing and executing the Group's strategies and business objectives. To better assist the Deputy Non-Executive and Independent Chairman and Dr Tang Cheuk Chee, the Executive Director, Mr Yeo See Liang, the Chief Operating Officer of the Company, has been promoted to the position of Executive Director on 26 February 2021, who is now responsible for the overall daily operations, strategic growth and business development of the Group.

Subsequent to 23 September 2020, both Executive Directors have been assisting the Deputy Non-Executive and Independent Chairman and with effect from 8 March 2021, the newly appointed Non-Executive Chairman to discharge the Chairman's responsibilities (which is non-executive) as follow:

- 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;

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

As at the date of this report, Mr Goi Seng Hui, a substantial shareholder of the Company and the father of Mr Goi Kok Ming (Wei Guoming) ("**Mr Kenneth Goi**"), a Non-Executive and Non-Independent director of the Company, was appointed as the Non-Executive Chairman and Non-Independent Director of the Company with effect from 8 March 2021.

Lead Independent Director:

Under the 2018 Code, the Board should have a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. Upon the appointment of the present Non-Executive Chairman of the Board with effect from 8 March 2021 who is not independent, the Company is required under the 2018 Code to appoint or re-designate an existing independent director as the Lead Independent Director of the Board who should also be a member of the NC.

Subsequent to the appointment of the Non-Executive Chairman on 8 March 2021, the Board is cognizant of the variation from provision 3.3 of the 2018 Code and would be taking steps to comply with the 2018 Code as soon as it is practicable.

Notwithstanding that the Company does not yet have a Lead Independent Director, the Board is of the view that there is nonetheless a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making, given that the Non-Executive Chairman is not involved in the daily operations of the Group, the overall management and strategic development; which is instead undertaken by the two (2) Executive Directors.

Furthermore, 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.

In addition, Mr Goi Seng Hui and Mr Kenneth Goi will recuse themselves where either has a material personal interest. In such cases, deliberations would be led by the Deputy Non-Executive and Independent Chairman. Upon both their recusal, the Independent Directors would then make up a majority of the Board deciding as such matters and would be in a strong position to safeguard the interests of the Company, especially when there is a conflict of views and a majority vote is required to reach a decision.

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.

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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: For FY2020, 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) – resigned on 18 February 2021
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.

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.

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- 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.

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 48 to page 56 of this Annual Report.

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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 FY2020;

(ii) The extensive knowledge and experience contributed by the Independent Directors to the Company;

(iii) The attendance, preparedness, participation and contribution in the meetings of the Board and Board Committees;

(iv) Provision of reasonable checks and balances for the Management;

(v) The Independent Directors have devoted adequate attention and sufficient time to the affairs of the Group; and

(vi) 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 John Chen and Dr Tang Cheuk Chee who will retire pursuant to Regulation 87 of the Constitution of the Company, and Mr Goi Seng Hui and Mr Yeo See Liang who will retire pursuant to Regulation 93 of the Constitution of the Company, being eligible, have offered themselves for re-election at the forthcoming AGM to be held on 29 April 2021.

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.

In respect of disclosure of each Director on the listed company directorships and other principal commitments are set out in pages 20 to 21 of this Annual Report.

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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.

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 2020.

(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 FY2020.

(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 FY2020.

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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 Board 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.

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: During FY2020, 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) – resigned on 18 February 2021
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 former Executive Chairman, Executive Directors 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.

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 FY2020.

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.

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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.

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 former Executive Chairman, Executive Directors 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 former Executive Chairman, Executive Directors 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 former Executive Chairman, Executive Directors 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 Directors and Key Management Personnel Remuneration

With the resignation of the Executive Chairman on 23 September 2020, his service agreement has been terminated. The Executive Directors have a separate formal service agreement each with the Company and they do not receive Directors' fees. For FY2020, the remuneration packages of the former 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 agreement of the Executive Director is for a period of three (3) years. This service agreement is 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 former Executive Chairman, Executive Directors 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 FY2020, there was no termination, retirement or post-employment benefits or other long -term incentives granted to the Directors, the former 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.

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Remuneration for the former Executive Chairman, Executive Directors, and key management personnel comprises a fixed component, variable cash component and market-related benefits.

A. Fixed Component

The fixed component comprises the base salary and fixed allowances.

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 former Executive Chairman, Executive Directors 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 former Executive Chairman, Executive Directors 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.

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Summary compensation table of the Directors receiving remuneration from the Group for the financial year ended 31 December 2020 is set out below:

Directors	Base Salary (%)	Bonus (%)	Profit Sharing (%)	Directors' Fee (%)	Allowance[(2)] (%)	TOTAL (%)
Range S$1,250,000 to S$1,500,000						
Allan Yap#	45.32	1.66	43.66	–	9.36	100.00
Range S$750,001 to S$1,000,000						
Tang Cheuk Chee	56.49	8.13	31.35	–	4.03	100.00
Range S$250,000 and below						
John Chen Seow Phun	–	–	–	100.00[(1)]	–	100.00[(3)]
Kong WeiLi*	–	–	–	100.00[(1)]	–	100.00[(3)]
Siu Wai Kam	–	–	–	100.00[(1)]	–	100.00[(3)]
Goh Yang Jun, Jasper	–	–	–	100.00[(1)]	–	100.00[(3)]
Goi Kok Ming (Wei Guoming)	–	–	–	100.00	–	100.00[(4)]

Resigned as Executive Chairman of the Company with effect from 23 September 2020

* Resigned as Independent Director of the Company with effect from 18 February 2021

(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 18 June 2020 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 director (who was appointed as non-executive Chairman and non-independent director on 8 March 2021) as well as substantial shareholder of the Company. Currently, Mr Kenneth Goi is a non-executive director and non-independent director of the Company and his remuneration is in the form of directors' fees only.

The Company has decided not to disclose information on the remuneration of the Directors in dollars terms because of the confidentiality and prevention of upward pressure on remuneration due to market competition.

Shareholders' approval will be sought at the forthcoming AGM of the Company on 29 April 2021 for the payment of Directors' Fee proposed (to be paid semi-annually in arrears) for the financial year ending 31 December 2021 up to an aggregate of S$234,000.

Remuneration of Employees related to Substantial Shareholder, CEO and Directors

As at the date of this report, Mr Tang Chi Ming Danny ("**Mr Tang**"), who is the Vice President of Fortune Food Manufacturing Pte Ltd, a wholly-owned direct subsidiary of the Company, is related to Dr Tang Cheuk Chee, the Executive Director (substantial shareholder) of the Company and his remuneration is reviewed by RC. In this respect, the Executive Director has abstained 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.

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Summary compensation table of the employee who is related to Substantial Shareholders and Directors for the financial year ended 31 December 2020 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)]	72.02	18.00	–	–	9.98	100.00

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

(2) As at the date of this report, Mr Tang Chi Ming Danny ("**Mr Tang**") is the brother of Dr Tang Cheuk Chee, the Executive Director (substantial shareholder) of the Company. Currently, Mr Tang is the Vice President of Fortune Food Manufacturing Pte Ltd ("**Fortune Food**"), a wholly-owned direct subsidiary of the Company. Mr Tang's remuneration is reviewed exclusively by the RC. Dr Tang Cheuk Chee, Executive Director (substantial shareholder) do not participate in the decision-making process of Mr Tang's remuneration. Mr Tang Chi Ming is responsible for and in charge of the entire business of Fortune Food. Mr Tang's main responsibilities is to develop and implement export business strategies for Fortune Food, monitor Fortune Food's daily operations to optimize the productivity and streamline 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 2020.

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 2020 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*	53.82[(3)]	4.51	25.22	0.69[(1)]	15.76	100
Range S$250,000 and below						
Wong Yuen May Sandy	73.04	18.26	–	–	8.70	100
Sim See Hiang Richard	69.55[(3)]	8.69	6.66	–	15.10	100
Ching Yong Hai	69.49	17.37	–	–	13.14	100
Tang Chi Ming Danny[(4)]	72.02[(3)]	18.00	–	–	9.98	100

* Yeo See Liang was holding the position of Chief Operating Officer in FY2020 and was promoted to the position of Executive Director on 26 February 2021.

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 2020 was S$1,302,000 (FY2019: S$1,319,000)

(1) Directors' Fee from the subsidiary.

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

(3) Including remuneration from subsidiary.

(4) As at the date of this report, Mr Tang Chi Ming Danny ("**Mr Tang**") is the brother of Dr Tang Cheuk Chee, the Executive Director (substantial shareholder) of the Company. Currently, Mr Tang is the Vice President of Fortune Food Manufacturing Pte Ltd ("**Fortune Food**"), a wholly-owned direct subsidiary of the Company. Mr Tang's remuneration is reviewed exclusively by the RC. Dr Tang Cheuk Chee, Executive Director (substantial shareholder) do not participate in the decision-making process of Mr Tang's remuneration. Mr Tang Chi Ming is responsible for and in charge of the entire business of Fortune Food. Mr Tang's main responsibilities is to develop and implement export business strategies for Fortune Food, monitor Fortune Food's daily operations to optimize the productivity and streamline factory operations.

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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 half yearly 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 the 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.

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.

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Risk Management Committee ("RMC")

For FY2020, the Group has put in place a RMC comprises of the following members:

Mr Kong WeiLi (Chairman, Non-Executive and Independent Director) – resigned on 18 February 2021
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 2020, 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 FY2020, the Board has received assurances from Dr Tang Cheuk Chee (Executive Director), Yeo See Liang, Chief Operating Officer of the Company who has been promoted to the position of Executive Director on 26 February 2021 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 both Executive Directors) 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 2020.

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.

For FY2020, the AC comprises four (4) members all of whom are Independent:

Mr Kong WeiLi (Chairman, Non-Executive and Independent Director) – resigned on 18 February 2021
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)

For FY2020, 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.

CORPORATE GOVERNANCE **STATEMENT**

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 FY2020 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 two (2) times in the financial year ended 31 December 2020 and the former 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.

CORPORATE GOVERNANCE **STATEMENT**

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:

<u>AC's commentary on key financial reporting matters</u>

The AC has discussed the KAM for FY2020 with Management and the external auditors. The AC concurs with the basis and conclusions included in the Independent Auditors' Report with respect to the KAM.

For more information on the KAM, please refer to page 60 to 62 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$633,153/- and S$168,488/- respectively for the financial year ended 31 December 2020.

CORPORATE GOVERNANCE **STATEMENT**

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

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

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

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.

CORPORATE GOVERNANCE **STATEMENT**

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;

- half yearly announcements containing a summary of the financial information and affairs of the Group for that period;

- notices of and explanatory memoranda for AGM and/or EGM (if applicable);

- press releases on major developments of the Company and the Group;

- disclosure to the SGX-ST; and

- the Company's website at the URL 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.

CORPORATE GOVERNANCE **STATEMENT**

In view of the current coronavirus disease 2019 (COVID-19) situation, the 46th AGM of the Company held in respect of FY2019 was convened and held by electronic means on 18 June 2020 pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of the AGM, addressing of substantial and relevant questions at or prior to the AGM and voting by appointing the Chairman of the AGM as proxy, was put in place for the 46th AGM of the Company.

By the same token, the Company anticipates that the forthcoming 47th AGM of the Company to be held in respect of FY2020 will be convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of the AGM, addressing of substantial and relevant questions at or prior to the AGM and voting by appointing the Chairman of the AGM as proxy, will be put in place for the 47th AGM of the Company.

The notice of the AGM is announced via SGXNet within the mandatory period prior to the meetings (or as otherwise disseminated in accordance with such laws and regulations as may be applicable), 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 board committees were normally present and available to address questions relating to the work of their respective committees at general meetings. Furthermore, the external auditors were 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. Such situations are only applicable when the AGM is held in a physical environment. In situations when the AGM is held by electronic means, shareholders' questions would be dealt with in advance, thereafter having the shareholders' questions and answers released via SGXNet and then published at the Company's corporate website prior to the commencement of the virtual AGM.

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.

Attendance at general meetings: Board members, senior Management and the Joint Company Secretaries were present at shareholders' meeting to respond to questions from shareholders. The Company's external auditors were also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Such situations are only applicable when the AGM is held in a physical environment. In situations when the AGM is held by electronic means, shareholders would attend the Company's virtual AGM via an electronic platform. As to how the Company deal with shareholders' questions and answers, it has been addressed at the earlier paragraphs of this report.

CORPORATE GOVERNANCE **STATEMENT**

Minutes of general meetings: Minutes of the Company's AGM will be released via SGXNet and thereafter 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 Directors 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 the 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 the URL http://www.hanwell.com.sg.

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 though its corporate website at the URL http://www.hanwell.com.sg.

CORPORATE GOVERNANCE **STATEMENT**

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 2020 that would be announced through SGXNet in May 2021.

The CG Report, 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:

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.

CORPORATE GOVERNANCE **STATEMENT**

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 its half yearly and full year results ("**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 half yearly 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 FY2020.

CORPORATE GOVERNANCE **STATEMENT**

Table A

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

Name of Director	**Dr John Chen Seow Phun ("Dr John Chen")**	**Dr Tang Cheuk Chee ("Dr Tang")**	**Mr Goi Seng Hui ("Mr Goi")**	**Mr Yeo See Liang ("Mr Yeo")**
Date of Appointment	9 June 2003	1 August 2011	8 March 2021	26 February 2021
Date of last re-appointment (if applicable)	26 April 2019	20 April 2018	N.A.	N.A.
Age	67	49	74	65
Country of principal residence	Singapore	Singapore	Singapore	Malaysia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company is of the opinion that Dr John Chen can continue to contribute positively to the Company after reviewing the NC's recommendation and Dr John Chen's extensive experience.	The Board of Directors of the Company is of the opinion that Dr Tang can contribute positively to the Company after reviewing the NC's recommendation and Dr Tang's qualifications, experience and suitability.	The Board of Directors of the Company is of the opinion that Mr Goi can continue to contribute positively to the Company after reviewing the NC's recommendation and Mr Goi's extensive experience.	The Board of Directors of the Company is of the opinion that Mr Yeo can continue to contribute positively to the Company after reviewing the NC's recommendation and Mr Yeo's extensive experience.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive	Non-Executive	Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Deputy Chairman, Non-Executive and Independent Director, Chairman of Nominating Committee and Remuneration Committee and Member of Audit Committee	Executive Director and Member of Risk Management Committee	Non-Executive Chairman	Executive Director

CORPORATE GOVERNANCE **STATEMENT**

Name of Director	Dr John Chen Seow Phun ("Dr John Chen")	Dr Tang Cheuk Chee ("Dr Tang")	Mr Goi Seng Hui ("Mr Goi")	Mr Yeo See Liang ("Mr Yeo")
Professional qualifications	Dr John Chen holds a PhD in Electrical Engineering from the University of Waterloo, Canada	Dr Tang holds an Honorary Doctorate of Management from Lincoln University, United States and awarded Fellowship from the Asian College of Knowledge Management.	Secondary level	Bachelor degree in business studies, Middlesex University, United Kingdom
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	Yes. Dr Tang is the sister of Mr Tang Chi Ming, Danny ("**Mr Tang**"). Mr Tang is currently the Vice President of Fortune Food Manufacturing Pte Ltd, a direct wholly -owned subsidiary of the Company.	Mr Goi is the father of Mr Goi Kok Ming (Wei Guoming), the Non-Executive and Non-Independent Director of the Company.	Nil
Conflict of interest (including any competing business)	None	None	Mr Goi is a Director/ Substantial Shareholder of listed companies, Envictus International Holdings Limited, GSH Corporation Limited, JB Foods Limited and Tung Lok Group Restaurants (2000) Ltd. He is also a director of various companies. Mr Goi is not aware of any competition with the Company in the business by his current list of directorships.	Nil

CORPORATE GOVERNANCE **STATEMENT**

Name of Director	Dr John Chen Seow Phun ("Dr John Chen")	Dr Tang Cheuk Chee ("Dr Tang")	Mr Goi Seng Hui ("Mr Goi")	Mr Yeo See Liang ("Mr Yeo")
Working experience and occupation(s) during the past 10 years	Dr John Chen was a member of Parliament from 1988 to 2006 and served as the Assistant Secretary General of the National Trades Union Congress from 1991 to 1997. Dr John Chen was a Minister of State for Communications from 1997 to 1999. From 1999 to 2001, Dr John Chen was the Minister of State for National Department. Dr John Chen has been a Board member of the Economic Development Board, the Housing & Development Board, the Port of Singapore Authority and Singapore Power Ltd respectively. Dr John Chen taught at the National University of Singapore from 1983 to 1991.	During the past 10 years, Dr Tang is the Executive Director of Hanwell Holdings Limited and Tat Seng Packaging Group Ltd, both companies are listed on the Singapore Exchange.	Executive Chairman of Tee Yih Jia Food Manufacturing Private Limited and GSH Corporation Limited.	Promoted to Executive Director of the Company on 26 February 2021 12 August 2016 to 25 February 2021, Chief Operating Officer of the Company 23 June 2014 to 12 August 2016, Senior Vice President of the Company 1 August 2000 to present, Executive Director of Socma Trading (M) Sendirian Berhad
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	No. Dr John Chen does not hold any shares in Hanwell Holdings Limited and its subsidiaries.	Yes	Yes	No. Mr Yeo does not hold any shares in Hanwell Holdings Limited and its subsidiaries

CORPORATE GOVERNANCE **STATEMENT**

Name of Director	Dr John Chen Seow Phun ("Dr John Chen")	Dr Tang Cheuk Chee ("Dr Tang")	Mr Goi Seng Hui ("Mr Goi")	Mr Yeo See Liang ("Mr Yeo")
		Dr Tang has a direct interest of 58,858,500 shares in Hanwell Holdings Limited and 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.	Mr Goi holds 125,446,404 shares in the capital of the Company. Mr Goi holds 409,700 shares in the capital of Tat Seng Packaging Group Ltd, a listed subsidiary of the Company.	N.A.
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)		Dr Tang is the Executive Director of Mainboard-listed of Tat Seng Packaging Group Ltd, a principal subsidiary of Hanwell Holdings Limited.	Executive Chairman of Tee Yih Jia Food Manufacturing Private Limited and GSH Corporation Limited.	Executive Director of Socma Trading (M) Sendirian Berhad, a wholly-owned subsidiary of Hanwell Holdings Limited.

CORPORATE GOVERNANCE **STATEMENT**

Name of Director	Dr John Chen Seow Phun ("Dr John Chen")	Dr Tang Cheuk Chee ("Dr Tang")	Mr Goi Seng Hui ("Mr Goi")	Mr Yeo See Liang ("Mr Yeo")
Other Directorships	Past (for the last 5 years) National University Health System Pte. Ltd. Exeterstar Holdings Pte Ltd MHC Asia Holdings Pte Ltd Present Pavillon Holdings Ltd. OKP Holdings Limited Hiap Seng Engineering Ltd Hanwell Holdings Limited Tat Seng Packaging Group Ltd Hong Lai Huat Group Ltd Fu Yu Corporation Limited JLM Foundation Ltd Pavillon Financial Leasing Co., Ltd Pavillon Business Development (Shanghai) Co., Ltd Fengchi IOT Management Co., Ltd	Past (for the last 5 years) Nil Present Nice Sun Investments Limited Rosary Land Limited Loyal Knoll Limited Winpro Investments Limited Sino Diamond International Co., Ltd Widelead International Limited Hanwell Holdings Limited Tat Seng Packaging Group Ltd Tat Seng Packaging (Suzhou) Co., Ltd. Hefei Dansun Packaging Co., Ltd. King Ally Investments Limited Kingsland Investment (SG) Pte. Ltd. Topseller Development Pte Ltd Wealthwin Pte. Ltd.	Past (for the last 5 years) Super Group Ltd Plaza Ventures Pte Ltd Singapore University of Technology and Design Tan Kah Kee Foundation TYJ Holdings (HK) Ltd Yangzhou Junhe Property Development Co Ltd Present Envictus International Holdings Limited (Etika) GSH Corporation Limited Hanwell Holdings Limited JB Foods Limited Tung Lok Restaurants (2000) Ltd Acelink Logistics Pte Ltd China World Agents Limited Chinatown Food Corporation Pte Ltd Desaru Property Development Sdn Bhd Fujian Guanhui Food Enterprise Co Ltd Fujian Mingwei Food Enterprise Co Ltd	Past (for the last 5 years) Health Solutions International Pte. Ltd. Health Solutions Holdings Pte. Ltd. Present Tipex Pte. Ltd. Fortune Food Manufacturing Pte Ltd Fortune Food Manufacturing Sdn Bhd PSC International Pte Ltd PSC Investment Pte Ltd PSC Resort Pte Ltd Topseller Development Pte Ltd Topseller Pte Ltd Econ Food Manufacturing (M) Sdn Bhd Fresh Fruit Juice Manufacturing (M) Sdn Bhd Palm Meadow Sdn Bhd Socma Trading (M) Sendirian Berhad

CORPORATE GOVERNANCE **STATEMENT**

Name of Director	Dr John Chen Seow Phun ("Dr John Chen")	Dr Tang Cheuk Chee ("Dr Tang")	Mr Goi Seng Hui ("Mr Goi")	Mr Yeo See Liang ("Mr Yeo")
			Guan Hui Food Enterprise Company Limited Hydrex International Pte Ltd Junhe Investment Pte Ltd Maker Food Manufacturing Pte Ltd New Straits Holdings Pte Ltd Oregold Pte Ltd Ritz Properties Sdn Bhd Ryushobo (S) Pte Ltd T&T Gourmey Cuisine Pte Ltd Tee Yih Jia Food Manufacturing Pte Ltd Tee Yih Jia Food Manufacturing Sdn Bhd Twin Investment Pte Ltd TYJ International Pte Ltd Vive La Sdn Bhd Advanced Prestige Sdn Bhd Altheim International Limited City View Ventures Sdn Bhd Investasia Sdn. Bhd. Linyi Properties Sdn Bhd	

CORPORATE GOVERNANCE **STATEMENT**

Name of Director	Dr John Chen Seow Phun ("Dr John Chen")	Dr Tang Cheuk Chee ("Dr Tang")	Mr Goi Seng Hui ("Mr Goi")	Mr Yeo See Liang ("Mr Yeo")
			Mainfield Holdings Limited Mewabumi Sdn Bhd Mxim Holdings Pte Ltd Rainbow Properties Sdn Bhd Sutera Harbour Golf & Country Club Berhad Sutera Harbour Travel Sdn Bhd Sutera Yacht Services Sdn Bhd The Little Shop Sdn Bhd The Sutera Harbour Group Sdn Bhd Xing Asia Impel Sdn. Bhd. Additional Disclosure Mr Goi has a 20% shareholding in KOP Limited (a catalist-listed real estate development and hospitality company) since 6 October 2017	

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.	Dr John Chen	Dr Tang	Mr Goi	Mr Yeo
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes	Yes	No

CORPORATE GOVERNANCE **STATEMENT**

Disclosure applicable to the appointment of Director only.	Dr John Chen	Dr Tang	Mr Goi	Mr Yeo
If yes, please provide details of prior experience.	Non-Executive Chairman and Independent Director of Fu Yu Corporation Limited, an issuer listed on the Exchange Independent Director of Hiap Seng Engineering Ltd, an issuer listed on the Exchange Independent Director of Hong Lai Huat Group Limited, an issuer listed on the Exchange Non-Executive Chaiman and Independent Director of Matex International Limited Lead Independent Director of OKP Holdings Limited, an issuer listed on the Exchange Executive Chairman of Pavillon Holdings Ltd, an issuer listed on the Exchange Deputy Chairman, Non-Executive and Independent Director of Tat Seng Packaging Group Ltd, an issuer listed on the Exchange Deputy Chairman, Non-Executive and Independent Director of Hanwell Holdings Limited, an issuer listed on the Exchange	Dr Tang has been the Executive Director of Hanwell Holdings Limited and Tat Seng Packaging Group Ltd (both listed on the Exchange) for more than 10 years.	Executive Chairman of GSH Corporation Limited Vice Chairman of Envictus International Holdings Limited Vice Chairman of JB Foods Limited Non-Executive and Non-Independent Director of Tung Lok Group Restaurants (2000) Ltd	N.A.

CORPORATE GOVERNANCE **STATEMENT**

Disclosure applicable to the appointment of Director only.	Dr John Chen	Dr Tang	Mr Goi	Mr Yeo
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N.A.	N.A.	N.A.	Mr Yeo will attend the prescribed training on the roles and responsibilities of a director of listed issuer organised by Singapore Institute of Directors
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 two public listed companies for many years	Has been a director of several public listed companies for many years	N.A.

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 2020.

In our opinion:

(a) the financial statements set out on pages 65 to 153 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 2020 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:

Goi Seng Hui (appointed on 8 March 2021)
John Chen Seow Phun
Tang Cheuk Chee
Yeo See Liang (appointed on 26 February 2021)
Goi Kok Ming (Wei Guoming)
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:

	Direct Interest		**Deemed Interest**	
Name of Director	**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				
Tang Cheuk Chee*	49,449,500	58,858,500	49,498,000	49,498,000

* Tang Cheuk Chee has a direct interest of 58,858,500 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 as at 31 December 2020.

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 date of appointment if later, or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2021.

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

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 (Resigned on 18 February 2021)
- 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.

The AC has held two (2) 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;
- semi-annual 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).

DIRECTORS' **STATEMENT**

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

Tang Cheuk Chee	**Yeo See Liang**
Director	*Director*

30 March 2021

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 2020, 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 65 to 153.

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 2020 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.

Impairment assessment of property, plant and equipment, goodwill and investment properties
(Refer to Note 4, 5 and 6 to the financial statements)

Risk

The market capitalisation of the Group as at 31 December 2020 was $161 million, which is approximately $203 million lower than the carrying amount of the net assets of the Group. This is an indicator that the non-current assets held by the Group might be impaired.

INDEPENDENT AUDITORS' REPORT

As at 31 December 2020, the Group's statement of financial position includes property, plant and equipment, investment properties and intangible assets held by the Group, which amounted to $174.9 million (2019: $175.7 million).

These non-financial assets are subject to an annual impairment test or more frequently if there are indicators of impairment.

The Group identifies each of its legal entities with operation and investment properties as individual cash generating units ("CGUs").

The Group performed impairment assessments for each of the CGUs by estimating the recoverable amounts 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 CGUs is a highly judgemental process which requires estimation of revenue growth rates, discount rates and future economic conditions.

Our response

We evaluated whether the CGUs were appropriately identified by management based on our understanding of the current business structure of the Group. We assessed the Group's process for identifying indicators of impairment for each of the CGUs.

Value-in-use method

We assessed the reasonableness of the key assumptions used by management in developing the cash flow projections. This included a comparison of rate of revenue growth with historical results and expected market growth. We also performed our own assessment of discount rate, another key input.

Fair value less costs to sell method

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 methodology and key assumptions used by the external 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 identification of the CGUs to be reasonable and appropriate.

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

The valuers are members of generally-recognised professional bodies for valuers. The approach to the methodologies and in deriving the fair value using direct comparison and investment method are in line with market practices and the comparable properties and key assumptions used are within range of market data.

INDEPENDENT **AUDITORS' REPORT**

Recoverability of trade receivables and bill receivables
(Refer to Note 12 & 19 to the financial statements)

Risk

The Group has significant trade receivables and bill receivables in relation to contracts with customers. The customers of the Group would typically request for longer payment terms or issue bill receivables to the Group via their issuing financial institutions, of which some are unrated domestic banks or financial institutions. This exposed the Group to a heightened risk of default in respect of trade receivables and bill receivables.

In accordance with SFRS(I) 9 *Financial Instruments*, the Group is required to recognise loss allowances on expected credit losses on financial assets. The determination of the loss allowances requires significant judgement and estimates to determine whether the financial asset is credit impaired, and the best estimate of the ultimate realisation of the amount receivable from customers and the issuing financial institutions.

Our response

We reviewed the Group's estimation process used in determining the amounts of loss allowance recognised on expected credit losses on financial assets.

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 and bill receivables outstanding as at reporting date.

We evaluated management's assessment on the recoverability of these amounts, corroborating explanations with underlying documentation and correspondences between customers and management, 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. We also look at the subsequent receipts for debtors with long outstanding balances.

We also reviewed whether the disclosures in the financial statements appropriately described the subjectivity and judgements inherent in expected credit loss computation, including the inter-relationship between the key unobservable inputs and loss allowance.

Our findings

The Group has a process to assess credit risk and to determine the amounts of loss allowance to be recognised for the expected credit losses on trade receivables and bill receivables.

The judgement and estimate applied by management around the recovery of receivables were relevant under the facts and circumstances currently made available to the Group.

We found the disclosures in describing the areas of judgement and inherent degree of estimation uncertainties involved, to be appropriate.

Other information

Management is responsible for the other information. Other information is defined as all information in the annual report other than the financial statements and auditors' report thereon.

INDEPENDENT **AUDITORS' REPORT**

We have obtained the *Mission, Chairman's Statement, Board of Directors, Group Financial Summary, Operational Review, Corporate Social Responsibility, Corporate Information, Corporate Governance Statement, Directors' Statement, Supplementary Information*, *資產負債表*, *綜合損益表 and Shareholding Statistics*, prior to the date of this auditors' report.

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

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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.

- 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.

INDEPENDENT **AUDITORS' REPORT**

- 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 2021

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 $	2019 $	2020 $	2019 $
Assets					
Property, plant and equipment	4	**162,229,640**	163,420,528	**49,845,688**	51,029,514
Intangible assets	5	**1,106,459**	1,062,094	**–**	–
Investment properties	6	**11,524,511**	11,171,875	**–**	–
Subsidiaries	7	**–**	–	**40,000,785**	40,000,785
Associates	8	**–**	–	**–**	–
Other financial assets	9	**60,310**	64,273	**60,310**	64,273
Deferred tax assets	10	**3,338,885**	3,726,124	**–**	–
Trade and other receivables	12	**145,263**	534,078	**–**	–
Non-current assets		**178,405,068**	179,978,972	**89,906,783**	91,094,572
Other financial assets	9	**1,055,445**	1,878,059	**1,055,445**	1,878,059
Current tax assets		**197,082**	449,801	**–**	–
Inventories	11	**52,697,004**	45,405,724	**–**	–
Trade and other receivables	12	**132,586,254**	129,320,245	**35,087,949**	41,897,040
Cash and cash equivalents	15	**163,987,190**	131,227,780	**79,074,788**	68,188,949
Current assets		**350,522,975**	308,281,609	**115,218,182**	111,964,048
Total assets		**528,928,043**	488,260,581	**205,124,965**	203,058,620
Equity					
Share capital	16	**180,098,765**	180,098,765	**180,098,765**	180,098,765
Reserves	16	**109,684,572**	84,878,940	**(2,055,872)**	(4,647,934)
Equity attributable to owners of the Company		**289,783,337**	264,977,705	**178,042,893**	175,450,831
Non-controlling interests	17	**74,301,283**	62,902,820	**–**	–
Total equity		**364,084,620**	327,880,525	**178,042,893**	175,450,831
Liabilities					
Loans and borrowings	18	**27,288,572**	31,939,394	**13,623,349**	13,951,238
Deferred income	20	**2,529,761**	2,808,108	**317,701**	373,645
Deferred tax liabilities	10	**4,640,765**	4,183,272	**–**	–
Non-current liabilities		**34,459,098**	38,930,774	**13,941,050**	14,324,883
Loans and borrowings	18	**54,526,248**	45,579,043	**327,889**	315,034
Trade and other payables, including derivatives	21	**73,243,393**	74,654,185	**12,757,189**	12,911,928
Deferred income	20	**504,742**	380,060	**55,944**	55,944
Current tax liabilities		**2,109,942**	835,994	**–**	–
Current liabilities		**130,384,325**	121,449,282	**13,141,022**	13,282,906
Total liabilities		**164,843,423**	160,380,056	**27,082,072**	27,607,789
Total equity and liabilities		**528,928,043**	488,260,581	**205,124,965**	203,058,620

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

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS**

YEAR ENDED 31 DECEMBER 2020

	Note	2020 $	2019 $
Revenue	22	**471,384,678**	461,107,018
Cost of sales		**(361,760,301)**	(366,285,613)
Gross profit		**109,624,377**	94,821,405
Other income		**6,052,413**	2,913,749
Distribution expenses		**(42,400,182)**	(42,302,113)
Administrative expenses		**(31,001,286)**	(30,128,280)
Impairment losses of trade and other receivables (net)		**(633,702)**	(831,579)
Loss on disposal on asset held for sale		**–**	(5,453,963)
Other expenses		**(226,779)**	(462,866)
Results from operating activities		**41,414,841**	18,556,353
Finance income		**1,905,452**	2,356,152
Finance costs		**(3,078,742)**	(3,362,969)
Net finance costs	24	**(1,173,290)**	(1,006,817)
Profit before tax		**40,241,551**	17,549,536
Tax expense	25	**(7,141,544)**	(5,713,399)
Profit for the year	23	**33,100,007**	11,836,137
Profit attributable to:			
Owners of the Company		**22,245,011**	6,055,424
Non-controlling interests		**10,854,996**	5,780,713
Profit for the year		**33,100,007**	11,836,137
Earnings per share			
Basic earnings per share (cents)	26	**4.02**	1.09
Diluted earnings per share (cents)	26	**4.02**	1.09

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

YEAR ENDED 31 DECEMBER 2020

	2020 $	2019 $
Profit for the year	**33,100,007**	11,836,137
Other comprehensive income – items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation differences of foreign operations	**5,629,273**	(5,083,281)
Effective portion of changes in fair value of cash flow hedges	**(3,320)**	9,861
Other comprehensive income for the year, net of tax	**5,625,953**	(5,073,420)
Other comprehensive income – items that will not be reclassified subsequently to profit or loss		
Equity investment FVOCI – net change in fair value	**(4,900)**	(1,539)
Movement in reserve	**–**	(44,675)
Other comprehensive income for the year, net of tax	**(4,900)**	(46,214)
Total comprehensive income for the year	**38,721,060**	6,716,503
Total comprehensive income attributable to:		
Owners of the Company	**26,189,177**	3,698,737
Non-controlling interests	**12,531,883**	3,017,766
Total comprehensive income for the year	**38,721,060**	6,716,503

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2020

	Attributable to			
Group	**Share capital $**	**Treasury shares $**	**Other reserves $**	**Statutory reserves $**
At 1 January 2019	204,325,609	(4,226,401)	772,247	10,772,262
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 16)	–	–	–	–
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)	–	(490,913)	856,654
At 31 December 2019	184,325,166	(4,226,401)	236,659	11,628,916

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

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)	78,319,204	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 **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2020

	Attributable to			
Group	**Share capital $**	**Treasury shares $**	**Other reserves $**	**Statutory reserves $**
At 1 January 2020	**184,325,166**	**(4,226,401)**	**236,659**	**11,628,916**
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	–	–	–	–
Total other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	–	–
Transactions with owners, recognised directly in equity				
Distributions to owners				
Dividends paid (note 16)	–	–	–	–
Total distributions to owners	–	–	–	–
Transfer between reserves				
Appropriation of retained earnings to statutory reserve fund	–	–	–	**669,713**
Total transactions with owners	–	–	–	**669,713**
At 31 December 2020	**184,325,166**	**(4,226,401)**	**236,659**	**12,298,629**

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2020

owners of the Company						
Fair value reserve $	Translation reserve $	Hedging reserve $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
43,823	(5,505,188)	–	78,474,730	264,977,705	62,902,820	327,880,525
–	–	–	22,245,011	22,245,011	10,854,996	33,100,007
–	3,951,189	–	–	3,951,189	1,678,084	5,629,273
(4,900)	–	–	–	(4,900)	–	(4,900)
–	–	(2,123)	–	(2,123)	(1,197)	(3,320)
(4,900)	3,951,189	(2,123)	–	3,944,166	1,676,887	5,621,053
(4,900)	3,951,189	(2,123)	22,245,011	26,189,177	12,531,883	38,721,060
–	–	–	(1,383,545)	(1,383,545)	(1,133,420)	(2,516,965)
–	–	–	(1,383,545)	(1,383,545)	(1,133,420)	(2,516,965)
–	–	–	(669,713)	–	–	–
–	–	–	(2,053,258)	(1,383,545)	(1,133,420)	(2,516,965)
38,923	(1,553,999)	(2,123)	98,666,483	289,783,337	74,301,283	364,084,620

CONSOLIDATED STATEMENT OF **CASH FLOWS**

YEAR ENDED 31 DECEMBER 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Profit for the year		**33,100,007**	11,836,137
Adjustments for:			
(Writeback)/Allowance of inventories	23	**(101,153)**	138,394
Amortisation of deferred income	20	**(423,626)**	(375,244)
Amortisation of intangible assets	5	**2,750**	3,000
Depreciation of investment properties	6	**51,737**	48,386
Depreciation of property, plant and equipment	4	**15,608,163**	14,724,755
Loss/(Gain) on disposal of property, plant and equipment	23	**179,918**	(103,108)
Net finance expense	24	**353,258**	391,198
Net decrease in fair value of financial assets at fair value through profit or loss	24	**822,614**	618,352
Inventories written off		**93,925**	134,247
Intangible assets written off	5	**6,250**	–
Property, plant and equipment written off	4	**30,175**	265,992
Impairment losses on property, plant and equipment		**–**	198,863
Tax expense		**7,141,544**	5,713,399
Unrealised exchange (gain)/loss		**(1,729,584)**	551,653
Loss on disposal of asset held for sale		**–**	5,453,963
		55,135,978	39,599,987
Changes in:			
– Inventories		**(6,261,547)**	3,785,984
– Trade and other receivables		**2,375,883**	26,543,451
– Trade and other payables		**(4,889,644)**	(18,983,342)
Cash generated from operations		**46,360,670**	50,946,080
Tax paid		**(4,770,091)**	(4,459,355)
Net cash from operating activities		**41,590,579**	46,486,725
Cash flows from investing activities			
Proceeds from the disposal of asset held for sale		**–**	5,379,020
Interest received		**1,411,825**	1,958,031
Proceeds from disposal of property, plant and equipment		**267,639**	582,283
Purchase of property, plant and equipment		**(7,669,687)**	(13,614,481)
Expenditure capitalised in investment property		**(16,486)**	(150,079)
Net cash used in investing activities		**(6,006,709)**	(5,845,226)
Cash flows from financing activities			
(Increase)/Decrease in deposits pledged		**(1,926,702)**	1,487,734
Dividends paid		**(2,516,965)**	(7,234,187)
Interest paid		**(2,256,128)**	(2,732,640)
Payment of lease liabilities		**(2,627,808)**	(2,635,945)
Proceeds from loans and borrowings		**114,737,239**	108,529,370
Repayment of loans and borrowings		**(113,091,791)**	(136,367,628)
Capital reduction		**–**	(20,000,443)
Net cash used in financing activities		**(7,682,155)**	(58,953,739)
Net increase/(decrease) in cash and cash equivalents		**27,901,715**	(18,312,240)
Cash and cash equivalents at 1 January		**121,990,031**	141,398,937
Effect of exchange rate fluctuations on cash held		**2,429,714**	(1,096,666)
Cash and cash equivalents at 31 December	15	**152,321,460**	121,990,031

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 2021.

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 2020 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)). The 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 judgement that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4, 5 & 6 – impairment test: key assumptions underlying recoverable amounts of property, plant and equipment, goodwill and investment properties; and
- Note 19 – 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).

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 4 – Property, plant and equipment;

Note 6 – Investment properties; and

Note 19 – 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 2020:

- *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)*
- *Interest Rate Benchmark Reform (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7)*

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see note ii). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a `concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (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 – 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.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets: Business model assessment (Continued)

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).

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 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.

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.

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)

Equity investments at FVOCI

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

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

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

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

(iii) 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.

NOTES TO THE **FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(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.

(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.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis 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, installation-in-progress and construction-in-progress are not depreciated.

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

NOTES TO THE **FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

(iii) Depreciation (Continued)

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

• freehold buildings	50 years
• leasehold land and 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 20 years
• computers	3 to 10 years

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

3.5 Intangible assets and goodwill

(i) Goodwill

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

Subsequent measurement

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

(ii) 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.

(iii) 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.

NOTES TO THE **FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets and goodwill (Continued)

(iv) Other intangible assets

Other intangible assets that are acquired by the Group and have a finite useful life are measured at cost less accumulated amortisation and accumulated impairment losses.

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.

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

Club membership	29 years

Amortisation methods, useful lives and residual values 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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases

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.

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (Continued)

(i) As a lessee (Continued)

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.

(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.

NOTES TO THE **FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (Continued)

(ii) As a lessor (Continued)

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.

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, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

NOTES TO THE **FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost; 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 and bill receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECLs in the statement of financial position

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(ii) Non-financial assets (Continued)

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.

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

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

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

3.10 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) Retirement benefits

In accordance with the regulations of the People's Republic of China (the "PRC") Government, the subsidiaries are required to contribute employee retirement benefits to the relevant authority. The contributions are calculated based on directives issued by the relevant authority and are charged to profit or loss when incurred.

NOTES TO THE **FINANCIAL STATEMENTS**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employee benefits (Continued)

(iii) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

(iv) 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.

3.11 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)

3.12 Government grants

Government grants related to assets are initially recognised 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. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.13 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.

3.14 Tax

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

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

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

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Tax (Continued)

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

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

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

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.

Deferred tax assets are 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)

3.15 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.

3.16 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.

3.17 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group. Contingent liabilities and assets are not recognised in the statement of financial position of the Group.

3.18 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 2020 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 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.

- SFRS(I) 17 *Insurance Contracts*
- *Classification of Liabilities as Current or Non-current (Amendments to SFRS(I) 1-1)*
- *Covid-19-Related Rent Concessions (Amendment to SFRS(I) 16)*
- *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SFRS(I) 10 and SFRS(I) 1-28)*
- *Reference to the Conceptual Framework (Amendments to SFRS(I) 3)*
- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to SFRS(I) 1-16)*
- *Onerous Contracts – Costs of Fulfilling a Contract (Amendments to SFRS(I) 1-37)*
- *Annual Improvements to SFRS(I)s 2018 - 2020*

NOTES TO THE **FINANCIAL STATEMENTS**

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $	Freehold buildings $	Leasehold land and buildings $	Leasehold improvements $	Renovations $
Cost					
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
At 1 January 2020	**298,303**	**8,323,242**	**118,477,742**	**5,950,441**	**5,144,755**
Additions	**–**	**–**	**105,916**	**–**	**148,631**
Disposals	**–**	**–**	**–**	**–**	**–**
Reclassification	**804,433**	**571,968**	**31,225**	**–**	**505,707**
Write-offs	**–**	**–**	**(34,995)**	**–**	**(159,195)**
Modification/Derecognition of right-of-use asset	**–**	**–**	**2,239,011**	**–**	**–**
Effect of movements in exchange rates	**(1,963)**	**(6,006)**	**2,948,142**	**–**	**(1,006)**
At 31 December 2020	**1,100,773**	**8,889,204**	**123,767,041**	**5,950,441**	**5,638,892**
Accumulated depreciation and impairment losses					
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
At 1 January 2020	**–**	**3,083,542**	**25,963,132**	**2,363,743**	**4,947,057**
Depreciation charge for the year	**–**	**121,858**	**5,615,400**	**146,970**	**112,785**
Disposals	**–**	**–**	**–**	**–**	**–**
Write-offs	**–**	**–**	**(23,742)**	**–**	**(159,195)**
Derecognition of right-of-use asset	**–**	**–**	**(30,074)**	**–**	**–**
Effect of movements in exchange rates	**–**	**(565)**	**937,454**	**–**	**(344)**
At 31 December 2020	**–**	**3,204,835**	**32,462,170**	**2,510,713**	**4,900,303**
Carrying amounts					
At 1 January 2019	303,709	431,615	84,064,474	3,733,668	605,003
At 31 December 2019	**298,303**	**5,239,700**	**92,514,610**	**3,586,698**	**197,698**
At 31 December 2020	**1,100,773**	**5,684,369**	**91,304,871**	**3,439,728**	**738,589**

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 $
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
9,238,792	**2,342,272**	**10,422,078**	**96,880,347**	**4,700,155**	**1,871,502**	**2,404,217**	**266,053,846**
386,202	**81,578**	**1,977,448**	**1,949,731**	**56,372**	**166,993**	**3,861,353**	**8,734,224**
(45,417)	**–**	**(1,068,903)**	**(1,458,333)**	**–**	**–**	**–**	**(2,572,653)**
67,617	**–**	**81,145**	**1,566,407**	**–**	**(1,543,394)**	**(2,085,108)**	**–**
(385,273)	**–**	**(21,827)**	**(19,858)**	**(257,562)**	**–**	**–**	**(878,710)**
–	**–**	**–**	**(29,297)**	**–**	**–**	**–**	**2,209,714**
132,162	**(633)**	**132,610**	**3,296,570**	**(1,306)**	**25,484**	**75,170**	**6,599,224**
9,394,083	**2,423,217**	**11,522,551**	**102,185,567**	**4,497,659**	**520,585**	**4,255,632**	**280,145,645**
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
5,282,247	**1,197,914**	**6,160,538**	**51,172,419**	**2,462,726**	**–**	**–**	**102,633,318**
906,252	**165,125**	**1,005,249**	**7,138,628**	**395,896**	**–**	**–**	**15,608,163**
(42,109)	**–**	**(999,812)**	**(1,083,175)**	**–**	**–**	**–**	**(2,125,096)**
(373,869)	**–**	**(18,590)**	**(15,613)**	**(257,526)**	**–**	**–**	**(848,535)**
–	**–**	**–**	**(26,208)**	**–**	**–**	**–**	**(56,282)**
75,890	**(520)**	**68,568**	**1,624,720**	**(766)**	**–**	**–**	**2,704,437**
5,848,411	**1,362,519**	**6,215,953**	**58,810,771**	**2,600,330**	**–**	**–**	**117,916,005**
3,363,190	1,213,204	4,317,546	34,385,805	2,718,955	15,875,429	16,806,445	167,819,043
3,956,545	**1,144,358**	**4,261,540**	**45,707,928**	**2,237,429**	**1,871,502**	**2,404,217**	**163,420,528**
3,545,672	**1,060,698**	**5,306,598**	**43,374,796**	**1,897,329**	**520,585**	**4,255,632**	**162,229,640**

NOTES TO THE **FINANCIAL STATEMENTS**

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold land and buildings $	Leasehold improvements $	Renovations $	Furniture, fittings and office equipment $
Cost				
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
At 1 January 2020	**53,271,183**	**5,950,441**	**4,087,622**	**1,372,338**
Additions	**–**	**–**	**18,195**	**108,519**
Disposals	**–**	**–**	**–**	**–**
Write-offs	**–**	**–**	**–**	**(238,557)**
At 31 December 2020	**53,271,183**	**5,950,441**	**4,105,817**	**1,242,300**
Accumulated depreciation				
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 2020	**7,373,902**	**2,363,743**	**3,950,755**	**929,014**
At 1 January 2020	**7,373,902**	**2,363,743**	**3,950,755**	**929,014**
Depreciation charge for the year	**1,585,221**	**146,970**	**58,273**	**104,817**
Disposals	**–**	**–**	**–**	**–**
Write-offs	**–**	**–**	**–**	**(236,853)**
At 31 December 2020	**8,959,123**	**2,510,713**	**4,009,028**	**796,978**
Carrying amounts				
At 1 January 2019	47,482,400	3,733,668	202,133	428,251
At 31 December 2019	45,897,281	3,586,698	136,867	443,324
At 31 December 2020	44,312,060	3,439,728	96,789	445,322

NOTES TO THE **FINANCIAL STATEMENTS**

Warehouse equipment $	Motor vehicles $	Plant and machinery $	Computers $	Total $
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
395,300	**686,478**	**75,999**	**1,935,341**	**67,774,702**
–	**859,068**	**–**	**12,530**	**998,312**
–	**(366,734)**	**–**	**–**	**(366,734)**
–	**–**	**–**	**(253,989)**	**(492,546)**
395,300	**1,178,812**	**75,999**	**1,693,882**	**67,913,734**
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**
271,505	**576,051**	**54,467**	**1,225,751**	**16,745,188**
17,564	**94,323**	**7,600**	**165,628**	**2,180,396**
–	**(366,732)**	**–**	**–**	**(366,732)**
–	**–**	**–**	**(253,953)**	**(490,806)**
289,069	**303,642**	**62,067**	**1,137,426**	**18,068,046**
126,635	172,014	29,133	852,223	53,026,457
123,795	110,427	21,532	709,590	51,029,514
106,231	875,170	13,932	556,456	49,845,688

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 $8,734,224 (2019: $14,031,470). At 31 December 2020, $1,030,829 (2019: $1,251,902) remained unsettled for acquisition of property, plant and equipment.

Included in property, plant and equipment of the Group and Company are right-of-use assets with a total carrying amount of $18,399,368 and $13,517,295 (2019: total carrying amount of $18,474,817 and $14,043,202), which are under lease liabilities (note 18).

The following property, plant and equipment are pledged as security for secured loans and borrowings (note 18):

	Group	
	2020	**2019**
	$	**$**
Carrying amounts		
Leasehold buildings	**31,750,962**	35,338,748
Plant and machinery	**12,673,679**	13,736,843
	44,424,641	49,075,591

Impairment of property, plant and equipment

In 2020, 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 $Nil (2019: $198,863) 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 (2019: 5 to 20 years), based on the 2021 financial budget approved by the board of directors.

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

- CGUs that are loss making or marginally profitable but are expected to be able to generate economic benefits. The recoverable amounts of the CGUs have been determined based on fair value less costs of disposal of the assets. The fair value less costs of disposal is based on market valuation performed by independent valuers with experience in the location and category of 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:

	2020 **%**	**2019** **%**
Revenue growth rate		
Singapore	**3 – 10**	2 – 3.27
People's Republic of China	**8 – 9**	6 – 8
Malaysia	**6 – 9.2**	4.4
Pre-tax discount rate		
Singapore	**4.7 – 11**	5.91 – 11
People's Republic of China	**13 – 21**	12 – 21
Malaysia	**4.7**	5.91

The Group considers asset impairment assessment which requires extensive application 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 and building	Comparison Method of Valuation	Comparing the property with comparable properties which have been sold 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 $	Club membership $	Total $
Group			
Cost			
At 1 January 2019	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
Disposal/Write-off	–	(95,000)	(95,000)
Effect of movements in exchange rates	53,365	–	53,365
At 31 December 2020	**1,106,459**	**–**	**1,106,459**
Accumulated amortisation			
At 1 January 2019	–	83,000	83,000
Amortisation charge for the year	–	3,000	3,000
31 December 2019	–	86,000	86,000
Amortisation charge for the year	–	2,750	2,750
Disposal/Write-off	–	(88,750)	(88,750)
At 31 December 2020	–	–	–
Carrying amounts			
At 1 January 2019	1,083,411	12,000	1,095,411
At 31 December 2019	1,053,094	9,000	1,062,094
At 31 December 2020	**1,106,459**	**–**	**1,106,459**

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 27.

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 5 to 20 years (2019: 5 to 20 years).

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

	2020	**2019**
	%	**%**
Revenue growth rate		
Singapore	**3**	2
People's Republic of China	**8 – 9**	6 – 8
Pre-tax discount rate		
Singapore	**14**	15
People's Republic of China	**18 – 19**	16 – 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. 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 2020 $	Group 2019 $
Cost		
At 1 January	**11,490,082**	11,336,790
Additions	**16,486**	150,079
Effect of movements in exchange rates	**389,833**	3,213
At 31 December	**11,896,401**	11,490,082
Accumulated depreciation		
At 1 January	**318,207**	271,298
Depreciation charge for the year	**51,737**	48,386
Effect of movements in exchange rates	**1,946**	(1,477)
At 31 December	**371,890**	318,207
Carrying amounts		
At 1 January	**11,171,875**	11,065,492
At 31 December	**11,524,511**	11,171,875
Fair value		
At 31 December	**12,593,933**	13,268,285

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

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 2020 and 31 December 2019 were performed by independent professional valuers and based on the comparison method and investment 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 2020:

Valuation technique	Unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
Comparison Method of Valuation	Price per square foot	Significant increases in price per square foot would result in a significantly higher fair value measurement.
Investment Method	Discount rate: 4.4% to 8.0% (2019: 2% to 5.2%) Terminal rate: 4.7% (2019: 5.5%) Capitalisation rate: 4.6% to 5.3% (2019: 5.2%)	The estimated fair value varies inversely against the discount rate, terminal rate and capitalisation rate. .

7 SUBSIDIARIES

	Company 2020 $	Company 2019 $
Equity investments at cost	**46,718,049**	46,718,049
Impairment losses	**(6,717,264)**	(6,717,264)
	40,000,785	40,000,785

In 2020, the Company assessed the carrying amount of its investments in these subsidiaries to determine whether there is any indication of impairment. No further impairment loss was recorded in both years. 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 2020 %	2019 %
	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.	Manufacturing and trading of food products*	Malaysia	**100**	100
	Held by Tipex Pte Ltd:				
^	Tips Industry (M) Sdn. Bhd.	Packaging and sale of paper products	Malaysia	**74**	74
	Held by Socma Trading (M) Sendirian Berhad:				
^	Fresh Fruit Juice Manufacturing (M) Sdn. Bhd.	Manufacture of grass jelly products	Malaysia	**100**	100

NOTES TO THE **FINANCIAL STATEMENTS**

7 SUBSIDIARIES (CONTINUED)

	Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Group 2020 %	2019 %
	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

* The company has not commenced operation since the date of its incorporation.

@ Audited by KPMG LLP, Singapore.

^ Audited by other member firms of KPMG International.

NOTES TO THE FINANCIAL STATEMENTS

8 ASSOCIATES

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
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 2020 %	the Group 2019 %	the Company 2020 %	the Company 2019 %
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 2020. As such, the Group's interests in associates remained fully impaired at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER FINANCIAL ASSETS

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Non-current investments				
Equity investments – at FVOCI	**60,310**	64,273	**60,310**	64,273
Current investments				
Equity investments – designated at FVTPL	**1,055,445**	1,878,059	**1,055,445**	1,878,059

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 2020	Dividend income recognised during 2020	Fair value at 31 Dec 2019	Dividend income recognised during 2019
	$	$	$	$
Investment in listed company in Singapore	**60,310**	**2,582**	64,273	2,733

No strategic investments were disposed of during 2020, 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 2019 $	Recognised in profit or loss (note 25) $	Effect of movements in exchange rates $	At 31 December 2019 $	Recognised in profit or loss (note 25) $	Effect of movements in exchange rates $	At 31 December 2020 $
Group							
Deferred tax assets							
Property, plant and equipment	712,189	(136,263)	–	575,926	(270,751)	–	**305,175**
Trade and other receivables	188,777	255,831	(46)	444,562	(109,579)	–	**334,983**
Tax value of loss carry forward	1,830,928	331,167	–	2,162,095	(123,728)	–	**2,038,367**
Trade and other payables	1,117,321	(516,465)	1,785	602,641	57,719	–	**660,360**
Other items	–	(59,097)	(3)	(59,100)	59,100	–	**–**
Total	3,849,215	(124,827)	1,736	3,726,124	(387,239)	–	**3,338,885**
Deferred tax liabilities							
Property, plant and equipment	(1,072,860)	(106,988)	(10,660)	(1,190,508)	(398,680)	24,779	**(1,564,409)**
Investments in subsidiaries	(1,529,900)	(1,432,080)	–	(2,961,980)	(35,856)	–	**(2,997,836)**
Other items	(84,910)	55,412	(1,286)	(30,784)	(47,844)	108	**(78,520)**
Total	(2,687,670)	(1,483,656)	(11,946)	(4,183,272)	(482,380)	24,887	**(4,640,765)**

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	
	2020	**2019**
	$	**$**
Tax losses	**18,490,520**	18,845,073
Capital allowances	**145,294**	188,152
Deductible temporary differences	**–**	1,770,817
	18,635,814	20,804,042

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 $975,083 (2019: $950,704) will expire in 2025 (2019: 2024). 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 2020, deferred tax liabilities of $1,383,480 (2019: $845,156) and temporary differences of $27,669,592 (2019: $16,903,120) arising from 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	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Finished goods	**22,540,028**	20,800,266	**–**	–
Packing materials	**825,211**	769,302	**–**	–
Raw materials	**28,845,995**	23,336,287	**–**	–
Work-in-progress	**485,770**	499,869	**–**	–
	52,697,004	45,405,724	**–**	–

In 2020, inventories of the Group amounting to $357,254,041 (2019: $361,280,376) were recognised as an expense during the period and included in cost of sales.

In 2020, the Group recognised writeback of allowance for inventory obsolescence of $101,153 (2019: allowance for inventory obsolescence of $138,394) and wrote off inventories amounting to $93,925 (2019: $134,247). 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 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Trade receivables		**89,844,682**	83,487,045	**–**	–
Bill receivables		**36,847,049**	37,122,535	**–**	–
Impairment losses		**(1,121,630)**	(1,282,163)	**–**	–
Net trade and bill receivables		**125,570,101**	119,327,417	**–**	–
Deposits		**872,156**	823,380	**33,933**	86,235
Non-trade receivables		**12,540,477**	11,446,496	**559,166**	367,475
Impairment losses		**(10,766,085)**	(10,089,597)	**–**	–
Net non-trade receivables		**1,774,392**	1,356,899	**559,166**	367,475
Amounts due from subsidiaries	13	**–**	–	**34,444,649**	41,390,080
Trade and other receivables		**128,216,649**	121,507,696	**35,037,748**	41,843,790
Advance to suppliers		**2,282,729**	4,246,867	**–**	–
Prepayments		**1,388,520**	1,687,284	**50,201**	53,250
VAT/GST receivables		**843,619**	2,412,476	**–**	–
		132,731,517	129,854,323	**35,087,949**	41,897,040
Non-current		**145,263**	534,078	**–**	–
Current		**132,586,254**	129,320,245	**35,087,949**	41,897,040
		132,731,517	129,854,323	**35,087,949**	41,897,040

13. AMOUNTS DUE FROM SUBSIDIARIES

	Company 2020 $	Company 2019 $
Loans to subsidiaries	**10,325,607**	10,325,607
Amount due from subsidiaries	**46,615,973**	53,501,485
Impairment losses	**(22,496,931)**	(22,437,012)
	24,119,042	31,064,473
	34,444,649	41,390,080

Loans to subsidiaries are interest bearing with interest charged at 3.5% (2019: 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 $59,919 (2019: reversal of impairment loss $1,270,087) during the year, arising from additional ECL allowance recognised. The impairment loss and reversal of impairment loss in 2020 and 2019 respectively were included in impairment losses of trade and other receivables (net).

NOTES TO THE FINANCIAL STATEMENTS

14. AMOUNTS DUE FROM ASSOCIATES

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Non-trade	**10,938,218**	10,946,738	**1,422,193**	1,422,193
Impairment losses	**(10,938,218)**	(10,946,738)	**(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 is included exchange translation.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Cash at bank and in hand	**78,387,429**	56,531,155	**6,667,099**	5,780,104
Fixed deposits with banks	**85,599,761**	74,696,625	**72,407,689**	62,408,845
Cash and cash equivalents in the statement of financial position	**163,987,190**	131,227,780	**79,074,788**	68,188,949
Deposits pledged	**(11,665,730)**	(9,237,749)	**–**	–
Cash and cash equivalents in the statement of cash flows	**152,321,460**	121,990,031	**79,074,788**	68,188,949

Cash and bank balances totalling $53,293,617 (2019: $38,681,903) are held in a country which operates foreign exchange controls.

Bank deposits pledged represents amounts pledged as security by certain subsidiaries to obtain credit facilities (note 18).

NOTES TO THE FINANCIAL STATEMENTS

16. CAPITAL AND RESERVES

Share capital

	2020 No. of shares	2019 No. of shares
Group and Company		
In issue at 1 January and 31 December	**570,996,746**	570,996,746

At 31 December 2020, the Company held 17,581,000 (2019: 17,581,000) of its own uncancelled shares.

The total number of issued shares excluding treasury shares as at the end of the year ended 31 December 2020 was 553,415,746 (2019: 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.

In 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	
	2020 $	2019 $	2020 $	2019 $
Other reserves	**236,659**	236,659	**–**	–
Statutory reserves	**12,298,629**	11,628,916	**–**	–
Fair value reserve	**38,923**	43,823	**38,923**	43,823
Foreign currency translation reserve	**(1,553,999)**	(5,505,188)	**–**	–
Hedging reserve	**(2,123)**	–	**–**	–
Retained earnings/(Accumulated losses)	**98,666,483**	78,474,730	**(2,094,795)**	(4,691,757)
	109,684,572	84,878,940	**(2,055,872)**	(4,647,934)

16. CAPITAL AND RESERVES (CONTINUED)

Other reserves

Other reserves of the Group comprise mainly:

(i) the reserve arising from bonus shares issued by a subsidiary;
(ii) the reserve arising from acquisition of non-controlling interests; and
(iii) the share option reserve comprising the cumulative value of employee services received for the issue of share options.

Statutory reserves

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.

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 until the assets are derecognised or reclassified.

Foreign currency translation reserve

The foreign currency 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

16. 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	
	2020	**2019**
	$	**$**
First and Final tax-exempt dividend paid of 0.25 cent (2019: 1.00 cent) per share in respect of financial year ended 31 December 2019 (2019: in respect of financial year ended 31 December 2018)	**1,383,545**	5,534,157

Paid by subsidiaries to non-controlling interests

	Group	
	2020	**2019**
	$	**$**
Final tax-exempt dividend paid of 1.00 cents (2019: 2.00 cents) per share in respect of financial year ended 31 December 2019 (2019: in respect of financial year ended 31 December 2018)	**566,710**	1,133,353
Interim tax-exempt dividend paid of 1.00 cents (2019: 1.00 cents) per share in respect of financial year ended 31 December 2020 (2019: in respect of financial year ended 31 December 2019)	**566,710**	566,677
	1,133,420	1,700,030

NOTES TO THE FINANCIAL STATEMENTS

17. 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 2020					
Revenue	**303,068,858**	**24,512,214**	**–**		
Profit/(loss)	**25,271,807**	**1,623,660**	**(39,490)**		
OCI	**6,263,936**	**(14,350)**	**7,507**		
Total comprehensive income/(loss)	**31,535,743**	**1,609,310**	**(31,983)**		
Attributable to NCI:					
– Profit/(loss)	**10,477,882**	**422,152**	**(2,526)**	**(42,512)**	**10,854,996**
– OCI	**1,621,310**	**(3,731)**	**369**	**58,939**	**1,676,887**
– Total comprehensive income/(loss)	**12,099,192**	**418,421**	**(2,157)**	**16,427**	**12,531,883**
Non-current assets	**91,062,768**	**8,992,791**			
Current assets	**204,361,696**	**14,874,898**			
Non-current liabilities	**(16,569,564)**	**(338,129)**			
Current liabilities	**(108,252,706)**	**(2,321,747)**			
Net assets	**170,602,194**	**21,207,813**			
Net assets/(liabilities) attributable to NCI	**68,376,709**	**5,514,031**	**(371,988)**	**782,531**	**74,301,283**
Cash flows from operating activities	**25,788,030**	**3,970,816**			
Cash flows used in investing activities	**(3,393,269)**	**(1,476,655)**			
Cash flows used in financing activities (dividends to NCI: note 16)	**(6,241,102)**	**–**			
Net increase in cash and cash equivalents	**16,153,659**	**2,494,161**			

NOTES TO THE **FINANCIAL STATEMENTS**

17. 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 2019					
Revenue	288,617,835	26,621,381	198,106		
Profit/(loss)	14,856,480	922,922	(1,429,115)		
OCI	(3,436,528)	(64,810)	37,531		
Total comprehensive income/(loss)	11,419,952	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 16)	(34,094,567)	–			
Net (decrease)/increase in cash and cash equivalents	(4,935,512)	1,399,264			

NOTES TO THE FINANCIAL STATEMENTS

18. LOANS AND BORROWINGS

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

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Non-current liabilities				
Secured bank loans	**10,243,139**	14,572,187	**–**	–
Lease liabilities	**17,045,433**	17,367,207	**13,623,349**	13,951,238
	27,288,572	31,939,394	**13,623,349**	13,951,238
Current liabilities				
Secured bank loans	**6,270,135**	3,282,041	**–**	–
Unsecured bank loans	**7,251,754**	7,591,818	**–**	–
Bills payable	**37,910,838**	31,645,288	**–**	–
Lease liabilities	**2,687,619**	2,673,703	**327,889**	315,034
Loan from non-controlling interests	**405,902**	386,193	**–**	–
	54,526,248	45,579,043	**327,889**	315,034
Total loans and borrowings	**81,814,820**	77,518,437	**13,951,238**	14,266,272

NOTES TO THE **FINANCIAL STATEMENTS**

18. LOANS AND BORROWINGS (CONTINUED)

Terms and debt repayment schedule

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

				2020		2019	
	Currency	Nominal interest rate %	Year of maturity	Face value $	Carrying amount $	Face value $	Carrying amount $
Group							
Bills payable (secured)	RMB	–	2021	**37,910,838**	**37,910,838**	–	–
Bills payable (secured)	RMB	–	2020	**–**	**–**	31,645,288	31,645,288
Lease liabilities	SGD	3.89 – 4.55	2022 – 2049	**23,095,676**	**13,951,238**	23,960,392	14,266,272
Lease liabilities	RM	4.40	2026	**2,748,145**	**2,449,836**	–	–
Lease liabilities	RM	5.40	2021	**–**	**–**	630,317	608,193
Lease liabilities	RM	5.40	2021	**20,859**	**20,352**	41,758	39,676
Lease liabilities	SGD	2.41 – 5.39	2021 – 2036	**3,632,904**	**3,311,626**	–	–
Lease liabilities	SGD	3.89 – 5.39	2020 – 2036	**–**	**–**	5,609,000	5,126,769
Loan A (secured)	RMB	5.23	2023	**15,315,865**	**15,315,865**	17,468,035	17,468,035
Loan B (secured)	RMB	5.13	2020	**–**	**–**	386,193	386,193
Loan C (secured)	RMB	4.76	2021	**1,197,409**	**1,197,409**	–	–
Loan D (unsecured)	RMB	3.44	2021	**6,237,000**	**6,237,000**	–	–
Loan E (unsecured)	RMB	4.15	2021	**1,014,754**	**1,014,754**	–	–
Loan F (unsecured)	RMB	4.78	2020	**–**	**–**	1,798,925	1,798,925
Loan G (unsecured)	RMB	4.57	2020	**–**	**–**	5,792,893	5,792,893
Loan from non-controlling interests (unsecured)	RMB	4.79	2021	**405,902**	**405,902**	–	–
Loan from non-controlling interests (unsecured)	RMB	4.79	2020			386,193	386,193
				91,579,352	**81,814,820**	87,718,994	77,518,437
Company							
Lease liabilities	SGD	3.89 – 4.55	2022 – 2049	**23,095,676**	**13,951,238**	23,960,392	14,266,272

(i) The bills payable of the Group are secured on bank deposits of $11,665,730 (2019: $9,237,749) (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 and are non-interest bearing and mature within 6 months from the financial year end (see note 4).

NOTES TO THE **FINANCIAL STATEMENTS**

18. LOANS AND BORROWINGS (CONTINUED)

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

	Liabilities		
	Lease liabilities $	**Loans and borrowings $**	**Total $**
Group			
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 (Note 28)	(326,959)	–	(326,959)
Balance at 31 December 2019	20,040,910	57,477,527	77,518,437
Balance at 1 January 2020	**20,040,910**	**57,477,527**	**77,518,437**
Changes from financing cash flows			
Proceeds from loans and borrowings	**–**	**114,737,239**	**114,737,239**
Repayment of loans and borrowings	**–**	**(113,091,791)**	**(113,091,791)**
Payment of lease liabilities	**(2,627,808)**	**–**	**(2,627,808)**
Interest paid	**(820,261)**	**(1,435,867)**	**(2,256,128)**
Total changes from financing cash flows	**(3,448,069)**	**209,581**	**(3,238,488)**
The effect of changes in foreign exchange rates	**20,331**	**2,958,793**	**2,979,124**
Finance costs	**820,261**	**1,435,867**	**2,256,128**
New leases	**33,707**	**–**	**33,707**
Modification and derecognition of lease liabilities (Note 28)	**2,265,912**	**–**	**2,265,912**
Balance at 31 December 2020	**19,733,052**	**62,081,768**	**81,814,820**

NOTES TO THE **FINANCIAL STATEMENTS**

18. LOANS AND BORROWINGS (CONTINUED)

Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees given by the Company to banks in respect of banking facilities amounting to $3,357,531 (2019: $3,360,705) granted to two of its subsidiaries. There are no expiry dates 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.

At the reporting date, the Company's listed subsidiary provided corporate guarantees amounting to $46,016,409 (2019: $49,698,573) to banks for banking facilities of $50,016,409 (2019: $53,698,573) made available to the subsidiaries of the listed subsidiary, of which the subsidiaries has utilised $23,763,103 (2019: $18,267,662). The listed subsidiary does not consider it probable that a claim will be made against them under the guarantee.

19. 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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

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.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. The Group has appointed a third-party internal auditor to carry out their Internal Audit function. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Risk management framework (Continued)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's maximum exposure to credit risk arises primarily from trade and other receivables.

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.

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

Trade and bill 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 bill receivables.

Credit risk relating to trade and bill receivables are limited due to the Group's many varied customers. These customers 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 and bill receivables at the reporting date (by type of customer) was as follows:

	Group			
	2020 Credit-impaired $	**2020 Not credit-impaired $**	**2019 Credit-impaired $**	**2019 Not credit-impaired $**
Consumer business	**219,896**	**27,726,267**	176,059	31,214,822
Packaging	**153,534**	**97,816,365**	275,697	88,163,325
Other	**775,669**	**–**	776,402	3,275
Total gross carrying amount	**1,149,099**	**125,542,632**	1,228,158	119,381,422
Loss allowance	**(1,092,609)**	**(29,021)**	(1,209,194)	(72,969)
	56,490	**125,513,611**	18,964	119,308,453

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

NOTES TO THE **FINANCIAL STATEMENTS**

19. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Risk management framework (Continued)

Trade and bill receivables (Continued)

Impairment losses

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

	Gross 2020 $	Impairment 2020 $	Gross 2019 $	Impairment 2019 $
Group				
Not past due	**110,667,866**	**(4,848)**	102,389,306	(3,801)
Past due 0 – 90 days	**14,727,682**	**(18,283)**	16,687,736	(20,790)
Past due 91 – 180 days	**85,838**	**–**	215,672	(289)
Past due 181 – 365 days	**61,246**	**(5,890)**	88,708	(48,089)
More than one year	**1,149,099**	**(1,092,609)**	1,228,158	(1,209,194)
	126,691,731	**(1,121,630)**	120,609,580	(1,282,163)

The following table provides information about the exposure to credit risk and ECLs for trade and bill receivables for individual customers as at 31 December 2020:

	Weighted average loss rate %	Gross carrying amount $	Impairment loss allowance $	Credit impaired
Group				
2020				
Current (not past due)	0.004%	110,667,866	(4,848)	No
Past due 0 – 90 days	0.12%	14,727,682	(18,283)	No
Past due 91 – 180 days	–	85,838	–	No
Past due 181 – 365 days	9.62%	61,246	(5,890)	No
More than one year	95.08%	1,149,099	(1,092,609)	Yes
2019				
Current (not past due)	0.004%	102,389,306	(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

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

19. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Risk management framework (Continued)

Impairment losses (Continued)

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

	Group ECL $	Company ECL $
At 1 January 2020	**1,282,163**	–
Impairment loss recognised	**50,069**	–
Impairment loss reversed	**(150,819)**	–
Effect of movements in exchange rates	**(59,783)**	–
At 31 December 2020	**1,121,630**	–
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)	–
Amount written-off	(421,422)	–
At 31 December 2019	1,282,163	–

The allowance account in respect of trade and bill 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 the trade and bill receivables 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	
	2020 $	2019 $	2020 $	2019 $
Bankers' guarantee	**14,759**	14,773	**–**	–

Non-trade receivables and amount due from subsidiaries and associates

The Group held non-trade receivables of $12,540,477 (2019: $11,446,496) and amount due from its associates of $10,938,218 (2019: $10,946,738).

The Company held non-trade receivables of $559,166 (2019: $367,475) and amount due from its subsidiaries and associates of $58,363,773 (2019: $65,249,285). The balances due from its subsidiaries and associates are amount lent to satisfy short and long-term funding requirements.

The Group and Company use 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).

NOTES TO THE **FINANCIAL STATEMENTS**

19. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Risk management framework (Continued)

Non-trade receivables and amount due from subsidiaries and associates (Continued)

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

	Group ECL $	Company ECL $
At 1 January 2020	**21,085,069**	**23,859,205**
Impairment loss recognised	**734,452**	**59,919**
Effect of movements in exchange rates	**(115,218)**	**–**
At 31 December 2020	**21,704,303**	**23,919,124**
At 1 January 2019	20,507,564	22,589,118
Impairment loss recognised	657,840	1,270,087
Effect of movements in exchange rates	(80,335)	–
At 31 December 2019	21,085,069	23,859,205

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $163,987,190 and $79,074,788 respectively at 31 December 2020 (2019: $131,227,780 and $68,188,949 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.

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.

19. **FINANCIAL INSTRUMENTS (CONTINUED)**

Financial risk management (Continued)

Risk management framework (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 2020					
Non-derivative financial liabilities					
Bank loans	**23,765,028**	**(25,167,352)**	**(14,367,082)**	**(10,800,270)**	**–**
Bills payable	**37,910,838**	**(37,910,838)**	**(37,910,838)**	**–**	**–**
Lease liabilities	**19,733,052**	**(29,498,801)**	**(3,427,766)**	**(6,501,568)**	**(19,569,467)**
Loan from non-controlling interests	**405,902**	**(423,728)**	**(423,728)**	**–**	**–**
Trade and other payables*	**58,930,774**	**(58,930,774)**	**(58,930,774)**	**–**	**–**
	140,745,594	**(151,931,493)**	**(115,060,188)**	**(17,301,838)**	**(19,569,467)**
Derivative financial instruments					
Forward exchange contracts used for hedging (gross-settled)	**3,319**	**–**	**–**	**–**	**–**
– outflow	**–**	**(409,780)**	**(409,780)**	**–**	**–**
– inflow	**–**	**406,461**	**406,461**	**–**	**–**
Total	**3,319**	**(3,319)**	**(3,319)**	**–**	**–**
31 December 2019					
Non-derivative financial liabilities					
Bank 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*	62,806,076	(62,806,076)	(62,806,076)	–	–
	140,324,513	(152,480,648)	(110,208,238)	(22,010,250)	(20,262,160)

* Exclude financial derivative liability (shown separately), VAT/GST payables and accrued staff remuneration.

NOTES TO THE **FINANCIAL STATEMENTS**

19. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Risk management framework (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 2020					
Non-derivative financial liabilities					
Lease liabilities	**13,951,238**	**(23,095,676)**	**(864,717)**	**(3,249,893)**	**(18,981,066)**
Trade and other payables	**12,017,855**	**(12,017,855)**	**(12,017,855)**	**–**	**–**
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**	12,264,841	(12,264,841)	(12,264,841)	–	–

** *Exclude accrued staff remuneration.*

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.

19. 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 2020							
Other financial assets	**–**	**1,055,445**	**–**	**–**	**–**	**–**	**–**
Trade and other receivables	**3,586**	**64,383**	**–**	**–**	**8,867,956**	**–**	**96,864**
Cash and cash equivalents	**144,549**	**497,081**	**10,683,728**	**202,992**	**13,532,911**	**3,500**	**70,971**
Trade and other payables	**(49,988)**	**(22,644)**	**(20,048)**	**–**	**(4,226,603)**	**(179,402)**	**(25,378)**
Net statement of financial position exposure	**98,147**	**1,594,265**	**10,663,680**	**202,992**	**18,174,264**	**(175,902)**	**142,457**
Forward foreign exchange contracts	**–**	**–**	**–**	**–**	**(406,462)**	**–**	**–**
Net exposure	**98,147**	**1,594,265**	**10,663,680**	**202,992**	**17,767,802**	**(175,902)**	**142,457**
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	(54,172)	–	(93,824)	–	(3,867,914)	(79,626)	(31,424)
Net exposure	106,693	2,447,750	9,796,033	20,832	13,601,050	(76,252)	158,798

	Malaysian Ringgit $	Hong Kong Dollar $	Australian Dollar $	US Dollar $	Japanese Yen $
Company					
31 December 2020					
Other financial assets	**–**	**1,055,445**	**–**	**–**	**–**
Trade and other receivables	**–**	**64,383**	**–**	**–**	**–**
Cash and cash equivalents	**10,157**	**496,495**	**10,683,728**	**1,036,443**	**3,500**
Net exposure	**10,157**	**1,616,323**	**10,683,728**	**1,036,443**	**3,500**
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	12,692	2,447,750	9,889,857	1,891,714	3,374

NOTES TO THE **FINANCIAL STATEMENTS**

19. 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 2019, as indicated below.

	Group		Company	
	Equity $	Profit or loss $	Equity $	Profit or loss $
2020				
Malaysian Ringgit	**–**	**9,815**	**–**	**(1,016)**
Hong Kong Dollar	**–**	**159,427**	**–**	**(161,632)**
Australian Dollar	**–**	**1,066,368**	**–**	**(1,068,373)**
Singapore Dollar	**–**	**20,299**	**–**	**–**
US Dollar	**(40,646)**	**1,817,426**	**–**	**(103,644)**
Japanese Yen	**–**	**(17,590)**	**–**	**(350)**
Other currencies	**–**	**14,246**	**–**	**–**
2019				
Malaysian Ringgit	–	10,669	–	1,269
Hong Kong Dollar	–	244,775	–	244,775
Australian Dollar	–	979,603	–	988,986
Singapore Dollar	–	2,083	–	–
US Dollar	–	1,360,105	–	189,171
Japanese Yen	–	(7,625)	–	337
Other currencies	–	15,880	–	–

A 10% (2019: 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 2019.

19. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Currency risk (Continued)

Derivative assets and liabilities designated as cash flow hedges

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

	Carrying amount $	Expected net cash outflows $	Within 1 year $
Group			
2020			
Forward exchange contracts used for hedging – liabilities	**(3,319)**	**(3,319)**	**(3,319)**

Interest rate risk

Risk management policy

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

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

Exposure to interest rate risk

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

	Group Nominal amount		Company Nominal amount	
	2020 $	**2019** $	**2020** $	**2019** $
Fixed rate instruments				
Financial assets	**11,500,000**	9,000,000	**10,325,607**	10,325,607
Financial liabilities	**(19,733,052)**	(20,040,910)	**13,951,238**	(14,266,272)
	(8,233,052)	(11,040,910)	**24,276,845**	(3,940,665)
Variable rate instruments				
Financial assets	**127,456,271**	104,473,431	**72,407,689**	62,408,845
Financial liabilities	**(24,170,930)**	(25,832,239)	**–**	–
	103,285,341	78,641,192	**72,407,689**	62,408,845

NOTES TO THE **FINANCIAL STATEMENTS**

19. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (Continued)

Interest rate risk (Continued)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at 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 2019.

	Profit or loss			
	Group		Company	
	100 bp increase $	100 bp decrease $	100 bp increase $	100 bp decrease $
2020				
Variable rate instruments	**1,032,853**	**(1,032,853)**	**724,077**	**(724,077)**
2019				
Variable rate instruments	786,412	(786,412)	624,088	(624,088)

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.

19. 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 2019.

	Group		**Company**	
	10% increase $	**10% decrease $**	**10% increase $**	**10% decrease $**
2020				
Profit before tax	**105,545**	**(105,545)**	**105,545**	**(105,545)**
Equity	**6,031**	**(6,031)**	**6,031**	**(6,031)**
2019				
Profit before tax	187,806	(187,806)	187,806	(187,806)
Equity	6,427	(6,427)	6,427	(6,427)

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 7, 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 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

19. 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		
	Note	Amortised cost $	FVOCI-equity instruments $	Designated at FVTPL $
Group				
31 December 2020				
Financial assets measured at fair value				
Equity investments – at FVOCI	9	–	**60,310**	–
Equity investments – at FVTPL	9	–	–	**1,055,445**
		–	**60,310**	**1,055,445**
Financial assets not measured at fair value				
Cash and cash equivalents	15	**163,987,190**	–	–
Trade and other receivables#	12	**128,216,649**	–	–
		292,203,839	–	–
Financial liabilities measured at fair value				
Foreign exchange contract	21	–	–	–
Financial liabilities not measured at fair value				
Secured bank loans	18	–	–	–
Unsecured bank loans	18	–	–	–
Bills payable	18	–	–	–
Loan from non-controlling interests	18	–	–	–
Trade and other payables*	21	–	–	–
		–	–	–

Exclude advances to suppliers, prepayment and VAT/GST receivables

* Exclude financial derivative liabilities (shown separately), VAT/GST payables and accrued staff remuneration

NOTES TO THE **FINANCIAL STATEMENTS**

		Fair value			
Other financial liabilities $	Total $	Level 1 $	Level 2 $	Level 3 $	Total $
–	60,310	60,310	–	–	60,310
–	1,055,445	1,055,445	–	–	1,055,445
–	1,115,755				
–	163,987,190	–	–	–	–
–	128,216,649	–	–	–	–
–	292,203,839				
(3,319)	(3,319)	–	(3,319)	–	(3,319)
(16,513,274)	(16,513,274)	–	(17,841,251)	–	(17,841,251)
(7,251,754)	(7,251,754)	–	(7,326,101)	–	(7,326,101)
(37,910,838)	(37,910,838)	–	–	–	–
(405,902)	(405,902)	–	(423,728)	–	(423,728)
(58,930,774)	(58,930,774)	–	–	–	–
(121,012,542)	(121,012,542)				

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

	Note	Carrying amount		
		Amortised cost	FVOCI-equity instruments	Designated at FVTPL
		$	$	$
Group				
31 December 2019				
Financial assets measured at fair value				
Equity investments – at FVOCI	9	–	64,273	–
Equity investments – at FVTPL	9	–	–	1,878,059
		–	64,273	1,878,059
Financial assets not measured at fair value				
Cash and cash equivalents	15	131,227,780	–	–
Trade and other receivables#	12	121,032,820	–	–
		252,260,600	–	–
Financial liabilities not measured at fair value				
Secured bank loans	18	–	–	–
Unsecured bank loans	18	–	–	–
Bills payable	18	–	–	–
Loan from non-controlling interests	18	–	–	–
Trade and other payables*	21	–	–	–
		–	–	–

Exclude advances to suppliers, prepayments and VAT/GST receivables
* Exclude VAT/GST payables and accrued staff remuneration

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	–	–	–	–
–	121,032,820	–	–	–	–
–	252,260,600				
(17,854,228)	(17,854,228)	–	(19,585,344)	–	(19,585,344)
(7,591,818)	(7,591,818)	–	(7,797,805)	–	(7,797,805)
(31,645,288)	(31,645,288)	–	–	–	–
(386,193)	(386,193)	–	(404,672)	–	(404,672)
(62,806,076)	(62,806,076)	–	–	–	–
(120,283,603)	(120,283,603)				

NOTES TO THE **FINANCIAL STATEMENTS**

19. FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

	Note	Carrying amount		
		Amortised cost	**FVOCI-equity instruments**	**Designated at FVTPL**
		$	**$**	**$**
Company				
31 December 2020				
Financial assets measured at fair value				
Equity investments – at FVOCI	9	**–**	**60,310**	**–**
Equity investments – at FVTPL	9	**–**	**–**	**1,055,445**
		–	**60,310**	**1,055,445**
Financial assets not measured at fair value				
Cash and cash equivalents	15	**79,074,788**	**–**	**–**
Trade and other receivables#	12	**35,037,748**	**–**	**–**
		114,112,536	**–**	**–**
Financial liabilities not measured at fair value				
Trade and other payables*	21	**–**	**–**	**–**
31 December 2019				
Financial assets measured at fair value				
Equity investments – at FVOCI	9	–	64,273	–
Equity investments – at FVTPL	9	–	–	1,878,059
		–	64,273	1,878,059
Financial assets not measured at fair value				
Cash and cash equivalents	15	68,188,949	–	–
Trade and other receivables#	12	41,843,790	–	–
		110,032,739	–	–
Financial liabilities not measured at fair value				
Trade and other payables*	21	–	–	–

\# Exclude prepayments
* Exclude accrued staff remuneration

Other financial liabilities $	Total $	Fair value Level 1 $	Level 2 $	Level 3 $	Total $
–	**60,310**	**60,310**	**–**	**–**	**60,310**
–	**1,055,445**	**1,055,445**	**–**	**–**	**1,055,445**
–	**1,115,755**				
–	**79,074,788**	**–**	**–**	**–**	**–**
–	**35,037,748**	**–**	**–**	**–**	**–**
–	**114,112,536**				
(12,017,855)	**(12,017,855)**	**–**	**–**	**–**	**–**
–	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				
(12,264,841)	(12,264,841)	–	–	–	–

NOTES TO THE **FINANCIAL STATEMENTS**

19. 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	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.

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Other financial liabilites*	Discounted cash flows: The valuation model considers the present value of expected payment discounted using a risk-adjusted discounted rate.	Not applicable.

** Other financial liabilities include loan from non-controlling interests, secured and unsecured bank loans*

During the financial years ended 31 December 2020 and 31 December 2019, there were no transfers between Level 1 and Level 2.

20. DEFERRED INCOME

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Grants				
At 1 January	**3,188,168**	2,426,748	**429,589**	432,878
Grants received during the year	**154,530**	1,199,247	**–**	50,000
Amortisation charge for the year	**(423,626)**	(375,244)	**(55,944)**	(53,289)
Effect of movements in exchange rates	**115,431**	(62,583)	**–**	–
At 31 December	**3,034,503**	3,188,168	**373,645**	429,589
Current	**504,742**	380,060	**55,944**	55,944
Non-current	**2,529,761**	2,808,108	**317,701**	373,645
	3,034,503	3,188,168	**373,645**	429,589

Included in deferred income are deferred grants relating to subsidies received from government for the acquisition of factory building and plant and machinery by its subsidiaries and government relief such as property tax rebate and jobs support scheme payouts. There are no unfulfilled conditions or contingencies attached to this grant.

21. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Trade payables	**42,216,322**	46,468,866	**–**	–
Amounts due to subsidiaries (non-trade)	**–**	–	**9,022,872**	9,051,045
Other payables	**9,468,597**	9,134,770	**2,810,344**	2,949,682
Accruals	**7,245,855**	7,202,440	**184,639**	264,114
	58,930,774	62,806,076	**12,017,855**	12,264,841
Accrued staff remuneration	**13,559,134**	10,966,590	**739,334**	647,087
VAT/GST payables	**750,166**	881,519	**–**	–
Foreign exchange contract	**3,319**	–	**–**	–
	73,243,393	74,654,185	**12,757,189**	12,911,928

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

22. REVENUE

	Group	
	2020	2019
	$	$
Sale of goods		
– Consumer business	**168,067,513**	172,094,003
– Packaging business	**302,996,799**	288,564,048
– Others	**320,366**	448,967
	471,384,678	461,107,018

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**

23. PROFIT FOR THE YEAR

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

	Group	
	2020	**2019**
	$	**$**
(Writeback)/Allowance for inventory obsolescence	**(101,153)**	138,394
Amortisation of deferred income	**(423,626)**	(375,244)
Inventories written off	**93,925**	134,247
Audit fees paid to:		
– auditors of the Company	**407,025**	434,269
– other auditors	**226,128**	212,438
Non-audit fees paid to:		
– auditors of the Company	**54,046**	33,506
– other auditors	**114,442**	99,957
Amortisation of intangible assets	**2,750**	3,000
Staff costs	**58,547,863**	57,041,792
Contribution to defined contribution plans included in staff costs	**3,825,724**	4,158,878
Depreciation of investment properties	**51,737**	48,386
Depreciation of property, plant and equipment	**15,608,163**	14,724,755
Exchange gain	**(7,660)**	(183,732)
Loss/(Gain) on disposal of property, plant and equipment	**179,918**	(103,108)
Operating expenses arising from investment properties	**194,766**	165,591
Operating lease expense – short term	**533,747**	765,319
Impairment loss on property, plant and equipment	**–**	198,863
Intangible asset written off	**6,250**	–
Loss on disposal on asset held for sale	**–**	(5,453,963)
Property, plant and equipment written off	**30,175**	265,992
Government grants	**(5,321,635)**	(1,267,269)

During the financial year ended 31 December 2019, the Group entered into a final settlement agreement with Kang Cheng Holdings Limited ("Buyer"), under which, the Group will transfer its entire 49% shares in Million Cube Limited (classified as assets held for sale) 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 recognised in other payables in prior years was recognised in profit and loss and a loss from disposal of $5,453,963 was recorded.

During the financial year ended 31 December 2020, the Group received government grants in relation to property tax rebate and job support scheme. The property tax rebate and job support scheme are grants provided by Singapore government to support business in Singapore due to Covid-19 pandemic.

NOTES TO THE **FINANCIAL STATEMENTS**

24. FINANCE INCOME AND FINANCE COSTS

	Group 2020 $	Group 2019 $
Recognised in profit or loss		
Interest income:		
– other receivables	**689,427**	673,031
– fixed deposits	**1,213,443**	1,680,388
Dividend income on Equity investment – at FVOCI	**2,582**	2,733
Finance income	**1,905,452**	2,356,152
Interest expense:		
– bank borrowings	**(1,435,867)**	(1,877,924)
– lease liabilities	**(820,261)**	(866,693)
Net decrease in fair value of financial assets designated at FVTPL	**(822,614)**	(618,352)
Finance costs	**(3,078,742)**	(3,362,969)
Net finance costs recognised in profit or loss	**(1,173,290)**	(1,006,817)
The above finance income and finance expense included the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss:		
– Total interest income on financial assets	**1,902,870**	2,353,419
– Total interest expense on financial liabilities	**(2,256,128)**	(2,744,617)
Net finance expense in statement of cash flows	**(353,258)**	(391,198)

25. TAX EXPENSE

	Note	Group 2020 $	Group 2019 $
Tax recognised in profit or loss			
Current tax expense			
Current year		**7,004,480**	4,870,724
Adjustments for prior years		**(732,555)**	(765,808)
		6,271,925	4,104,916
Deferred tax expense			
Origination and reversal of temporary differences		**706,464**	1,246,275
Adjustments for prior years		**163,155**	362,208
	10	**869,619**	1,608,483
Total tax expense		**7,141,544**	5,713,399

NOTES TO THE **FINANCIAL STATEMENTS**

25. TAX EXPENSE (CONTINUED)

	Group 2020 $	Group 2019 $
Reconciliation of effective tax rate		
Profit for the year	**33,100,007**	11,836,137
Total tax expense	**7,141,544**	5,713,399
Profit excluding tax	**40,241,551**	17,549,536
Tax calculated using Singapore tax rate of 17% (2019: 17%)	**6,841,064**	2,983,421
Effects of tax rates in foreign jurisdiction	**956,781**	336,060
Income not subject to tax	**(824,020)**	(30,762)
Non-deductible expenses	**765,031**	1,517,466
Tax rebates and incentives	**(515,465)**	(390,905)
Deferred tax assets not recognised	**90,038**	545,873
Recognition of tax effect of previously unrecognised tax losses	**(170,798)**	(1,012,475)
Withholding tax	**570,545**	2,164,675
Over provided in prior years, net	**(569,400)**	(403,600)
Others	**(2,232)**	3,640
	7,141,544	5,713,399

26. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2020 was based on the profit attributable to ordinary shareholders of $22,245,011 (2019: $6,055,424), and a weighted average number of ordinary shares outstanding of 553,415,746 (2019: 553,415,746), calculated as follows:

Weighted average number of ordinary shares (basic)

	Note	Group 2020	Group 2019
Issued ordinary shares at 1 January	16	**553,415,746**	553,415,746
Weighted average number of ordinary shares during the year		**553,415,746**	553,415,746

NOTES TO THE **FINANCIAL STATEMENTS**

26. EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

As there are no share options and warrants in issue as at the financial year end, the basic and fully diluted earnings per share are the same.

27. OPERATING SEGMENTS

The Group has 2 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Board of Directors review 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 2020 and 2019.

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**

27. OPERATING SEGMENTS (CONTINUED)

	Consumer Essentials Consumer Business $	Strategic Investments Packaging $	Others $	Total operations $
Group				
31 December 2020				
External revenues	168,067,513	302,996,799	320,366	471,384,678
Results from operating activities	12,798,015	30,981,353	(929,194)	42,850,174
Unallocated amounts – Other corporate expenses, net of income				(1,435,333)
Net finance cost				(1,173,290)
Profit before tax				40,241,551
Tax expense				(7,141,544)
Profit for the year				33,100,007
Other segment information				
Allowance made/(reversed) for impairment of receivables:				
– trade and bill receivables	48,330	(149,080)	–	(100,750)
– other receivables	–	60,885	673,567	734,452
Allowance made/(reversed) for inventory obsolescence	139,718	(240,871)	–	(101,153)
Inventories written off	93,925	–	–	93,925
Depreciation of:				
– property, plant and equipment	4,462,245	11,145,918	–	15,608,163
– investment properties	–	–	51,737	51,737
Property, plant and equipment written off	7,098	23,077	–	30,175
Capital expenditure on property, plant and equipment	3,599,204	5,101,313	–	8,700,517
Capital expenditure on investment property	–	–	16,486	16,486

NOTES TO THE **FINANCIAL STATEMENTS**

27. 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 cost				(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 impairment of receivables:				
– trade and bill 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
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**

27. 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 2020					
External revenue	**151,352,967**	**62,594,320**	**257,117,025**	**320,366**	**471,384,678**
Non-current assets	**76,569,558**	**13,765,795**	**77,251,113**	**10,818,602**	**178,405,068**
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

28. LEASES

Leases as lessee (SFRS(I) 16)

The Group lease warehouse space with contract terms less than one year and these leases are considered short term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for these short term leases.

NOTES TO THE FINANCIAL STATEMENTS

28. 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 $	Production equipment $	Office equipment $	Total $
Balance at 1 January 2020	**17,992,867**	**188,549**	**293,401**	**18,474,817**
Depreciation charge for the year	**(2,182,738)**	**(123,090)**	**(91,425)**	**(2,397,253)**
Additions to right-of-use assets	**–**	**33,707**	**–**	**33,707**
Modification of right-of-use asset*	**2,269,085**	**–**	**–**	**2,269,085**
Derecognition of right-of-use asset**	**–**	**(3,089)**	**–**	**(3,089)**
Effect of movement in exchange rate	**22,101**	**–**	**–**	**22,101**
Balance at 31 December 2020	**18,101,315**	**96,077**	**201,916**	**18,399,368**
Balance at 1 January 2019	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 2019	17,992,867	188,549	293,401	18,474,817

* Modification of the right-of-use assets in 2020 is due to change of terms and conditions of a lease entered into by a subsidiary.
** Derecognition of the right-of-use assets in 2020 is due to cancellation of lease by a subsidiary.
*** Derecognition of the right-of-use assets in 2019 is due to cancellation of lease by a subsidiary.

Amounts recognised in profit or loss

	$
2020	
Interest on lease liabilities	**820,261**
Expenses relating to short-term leases	**533,747**
2019	
Interest on lease liabilities	866,693
Expenses relating to short-term leases	765,319

28. LEASES (CONTINUED)

Extension options

One of the leased property's agreement entered into by one of the Company's subsidiary contains a 5 year extension option to be exercisable by the subsidiary 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 subsidiary has not included the extension option in the computation of the right-of-use and lease liabilities for this particular lease as the subsidiary is still assessing the various alternatives other than to exercise the lease option.

In the lease agreement entered into by one of the Company's subsidiary contains a 3 year (2019: 1 year) extension option to be exercisable by the subsidiary. The subsidiary has assessed at the inception of the lease that it will exercise the lease option and the future lease payments arising from the extension were included in the lease liabilities.

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 leases

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

Rental income from investment property recognised by the Group in 2020 was $320,366 (2019: $448,967).

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

	$
2020	
Less than one year	**406,205**
One to two years	**406,205**
Two to three years	**353,491**
Total	**1,165,901**
2019	
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

NOTES TO THE FINANCIAL STATEMENTS

29. 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	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Contracted but not provided for	**3,226,103**	4,318,275	**–**	–

30. RELATED PARTIES

Key management personnel compensation

Compensation paid/payable to key management personnel comprise:

	Group	
	2020	**2019**
	$	**$**
Director fees	**427,197**	455,078
Short-term employee benefits	**7,279,828**	6,343,938
Post-employment benefits	**197,017**	191,061
	7,904,042	6,990,077

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.

31. COVID-19 PANDEMIC

On 11 March 2020, the World Health Organisation declared the 2019 Novel Coronavirus ("Covid-19") outbreak a pandemic. The spread of Covid-19 has created a high level of uncertainty to the near-term global economic prospects and caused disruptions to various businesses. The Group is taking precautionary measures to deal with the Covid-19 outbreak in accordance with guidelines provided by the Singapore, Malaysia and China authorities. The Covid-19 outbreak is not expected to have a significant impact on the Group.

32. SUBSEQUENT EVENT

On 25 February 2021, the board of directors of the Group's listed subsidiary announced that it is evaluating the feasibility of a possible spin-off and listing of Tat Seng Packaging (Suzhou) Co., Ltd. and the other subsidiaries of the listed subsidiary, which are incorporated in the People's Republic of China ("PRC") (the "PRC Business") on a suitable stock exchange to be determined by the listed subsidiary ("Proposed Spin-off"). The PRC Business comprises the operating business in PRC under Tat Seng Packaging (Suzhou) Co., Ltd. and the other PRC subsidiaries of the listed subsidiary, which is organised and managed separately from the listed subsidiary's operating businesses in Singapore.

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	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	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	Factory premises, office building	26,586 sqm on 50 year lease expiring on 18 March 2060
Jiangsu Province, Nantong City, Tongzhou District, Xiting Town, The People's Republic of China	Factory premises, office building	74,115 sqm on 50 year lease expiring on 11 March 2068
Tianjin City, Airport Economic Zone, North of Weiliu Road The People's Republic of China	Factory premises, office building	33,233.3 sq m on 50 year lease expiring on 3 April 2062
Units 233, 237, 326, 358, 3A30, 3A31 Cinta Ayu Resort Apartments, all situated at 20 KM, Jalan Pontian Lama 81110 Pulai, Johor, Malaysia	Apartments	Freehold

2. MATERIAL CONTRACTS

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

资产负债表

于2020年12月31日

	附注	集团 2020 $	集团 2019 $	公司 2020 $	公司 2019 $
资产					
产业及机器设备	4	**162,229,640**	163,420,528	**49,845,688**	51,029,514
无形资产	5	**1,106,459**	1,062,094	**–**	–
物业投资	6	**11,524,511**	11,171,875	**–**	–
子公司	7	**–**	–	**40,000,785**	40,000,785
联营公司	8	**–**	–	**–**	–
其他金融资产	9	**60,310**	64,273	**60,310**	64,273
递延税款资产	10	**3,338,885**	3,726,124	**–**	–
应收账款及其它应收款	12	**145,263**	534,078	**–**	–
非流动资产合计		**178,405,068**	179,978,972	**89,906,783**	91,094,572
其他金融资产	9	**1,055,445**	1,878,059	**1,055,445**	1,878,059
税款资产		**197,082**	449,801	**–**	–
存货	11	**52,697,004**	45,405,724	**–**	–
应收账款及其它应收款	12	**132,586,254**	129,320,245	**35,087,949**	41,897,040
现金和现金等同物	15	**163,987,190**	131,227,780	**79,074,788**	68,188,949
流动资产合计		**350,522,975**	308,281,609	**115,218,182**	111,964,048
资产合计		**528,928,043**	488,260,581	**205,124,965**	203,058,620
股东权益					
股本	16	**180,098,765**	180,098,765	**180,098,765**	180,098,765
储备	16	**109,684,572**	84,878,940	**(2,055,872)**	(4,647,934)
归属于公司业主的股东权益		**289,783,337**	264,977,705	**178,042,893**	175,450,831
少数股东权益	17	**74,301,283**	62,902,820	**–**	–
股东权益合计		**364,084,620**	327,880,525	**178,042,893**	175,450,831
负债					
贷款与借贷	18	**27,288,572**	31,939,394	**13,623,349**	13,951,238
递延收益	20	**2,529,761**	2,808,108	**317,701**	373,645
递延应付税款	10	**4,640,765**	4,183,272	**–**	–
非流动负债合计		**34,459,098**	38,930,774	**13,941,050**	14,324,883
贷款与借款	18	**54,526,248**	45,579,043	**327,889**	315,034
应付账款和其他应付款	21	**73,243,393**	74,654,185	**12,757,189**	12,911,928
递延收益	20	**504,742**	380,060	**55,944**	55,944
本期应付税款		**2,109,942**	835,994	**–**	–
流动负债合计		**130,384,325**	121,449,282	**13,141,022**	13,282,906
负债合计		**164,843,423**	160,380,056	**27,082,072**	27,607,789
负债及股东权益合计		**528,928,043**	488,260,581	**205,124,965**	203,058,620

附注内容是财务报表的组成部分之一。

综合损益表

截至2020年12月31日止年度

	附注	2020 $	2019 $
收入	22	**471,384,678**	461,107,018
售出产品成本		**(361,760,301)**	(366,285,613)
毛利		**109,624,377**	94,821,405
其他收入		**6,052,413**	2,913,749
分销费用		**(42,400,182)**	(42,302,113)
行政费用		**(31,001,286)**	(30,128,280)
应收帐款及其它应收款之减值损失		**(633,702)**	(831,579)
出售持有的待售资产之亏损		**–**	(5,453,963)
其他费用		**(226,779)**	(462,866)
营业活动之盈利		**41,414,841**	18,556,353
金融收入		**1,905,452**	2,356,152
金融费用		**(3,078,742)**	(3,362,969)
净金融（费用）／收入	24	**(1,173,290)**	(1,006,817)
税前盈利		**40,241,551**	17,549,536
所得税	25	**(7,141,544)**	(5,713,399)
本期盈利	23	**33,100,007**	11,836,137
盈利可归属：			
公司业主		**22,245,011**	6,055,424
少数股东权益		**10,854,996**	5,780,713
本期盈利		**33,100,007**	11,836,137
每股盈利			
每股盈利基额（分）	26	**4.02**	1.09
每股盈利摊薄（分）	26	**4.02**	1.09

附注内容是财务报表的组成部分之一。

SHAREHOLDING STATISTICS

Year ended 31 December 2020

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 2021

SUBSTANTIAL SHAREHOLDERS	NUMBER OF SHARES HELD DIRECT INTEREST	DEEMED INTEREST	SHAREHOLDING PERCENTAGE (%)
Violet Profit Holdings Limited	134,112,551	–	24.23
Ku Yun-Sen[(1)]	–	134,112,551	24.23
Tang Cheuk Chee[(2)]	58,858,500	48,498,000	19.40
Goi Seng Hui	124,820,004	–	22.55

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.

ANALYSIS OF SHAREHOLDINGS AS AT 16 MARCH 2021

RANGE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	293	4.01	11,494	0.00
100 – 1,000	2,285	31.25	1,279,117	0.23
1,001 – 10,000	3,098	42.36	14,381,175	2.60
10,001 – 1,000,000	1,615	22.08	81,537,141	14.73
1,000,001 and above	22	0.30	456,206,819	82.44
	7,313	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 2021.

SHAREHOLDING STATISTICS

Year ended 31 December 2020

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 2021, 33.75% 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 2021

NO.	NAME	NO. OF SHARES HELD	%*
1.	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	134,267,173	24.26
2.	GOI SENG HUI	123,735,004	22.36
3.	TANG CHEUK CHEE	49,449,500	8.94
4.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	48,943,546	8.84
5.	DBS NOMINEES PRIVATE LIMITED	19,994,148	3.61
6.	AAH INVESTMENT PTE LTD	18,898,200	3.41
7.	PHILLIP SECURITIES PTE LTD	11,369,108	2.05
8.	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	8,817,446	1.59
9.	CITIBANK NOMINEES SINGAPORE PTE LTD	7,550,341	1.36
10.	OCBC SECURITIES PRIVATE LTD	6,491,128	1.17
11.	OCBC NOMINEES SINGAPORE PTE LTD	4,220,245	0.76
12.	CHEW GHIM BOK	3,769,000	0.68
13.	LIM SOH HUA	3,032,500	0.55
14.	HENG SIEW ENG	2,454,100	0.44
15.	LIM AND TAN SECURITIES PTE LTD	2,369,800	0.43
16.	JACK INVESTMENT PTE LTD	2,245,600	0.41
17.	UOB KAY HIAN PTE LTD	2,141,236	0.39
18.	RAFFLES NOMINEES (PTE) LIMITED	1,519,579	0.27
19.	ANG JUI KHOON	1,298,400	0.23
20.	MAYBANK KIM ENG SECURITIES PTE LTD	1,284,765	0.23
		453,850,819	81.98

Note:

* Percentage is based on 553,415,746 shares (excluding 17,581,000 Treasury Shares) as at 16 March 2021.

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HANWELL
HOLDINGS 恒威

Company Registration No: 197400888M
Incorporated in the Republic of Singapore

348 Jalan Boon Lay Singapore 619529
Tel: +65 6268 4822 Fax: +65 6266 2607

www.hanwell.com.sg