YEO HIAP SENG LIMITED

REFRESH AND REINVENT

ANNUAL REPORT **2016**

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CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of your Board of Directors, I am pleased to present the annual report for the financial year ended 31 December 2016 ("FY2016").

FINANCIAL OVERVIEW

2016 was a challenging year for the Group as the economies in our core markets slowed down significantly, resulting in dampened business and consumer sentiments. Compounded by intense market competition, regional currency volatilities, and fluctuations in raw material prices, the Group's revenue and net profit declined 7.5% to $410.0 million and 21.4% to S$29.0 million respectively. As competition will remain keen and there will be continued upward operating cost pressures in 2017, we will manage the Group's businesses cautiously for the year ahead.

STRATEGY REVIEW

Having anticipated an increasingly competitive business environment, we formulated a three-pronged strategy last year to enable us to weather the challenges better. We have been executing this strategy to plan and will continue to do so over the next few years.

Firstly, to rejuvenate our brand to appeal to the younger population and develop new products to cater to the fast evolving and rapidly changing consumer tastes. Brand rejuvenation has been completed in our core markets in 2016 and market acceptance of our new packaging has been encouraging to date. During the year, we have also launched a range of new beverages, which are expected to contribute to the Group's performance in 2017. These included our 100% Coconut Water, pH Infinity Nano-Artesian Water, C'Haze Herbal Tea, Fun Cola, and JusCool Sparkling Juice Drinks, amongst others.

Secondly, to further develop our food segment in order to diversify our revenue streams and build business resilience. In 2016, we added the Boneless Chicken Curry, the Prata Curry Gravy with Potatoes and the Nanyang Kaya to our food portfolio. We also opened new food service accounts and partnered new food distributors in our markets. We plan to step up and do more in the food space in 2017.

Thirdly, to expand and forge partnerships with agency brands to provide our customers with complementary products, leveraging on our distribution network and sales strength. To date, our growing stable of agency brands include A1 Food, Tao Ti, Celsius, Bel Normande, Louis Raison and Brand's Ca'ya with more in the pipeline. We have also been laying the groundwork for our strategic joint venture with Hui Yuan and most of the work has been completed to enable us to launch new fruit and vegetable juice products in 2017.

Whilst the cessation of the exclusive bottling agreement with PepsiCo in October 2016 will require us to recalibrate our growth targets, it has opened new opportunities for the Group to manufacture, market and distribute our own line of carbonated soft drinks and other product offerings as well as to pursue new business opportunities with other industry partners. In light of this, we have launched our carbonated drinks segment with the JusCool Sparkling Juice Drinks and Fun Cola range. Along the same vein, we are also planning to partner Coca Cola Singapore Beverages to provide it with warehousing and logistics services in Singapore, targeting to commence in March 2017.

BRAND BUILDING

In Malaysia, one of our key markets, our brand building activities under the "Jelajah Yeo's Yeogurt", Ramadan and "I Love Malaysia" consumer marketing campaigns were activated in all channels and generated good level of interest in and visibility of our products. The two-month long "Jelajah Yeo's Yeogurt" campaign that ended on a high note in April 2016 was a joint collaboration with Harian Metro to promote Yeo's full range of offerings in beverage, noodles, canned food and sauce categories, with Yeogurt taking centre stage. During the Ramadan month, we kept up the momentum with various contests, sampling events and roadshows to generate festive sales. Fostering racial diversity and unity within the Malaysian community, the "I Love Malaysia" campaign which spanned July to October 2016 was packed with many on-the-ground engagements as well as meet-and-greet sessions with local celebrities like Akim Ahmad and Stacy Anam.

In Singapore, we launched a series of advertising campaigns to reinforce Yeo's position as "Singapore's No.1 Asian Drinks". The campaigns also featured our new products with the use of thematic slogans, such as "Love the Feel-Good Flavours" for our new Hawthorn Juice Drink, Tamarind Juice Drink and Bandung Rose Milk Drink; "Love The Vigour" for Pink Dolphin; "Naturally Refreshing" to bring out the refreshing qualities in our Oceanic Drinks and pH Infinity Nano-artesian Water; "Simply My Pure Choice" for our 100% Coconut Water; "Fun Time Fun Cola" for our cola beverage; and "A Fizzy Wave of Fruity Delights" for the JusCool line of carbonated soft drinks.

Following our inaugural award of the Overall Winner for the Heritage Brand Category in the Singapore Prestige Brand Award for 2015, we reached yet another milestone in our branding journey by winning the Singapore Prestigious Brands Award 2016 - Regional Brands Category. The award is a testament to the Group's persistence and perseverance in growing its regional and international market presence, brand identity, brand strategic blueprint, as well as its brand development and performance.

I am pleased to share that Yeo's Brand Rating improved from A in 2015 to AA- in 2016 and was ranked 54th on Brand Finance plc's list of Singapore's Top 100 brands in 2016. The ISO-compliant list, compiled by the global independent brand valuation consultancy practice, adopted a robust and systematic methodology to rank Singapore's most valuable brands and validated the results from our brand building activities over the years.

PAVING THE ROAD FOR SUSTAINABLE GROWTH

In 2016, we embarked on a multi-year plan to invest in new plants for future growth and to upgrade our existing facilities for better cost efficiencies and improve business and operational resilience.

The completion of the construction of our Cambodia factory in the Phnom Penh Special Economic Zone is in line with our business plan. We look to expand our presence and continue to tap on the growth potential in Cambodia.

In order to attain greater production efficiencies and economies of scale, we re-looked our earlier plan to build a new facility to replace our Johor Bahru factory. We decided instead to reorganise and relocate the production lines in our Johor Bahru factory into our other plants over the next few years, with selective upgrading of lines to improve efficiency and increase our production capacity. We will also continue the systematic overhaul of the Group's production facilities to bolster the Group's overall production resilience and minimise the risks of major breakdowns and extended downtime.

It is important that when we build our capacity for growth, we do not lose sight of the safety of our workforce. Our commitment to safety excellence was further affirmed in November 2016 by winning the Silver Platinum Premier Award for the "Malaysian Occupational Safety and Health Practitioners' Association ("MOSHPA") 12th Occupational Safety and Health National Awards 2016 – OSH Management in Manufacturing Food & Beverage". In pursuing excellence in safety and quality, we have ensured that our production teams undergo a robust and comprehensive training programme covering work safety and health, quality, Halal and technical competencies. In 2016, training hours of production teams accounted for more than half of the Group's total training hours.

CORPORATE RESPONSIBILITY

As a corporate citizen, the Group has always placed strong emphasis to reach out and contribute back to the communities, within which we operate.

2016 marked the 13th year of H-Two-O's co-title sponsorship of the S-League. We also sponsored the H-Two-O Ultimate Women's Dream Team, with the goal of providing equal opportunities for women to access football, improving quality of their skills as well as inspiring more young girls and women to participate in the sport. Together with S-League clubs, we have co-organised numerous football clinics reaching out to over 8,000 students from primary schools, secondary schools and community groups to hone young budding footballers into well-rounded sportsmen. As the S-League and the various football programs have become more developed, we will not continue our sponsorship in 2017, but instead we will be looking to nurture and grow some other sports going forward.

CHAIRMAN'S STATEMENT

We continue to participate in the annual "Bare Your Sole 2016" event, which our H-Two-O brand was the main beverage sponsor. We are proud to be a patron to the event that raised S$250,000 to help fund Habitat for Humanity Singapore's local programme, Project HomeWorks. The funds will be used for intensive weekly clean-up sessions to improve the living conditions of the elderly and persons with disabilities who live alone in rental flats with less-than-satisfactory living conditions.

In support of World Vision Malaysia's 30-Hour Famine 2016 movement to create awareness on global hunger and poverty, we donated close to 400 cartons of our Soya Bean Drink to help hunger fighters in 14 selected individual camps stay nourished and hydrated. Funds raised will support World Vision programs towards helping hungry children and families in the Philippines, India, China, Vietnam, Myanmar, Thailand, Mongolia, and Malaysia by improving their access to nutritious food, clean water and better sanitation.

In April 2016, Malaysia experienced a prolonged hot and dry spell. To help members of the public cope with the heat, 10,000 packets of Chrysanthemum Tea and Jasmine Green Tea were distributed free-of-charge at selected bus stations, markets, schools and tertiary institutions in Klang Valley, Johor Bahru, Penang, Kuala Terengganu, Kota Kinabalu and Kuching towns.

Moving into the new year and in February 2017, we are proud to be a Platinum partner to the Community Chest Charity in the Park 2017 which was jointly organised by Community Chest and Resorts World Sentosa in promotion of inclusivity. Two hundred of our staff stepped forward as event volunteers to facilitate and participate in the activities alongside beneficiaries to make it a meaningful and engaging event. The Group also contributed S$200,000 to help almost 80 charities run their essential social services for children with special needs, youths-at-risk, low income families, adults with disabilities, vulnerable elderlies and persons coping with mental health issues.

CORPORATE GOVERNANCE

On corporate governance, the Company ranked 70 out of 631 companies in the Singapore Governance & Transparency Index 2016 (SGTI), up from 170th place in 2015. The SGTI – jointly published every year by CPA Australia, NUS Business School's Centre for Governance, Institutions and Organisations and The Business Times – assesses listed companies on their corporate governance disclosure and practices, as well as the timeliness, accessibility and transparency of their financial results announcement.

THE ROAD AHEAD

In March 2017, we announced the disposal of the Group's investment in Super Group Ltd. The proceeds from the disposal will further strengthen the Group's balance sheet as well as fund potential acquisitions for growth.

Amidst uncertainties in the global economies and subdued economic outlook in our core markets, with a clear strategic vision and strong business and operational fundamentals, your Board of Directors and management team will navigate the Group through 2017 cautiously.

ACKNOWLEDGEMENT AND APPRECIATION

I am pleased to welcome Ms. Luo Dan to the YHS Board as an Independent Non-executive Director. Ms. Luo will be able to share her experience and knowledge of the fast moving consumer goods industry and also participate actively in board discussions. As the first female director, she adds diversity to the YHS Board and will provide an additional perspective on issues.

On behalf of your Board of Directors, I would like to express our sincere gratitude to our customers, suppliers, business partners and shareholders for your support over the years. To our management and employees, thank you for your continued dedication and contribution to the Group in 2016. I would also like to extend my heartfelt gratitude to our Board members for their wise counsel and contribution to the Group.

I look forward to your enduring support and commitment in the year ahead.

Koh Boon Hwee
Chairman

CEO'S STATEMENT AND OPERATIONS REVIEW

DEAR SHAREHOLDERS,

FINANCIAL REVIEW

Amidst weaker business and consumer sentiments in our core markets coupled with intense competition, currency volatility and higher operating costs, the Group's revenue and net profit declined by 7.5% to S$410.0 million and 21.4% to S$29.0 million respectively in 2016.

In order to better protect our margins under these soft market conditions, we focused on higher impact advertising campaigns and sought efficiencies in executing our promotion activities. Together with effective scaling in our selling and distribution function, continuous corporate improvements and careful cost management, we reduced our operating expenses by S$10.9 million.

Other gains increased by S$3.5 million on the back of higher fair value gains from investment properties and partially offset by lower currency translation gain.

Overall, the Group's net profit margin is 7.1% with a net profit of S$29.0 million for 2016.

Our business and financial performance in 2016 reflected the weaker economic environment in our core markets. We navigated these headwinds proactively through careful execution of growth plans alongside implemented operational efficiencies and cost-saving initiatives.

The Group's balance sheet remained healthy with cash and cash equivalents of S$92.2 million and no borrowings as at 31 December 2016. As the Group has disposed its investment in Super Group Ltd in March 2017, the Group's current asset position will be further enhanced and this will provide greater flexibility for the Group to grow through strategic collaborations or acquisitions when the opportunities arise.

CHARTING OUR GROWTH TRACTION

In line with our three-pronged strategy to rejuvenate our brand; develop our food business; and forge strategic relationships with agency partners, the Group launched a record number of new products, both Yeo's and those of agency brands, to keep our product offerings attractive and relevant to the evolving and rapidly changing consumer tastes.

Adding on to the Yeo's lineage of Asian Drinks, we launched the Eight-Treasures Tea and C'Haze Herbal Tea with the latter being formulated to ease respiratory discomforts arising from the recurring haze situation in the region. Catering to the diverse and discerning consumer tastes, we also introduced the Oceanic Lime and Pineapple Sea-Salt Drinks, 100% Coconut Juice and pH Infinity Nano-Artesian Water, many of which marked Yeo's entry into new beverage categories. In late 2016, we launched our own carbonated drinks range, namely the JusCool Sparkling Juice Drinks and the Fun Cola. The JusCool Sparkling Juice Drinks are infused with real fruit juice and are available in a variety of delightful fruity flavours including yuzu, peach and passion fruit whereas the Fun Cola will see further additions to the Fun line-up in 2017 with the Fun Zesty Citrus and Fun Lemon Lime Twist flavours. In our Food segment, we have launched Boneless Chicken Curry, Prata Curry Gravy with Potatoes and Nanyang Kaya to broaden our food selection. These new products are expected to contribute to the Group's revenue in 2017.

We will continue to leverage on our strong distribution capabilities by forging meaningful strategic relationship with new agency partners. In 2016, we began distributing products from prominent brands like A1, Tao Ti, Celsius, Bel Normande, Louis Raison and Brand's Ca'ya. In 2017, we will also be introducing our new range of fruit juice products, developed in collaboration with our joint venture partner, Hui Yuan.

CEO'S STATEMENT AND OPERATIONS REVIEW

CORPORATE IMPROVEMENT INITIATIVES

With the slower business environment in 2016, we accelerated our pace of making improvements across the Group in order to harness greater operational efficiencies and cost savings.

In the area of procurement, we stepped up on our efforts to qualify and expand our panel of alternative suppliers to ensure reliable and competitive sourcing of raw materials. Administratively, we increased the automation of routine administrative tasks in the procurement process for greater operational efficiency.

On the manufacturing front, we realised productivity gains from three key areas. Firstly, we completed the installation of a new high speed filler and seamer on our Singapore carbonated canning line which increased output by 11% or 1,700 cartons per hour, further raising our productivity and output. Secondly, alongside the fine-tuning of our existing manufacturing lines to increase hourly output and to reduce downtime, we also raised the productivity of our crew through extensive work-flow analysis, appropriate multi-tasking and efficient production scheduling. Thirdly, in collaboration with our research and development team, we reviewed and fine-tuned our production benchmarks to improve production yield.

Moving on to logistics and warehousing management, we are constantly reviewing and streamlining our work-flow, operational controls and physical procedures over stock movements. Some of the employee incentives introduced in our Singapore warehouse have resulted in more than 50 percent increase in productivity measured in terms of number of cartons picked per hour and number of trips made per working day.

In marketing, advertising and promotion ("A&P") activities were closely evaluated to ensure A&P dollars were channelled to where it provided the maximum impact and value. We were more selective in our use of point-of-sale advertising materials in different trade outlets to balance between impact and over-saturation. In line with our renewed focus on rolling-out our new products, we allocated more resources to new product launches that were designed to provide maximum value by featuring our existing products alongside. For brand endorsements, we engaged prominent personalities in the sports and culinary circles who closely identify with our product positioning and strategic direction.

Overall, we took a concerted, group-wide and cross-functional approach to review our operations, de-layer our costs and achieve savings. Transforming the Group's operations into a leaner and more efficient setup will enable us to ride through the uncertain business environment and will position us well to seize opportunities when economic conditions and consumer sentiments improve.

This culture of continuous corporate improvements is now embedded into our corporate DNA and such initiatives will be on-going and continue into 2017.

NOTE OF APPRECIATION

In closing, as we move into 2017, we remain single-mindedly focused on growing our top and bottom lines whilst boosting the resilience of our businesses and operations. Although the weak market sentiments and challenging business environment are likely to continue into 2017, the Group has strong fundamentals and is well placed to overcome the challenges ahead.

On behalf of the Management, I would like to thank the Board of Directors for their invaluable advice, guidance and unwavering confidence. My appreciation also extends to our employees for their dedication, energy and hard work in creating value for our loyal customers and long-term shareholders.

Melvin Teo
Group Chief Executive Officer


Yeo's
juscool
A fizzy Wave of fruity Delights
made with real fruit juice
New!
juscool sparkling orange
juscool sparkling grape
juscool sparkling apple
juscool sparkling peach
juscool sparkling passion fruit
juscool sparkling yuzu
Available in 325ml Can, 500ml & 1.5L PET bottle.
Like us on Yeos.sg
Lower in Sugar

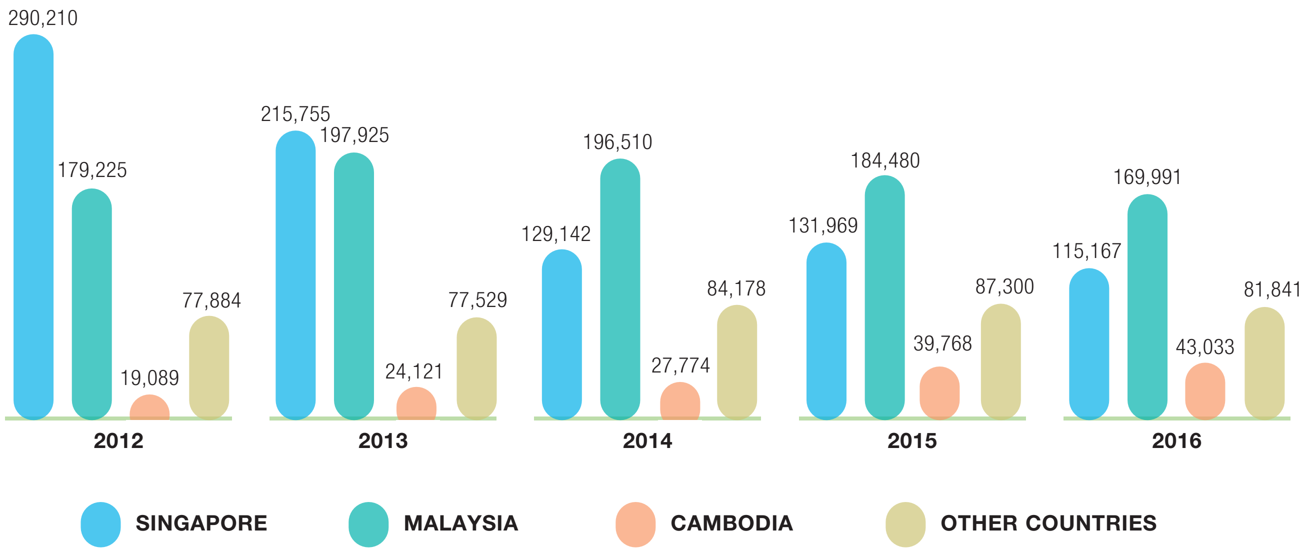
FINANCIAL HIGHLIGHTS

FIVE-YEAR STATISTICAL RECORD OF THE GROUP

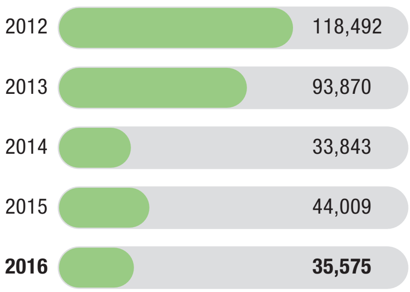
Unit: S$'000	2012	2013	2014	2015	2016
TURNOVER BY GEOGRAPHICAL SEGMENTS					
Singapore	290,210	215,755	129,142	131,969	115,167
Malaysia	179,225	197,925	196,510	184,480	169,991
Cambodia	19,089	24,121	27,774	39,768	43,033
Other countries	77,884	77,529	84,178	87,300	81,841
TOTAL GROUP TURNOVER	566,408	515,330	437,604	443,517	410,032
Pre-tax profit	118,492	93,870	33,843	44,009	35,575
Net tangible assets*	660,750	736,464	627,160	598,244	679,318

* Figures do not include interests of minority shareholders

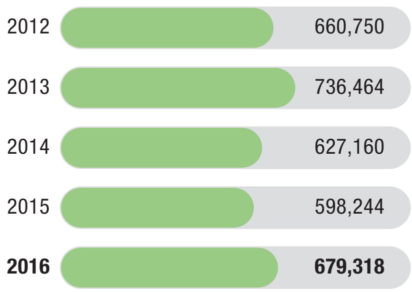
TURNOVER BY GEOGRAPHICAL SEGMENTS



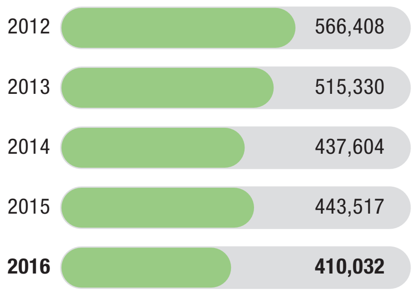
PRE-TAX PROFIT



NET TANGIBLE ASSETS



GROUP TURNOVER




simply my
Pure Choice
Yeo's
Vincent Ng
Martial Arts Expert/ Artiste
100% Natural
COCONUT
WATER
NATURALLY
HYDRATING
STRAIGHT FROM THAI COCONUTS
Yeosnatural

PROFILE OF THE BOARD OF DIRECTORS & MANAGEMENT

MR. KOH BOON HWEE

66 | Chairman

• Member of Board of Directors

Mr. Koh Boon Hwee was first appointed Non-independent, Non-executive director on YHS Board on 1 January 2009 and subsequently, from 26 April 2010, he was appointed Non-executive Chairman of the Board. Mr. Koh was last re-elected as a director of the Company on 24 April 2015.

Mr. Koh started his career in year 1977 at Hewlett Packard and rose to become its Managing Director in Singapore, a post he held from 1985 to 1990. From 1991 to 2000, he was Executive Chairman of the Wuthelam Group.

Mr. Koh was the Chairman of the Singapore Telecom Group (SingTel) and its predecessor organisations from 1986 to 2001, Chairman of Singapore Airlines Limited from July 2001 to December 2005, Chairman of DBS Group and DBS Bank from January 2006 to April 2010. He also served on the Board of Temasek Holdings (Pte) Ltd from November 1996 to September 2010.

Mr. Koh is currently the Chairman of Far East Orchard Limited and Sunningdale Tech Ltd, both companies listed on the Singapore Stock Exchange.

Mr. Koh received his Bachelor's Degree (First Class Honours) in Mechanical Engineering from the Imperial College of Science and Technology, University of London, and his MBA (Distinction) from the Harvard Business School.

MR. S. CHANDRA DAS

77 | Deputy Chairman, Lead Independent Director

• Member of Board of Directors
• Chairman of Nominating Committee
• Member of Audit & Risk Committee
• Member of Remuneration Committee

Mr. S. Chandra Das was appointed Independent Director on YHS Board on 1 September 2002 and subsequently, from 1 November 2005, he was appointed as Lead Independent Director. He was re-appointed as a Director of the Company on 22 April 2016.

Mr. Das has over 36 years of experience primarily in companies involved in the trading and manufacturing industries. Mr. Das served as the Singapore Trade Representative to the USSR from 1970 to 1971, Chairman of the Trade Development Board from 1983 to 1986, Chairman of NTUC Fairprice Co-operative Ltd from 1993 to 2005, Director of Sincere Watch Limited from 2010 to 2012, Director of CapitaMall Trust Management Ltd from 2002 to 2012, Chairman & Director of Nera Telecommunications Ltd from 1988 to 2013, Director of Yeo Hiap Seng (Malaysia) Berhad from 2004 to 2013 and Director of Ascott Residence Trust Management Limited from 2006 to 2015.

Currently, Mr. Das holds Directorships in various public listed companies including: Chairman of TalkMed Group Ltd and Director of Super Group Ltd. He is also the Managing Director of NUR Investment & Trading Pte Ltd, Chairman of Tamil Murasu Ltd, Chairman of Goodhope Asia Holdings Ltd, Chairman of Eldercare Holdings Pte Ltd, Director of Global Money Remittance Pte Ltd, Director of Ascendas-Singbridge Pte Ltd, Singapore's Non-Resident High Commissioner to Sri Lanka and Pro-Chancellor of Nanyang Technological University.

He served as a Member of Parliament in Singapore from 1980 to 1996.

Mr. Das received his Bachelor of Arts degree (with honours) from the University of Singapore in 1965.

Mr. Das has been conferred numerous awards, such as the President's Medal by the Singapore Australian Business Council in 2000, the Distinguished Service (Star) Award by National Trades Union Congress in 2005, and the Public Service Star in 2014.

MR. MELVIN TEO TZAI WIN

46 | Executive Director & Group Chief Executive Officer

- Member of Board of Directors

Mr. Melvin Teo was appointed Executive Director on YHS Board on 1 January 2015. From 24 April 2015, Mr. Teo formally assumed the appointment of Group Chief Executive Officer. Mr. Teo was last re-elected as a Director of the Company on 24 April 2015.

A banker by training, Mr. Teo has extensive experience in a number of key banking areas such as institutional banking, corporate finance, private equity, risk, finance, and operations. Prior to joining YHS, Mr. Teo served as the President Director of PT Bank DBS Indonesia from October 2012 to November 2014, and he was the Chief Executive Officer of DBS Bank (China) Ltd from January 2010 to September 2012. Mr. Teo joined DBS Bank in July 2005 and was involved in several of the bank's key initiatives. He was also head of the bank's private equity group before taking on his China assignment. Prior to joining DBS Bank, he held a number of positions at Standard Chartered Bank as well as Bank of America.

Mr. Teo graduated from the Nanyang Technological University with a Bachelor Degree (First Class Honors) in Business (Banking).

MR. WEE KHENG JIN

62 | Non-independent, Non-executive Director

- Member of Board of Directors

Mr. Wee Kheng Jin was appointed Non-independent, Non-executive Director on YHS Board on 26 April 2010. Mr. Wee is currently an Executive Director in Far East Organization and an Independent Non-executive Director of Parkson Retail Asia Limited. He was last re-elected as a Director of the Company on 25 April 2014.

From January 2004 to July 2005, he was the Executive Director in the listed company Far East Orchard Limited (then known as Orchard Parade Holdings Limited).

Prior to this, Mr. Wee spent 16 years in Citibank and held various appointments in the Singapore operations including 9 years as its Country Financial Controller. In 1995, he was transferred to the bank's Asia Pacific Group office where he was responsible for overseeing several of the bank's treasury related initiatives.

Mr. Wee obtained his Bachelor of Accountancy degree from the University of Singapore on a SGV Scholarship.

PROFILE OF THE BOARD OF DIRECTORS & MANAGEMENT

MR. CHIN YOKE CHOONG

65 | Independent, Non-executive Director

- Member of Board of Directors
- Chairman of Audit & Risk Committee

Mr. Chin Yoke Choong was appointed Independent, Non-executive Director on YHS Board on 15 May 2006 and was last re-elected on 24 April 2015.

Mr. Chin is a member of the Council of Presidential Advisers, Singapore. He serves as a board member of several listed companies including AV Jennings Limited, Ho Bee Land Limited, Sembcorp Industries Ltd and Singapore Telecommunications Limited. He is the Chairman of NTUC Fairprice Co-operative Ltd, Chairman of NTUC Fairprice Foundation Ltd and Deputy Chairman of NTUC Enterprise Co-operative Limited. He is also the Chairman of Housing and Development Board, a director of Frasers Centrepoint Asset Management Ltd, Temasek Holdings (Private) Ltd and Singapore Labour Foundation. Mr. Chin was Chairman of Urban Redevelopment Authority of Singapore from 1 April 2001 to 31 March 2006, Managing Partner of KPMG Singapore from 1992 to 2005, Director of Neptune Orient Lines Limited from 2006 to 2012, Director of Oversea-Chinese Banking Corporation Limited from 2005 to 2014, Director of Singapore Power Limited from 2006 to 2014, board member of the Competition Commission of Singapore from 2005 to 2012 and Chairman of the Singapore Totalisator Board from 1 January 2006 to 31 December 2012.

Mr. Chin holds a Bachelor of Accountancy from the University of Singapore and is a Chartered Accountant of the Institute of Chartered Accountants in England and Wales.

DATO' MOHAMED NIZAM BIN ABDUL RAZAK

58 | Independent, Non-executive Director

- Member of Board of Directors
- Member of Nominating Committee

Dato' Mohamed Nizam bin Abdul Razak is a Malaysian and he was appointed as Non-executive Director on YHS Board at its Fifty-seventh Annual General Meeting held on 24 April 2013. He was last re-elected on 22 April 2016.

Dato' Nizam was attached to Bumiputra Merchant Bankers Berhad from 1981 to 1984 and to PB Securities Sdn Bhd from 1984 to 1998. He was independent and non-executive director of Yeo Hiap Seng (Malaysia) Berhad since 2002 until its privatisation on 11 January 2013. Dato' Nizam presently sits on the board of Mamee-Double Decker (M) Sdn Bhd. He also serves on the board of several private limited companies engaged in a wide range of activities and is actively involved in several charitable foundations such as Noah Foundation, National Children Welfare Foundation, Yayasan Rahah, Yayasan Wah Seong and Yayasan Cemerlang. In March 2012, he was appointed Pro-Chancellor of Universiti Tun Abdul Razak and in July 2013, he was appointed Chancellor of Unitar International University.

Dato' Nizam graduated with a Bachelor of Arts (Oxon) degree in Politics, Philosophy and Economics from the Oxford University, United Kingdom.

MR. NGIAM TONG DOW

79 | Independent, Non-executive Director

- Member of Board of Directors
- Chairman of Remuneration Committee
- Member of Nominating Committee

Mr. Ngiam Tong Dow has served as an Independent, Non-executive Director on the YHS Board from 18 February 2002. He was re-appointed as a Director of the Company on 22 April 2016.

Mr. Ngiam is currently a Director of Raffles Health Insurance Pte Ltd (formerly known as International Medical Insurers Pte Ltd). Prior to his present appointments, he was Chairman of the Housing & Development Board, a position he held from October 1998 to September 2003. He also held the post of Permanent Secretary in various ministries, including the Prime Minister's Office, the Ministries of Finance, Trade and Industry and Communications. He was Chairman of the Economic Development Board and the Development Bank of Singapore. He had also held directorships in Singapore Airlines Ltd, Singapore Technologies (then known as Sheng-Li Holdings), United Overseas Bank Ltd, Far Eastern Bank Ltd, Temasek Holdings (Pte) Ltd, Overseas Union Bank Ltd and Singapore Press Holdings Limited.

Mr. Ngiam has a Master of Public Administration from Harvard University and a Bachelor of Arts (Honours), First Class from the University of Malaya.

DATO' N. SADASIVAN A/L N.N. PILLAY

77 | Independent, Non-executive Director

- Member of Board of Directors
- Member of Audit & Risk Committee

Dato' N. Sadasivan a/l N.N. Pillay is a Malaysian and he was appointed as Non-executive Director on YHS Board at its Fifty-seventh Annual General Meeting held on 24 April 2013 and was re-appointed on 22 April 2016.

Dato' N. Sadasivan began his career as an Economist with the Economic Development Board, Singapore in 1963. In 1968, Dato' N. Sadasivan joined the Malaysian Industrial Development Authority (MIDA) and served as the Deputy Director General from 1976 to 1983. From 1984 until his retirement in 1995, he was the Director-General of MIDA. Dato' N. Sadasivan was an Independent and Non-executive Director of Yeo Hiap Seng (Malaysia) Berhad since 2004 until its privatisation on 11 January 2013.

From 1995 to 2010, Dato' N. Sadasivan was the Senior Independent Director of the Chemical Company of Malaysia Berhad (CCM Berhad). He was also a Director of Amanah Merchant Bank Berhad, Singapore Unit Trust and Asian Unit Trust from 1995 to 2000. From 2001 to 2012, he was the Chairman of MAS Cargo, as well as the Deputy Chairman of Malaysian Airlines System Berhad.

Presently Dato' N. Sadasivan sits on the board of several private companies namely Panasonic Industrial Device Sales (M) Sdn Bhd, Panasonic Procurement Malaysia Sdn Bhd, NHK Manufacturing (Malaysia) Sdn Bhd and Mercedes-Benz Malaysia Sdn Bhd and two public listed companies in Malaysia namely Petronas Gas Berhad and APM Automotive Holdings Berhad. From March 2000, he has been a Director of Bank Negara Malaysia (Central Bank of Malaysia).

Dato' N. Sadasivan graduated with a Bachelor of Arts (Hons) in Economics from the University of Malaya in 1963.

PROFILE OF THE BOARD OF DIRECTORS & MANAGEMENT

ENCIK RAZMAN HAFIDZ BIN ABU ZARIM

61 | Independent, Non-executive Director

- Member of Board of Directors
- Member of Remuneration Committee

Encik Razman Hafidz bin Abu Zarim is a Malaysian and he was appointed as Non-executive Director on YHS Board at its Fifty-seventh Annual General Meeting held on 24 April 2013. He was last re-elected on 22 April 2016.

Encik Razman started his career with Touche Ross & Co., Chartered Accountants in London, England and later joined Hacker Young, Chartered Accountants in London, England where he was admitted as an Audit Partner.

In 1989, Encik Razman returned to Malaysia as an Audit Partner of Price Waterhouse ("PW") and later became Partner-in-Charge of PW's Management Consulting Practice. In 1994, he established Norush Sdn Bhd, an investment holding and business advisory firm where he was the Chairman until his retirement on 31 March 2016. Encik Razman was independent and non-executive director of Yeo Hiap Seng (Malaysia) Berhad since 2005 until its privatisation on 11 January 2013. On 15 July 2016, Encik Razman was appointed the Group Chief Executive Officer of Tune Protect Group Berhad, a public company in Malaysia.

Encik Razman also sits on the board of Hartalega Holdings Berhad, a public company in Malaysia.

Encik Razman graduated with a Joint-Honours degree in Economics and Accounting, BSc (Econ) from University College, Cardiff, University of Wales. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants.

DR. TAN CHIN NAM

66 | Independent, Non-executive Director

- Member of Board of Directors
- Member of Audit & Risk Committee

Dr. Tan Chin Nam was appointed Independent, Non-executive Director on YHS Board on 11 January 2008. He was last re-elected as a Director of the Company on 22 April 2016.

Dr. Tan is the Chairman of Temasek Management Services Pte Ltd and Global Fusion Capital Pte Ltd. His other appointments include serving as Senior Adviser to the Salim Group and Zana Capital Pte Ltd. He is a Director of Raffles Education Corporation Limited and Gallant Venture Ltd. He is also a member of Centre of Liveable Cities Advisory Board and Board of Trustees, Bankinter Foundation for Innovation (Spain).

Dr. Tan had 33 years of distinguished service in the Singapore Public Service holding various key appointments before completing his term as a Permanent Secretary in 2007. He held various top leadership positions including as General Manager and Chairman, National Computer Board, Managing Director, Economic Development Board, Chief Executive, Singapore Tourism Board, Permanent Secretary, Ministry of Manpower, Permanent Secretary, Ministry of Information, Communications and the Arts, Chairman National Library Board and Chairman Media Development Authority. He played a leading role in the information technology, economic, tourism, manpower, library, media, arts and creative industries development of Singapore.

Dr. Tan holds degrees in industrial engineering and economics from the University of Newcastle, Australia and an MBA from University of Bradford, UK as well as two honorary doctorates from both universities. He attended Advanced Management Programme at Harvard Business School and is an Eisenhower Fellow. He was awarded four Public Administration Medals by the Government of Singapore.

MS. LUO DAN

48 | Independent, Non-executive Director

• Member of Board of Directors

Ms. Luo Dan has served as an Independent, Non-executive Director on the YHS Board since 1 January 2017.

Ms. Luo Dan is currently the Managing Director of Lego Singapore, a subsidiary of The Lego Group. Prior to her present appointment, she has spent more than a decade with the Heinz Group of companies and has extensive experience in commercial operations and financial analysis in the fast moving consumer goods industry.

Ms. Luo Dan obtained a Bachelor of Computer Science, Software from Wuhan University in 1989.

MR. YAP NG SENG

60 | Deputy Chief Executive Officer

Mr. Yap Ng Seng was appointed Deputy Chief Executive Officer on 1 August 2010. He is responsible for providing assistance to the Group Chief Executive Officer of the Company in business operations and strategic planning.

Prior to joining YHS, Mr. Yap was the Vice President of Crown Asia Pacific Holdings Limited (now known as Crown Asia Pacific Holdings Pte. Ltd.), where he spent the last 21 years. He has extensive experience in growing business in the competitive environment.

Mr. Yap obtained a Bachelor of Engineering in Mechanical & Production Engineering and a Master of Science in Industrial Engineering from National University of Singapore and a Master in Business Administration from Nanyang Technological University, Singapore.

REPORT ON CORPORATE GOVERNANCE

Yeo Hiap Seng Limited ("YHS" or the "Company") is committed to upholding a high standard of corporate governance to protect and enhance long-term shareholder value.

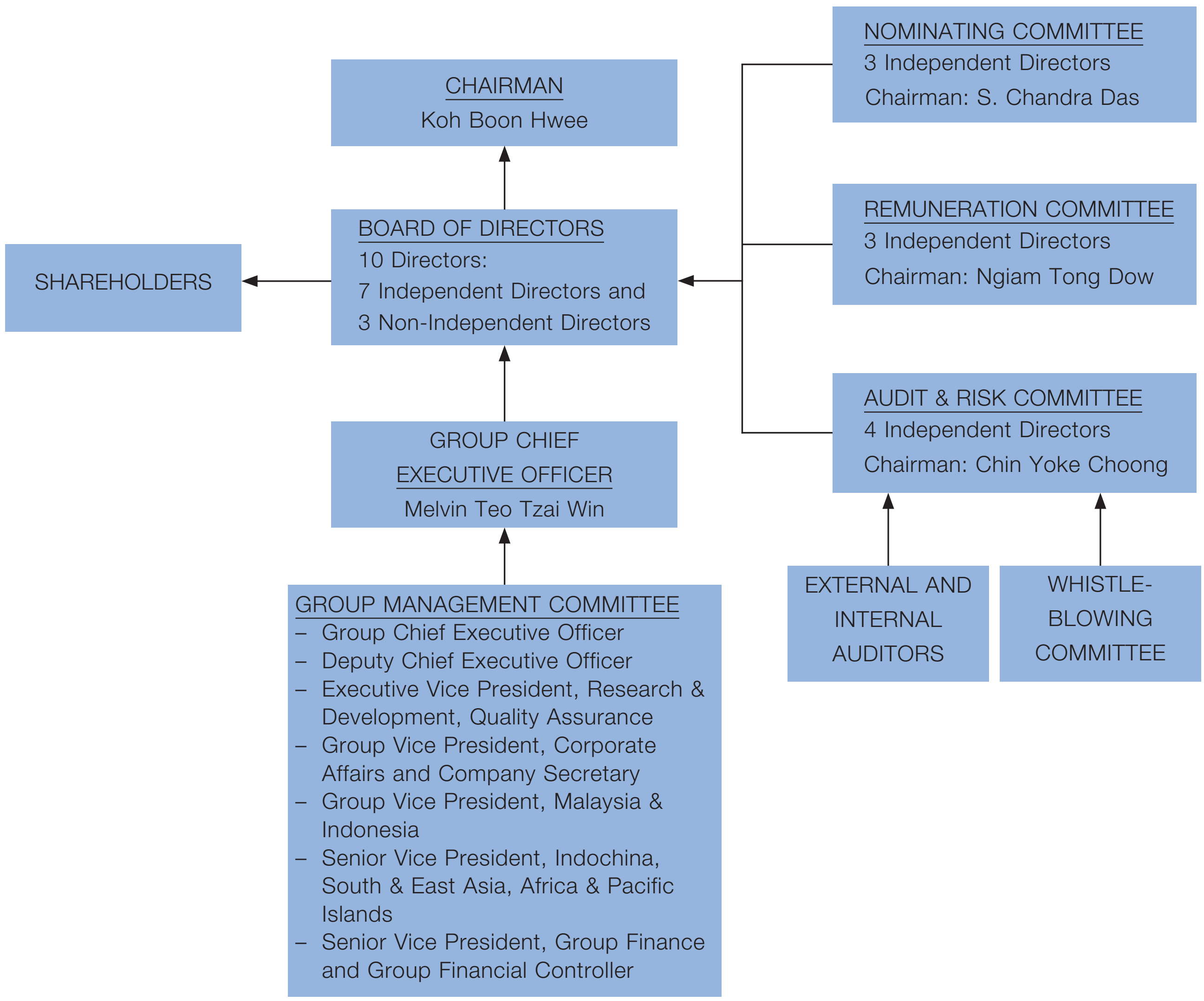
The Board and management believe that good corporate governance and best practices in business are integral to achieving sustainability of the Company and its success over the long-term.

The Board and its committees have established policies and regulations on good governance, and such committees are guided by their respective Terms of References.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE 2012

This corporate governance report ("Report") describes the corporate governance practices and activities for the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2016 with specific references to the principles of the Code and any deviation from any guideline of the Code is explained in this Report.

CORPORATE GOVERNANCE FRAMEWORK



BOARD MATTERS

The Board's Conduct of its Affairs

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

Primary functions of the Board

The Board of Directors ("Board") oversees the effectiveness of management as well as the corporate governance of the Company with the objective of maximising long-term shareholder value and protecting the Company's assets.

The Board subscribes to the principles of having good Board practices and members of integrity. Board members appointed have extensive corporate experience and good track record in the public and/or private sectors.

Apart from its statutory duties, the principal roles of the Board include:

i. providing entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;

ii. monitoring and approving the Group's broad policies, operational initiatives, annual budget, major investment and funding decisions;

iii. ensuring the adequacy and effectiveness of internal controls (including financial, operational and compliance) and the risk management framework;

iv. approving the appointment of the Chief Executive Officer ("CEO") and Directors, and overseeing the succession planning process;

v. approving the remuneration for each Director and the CEO;

vi. reviewing management performance, setting values and standards (including business ethics and sustainability policy and practices), and ensuring that obligations to shareholders and other stakeholders are understood and met; and

vii. assuming responsibility for corporate governance.

Directors' discharge of duties and responsibilities

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

Delegation by the Board

The Board is accountable to shareholders while management is accountable to the Board. To facilitate effective management, the Board has delegated certain functions which are carried out directly or through committees comprising Board members and senior management staff as well as by delegation of authority to senior management staff in the various companies of the Group.

The Board is supported by its Board committees, namely the Audit & Risk Committee ("ARC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"). The Group CEO is assisted by the Group Management Committee ("GMC") comprising key management personnel to manage the Company's business and operations group wide.

REPORT ON CORPORATE GOVERNANCE

The Board committees are each guided by its own specific Terms of Reference setting out the scope of its duties and responsibilities, procedures governing the manner in which it is to operate and how decisions are to be taken. These Terms of Reference are approved by the Board and reviewed periodically to ensure their continued relevance.

Meetings of the Board and Board committees, meetings attendance record and processes

The schedule of meetings of the Board, Board committees and the Annual General Meeting ("AGM") for the next calendar year is planned in advance. The Board meets at least four times a year at regular intervals. Telephonic and video conferencing at Board meetings are allowed under the Constitution of the Company ("Constitution"). *Ad hoc* meetings of the Board and Board committees may be convened, if warranted by circumstances. The Board and Board committees may also make decisions by way of circulating resolutions in lieu of a meeting.

The attendance of the Directors at meetings of the Board, the ARC, the NC and the RC during the financial year was as follows:

	BOARD			ARC			NC			RC		
	A	B	C	A	B	C	A	B	C	A	B	C
Executive Director												
Melvin Teo Tzai Win	M	4	4	–	–	–	–	–	–	–	–	–
Non-executive Director												
Koh Boon Hwee	C	4	4	–	–	–	–	–	–	–	–	–
S. Chandra Das	DC	4	4	M	4	4	C	1	1	M	2	2
Wee Kheng Jin	M	4	4	–	–	–	–	–	–	–	–	–
Chin Yoke Choong	M	4	4	C[1]	4	4	–	–	–	–	–	–
Dato' Mohamed Nizam bin Abdul Razak	M	4	3	–	–	–	M	1	1	–	–	–
Ngiam Tong Dow	M	4	1	C[2]	4	1	M	1	1	C[5]	2	0
Dato' N. Sadasivan a/l N.N. Pillay	M	4	4	M[3]	4	3	–	–	–	M[8]	2	1
Razman Hafidz bin Abu Zarim	M	4	4	M[4]	4	1	–	–	–	M[6]	2	1
Tan Chin Nam	M	4	4	M[3]	4	3	–	–	–	C[7]	2	1

Annotations:
A : Position held as at 31 December 2016 either as Chairman (C), Deputy Chairman (DC) or Member (M)
B : Number of meetings held during the financial year from 1 January 2016 to 31 December 2016
C : Number of meetings attended during the financial year from 1 January 2016 to 31 December 2016
(1) : Appointed as ARC Chairman with effect from 23 February 2016
(2) : Resigned as ARC Chairman on 22 February 2016
(3) : Appointed as ARC Member with effect from 23 February 2016
(4) : Resigned as ARC Member on 22 February 2016
(5) : Appointed as RC Chairman with effect from 23 February 2016
(6) : Appointed as RC Member with effect from 23 February 2016
(7) : Resigned as RC Chairman on 22 February 2016
(8) : Resigned as RC Member on 22 February 2016

Internal guidelines on matters requiring Board approval

The Company has in place a "Group Approving Authority" policy setting out the matters reserved for the Board's decision and the delegated authority to various levels of management. Such policy has been communicated to management and published in the Company's intranet.

Matters requiring Board approval include budgeted capital expenditure with gross value exceeding S$20 million, transactions in the ordinary course of business with gross value exceeding S$5 million and for finance related charges and assets write-off or other transactions not in the ordinary course of business, with gross value exceeding S$1 million. Other matters, which are specifically referred to the Board for approval, are those involving bank borrowings, provision of corporate guarantees or securities, equity or contractual joint ventures with initial investment value exceeding S$2 million and diversification into new businesses.

Board induction, orientation and training

Newly appointed Directors are briefed on the Group's businesses and governance practices by the Group CEO and senior management. The orientation programme also includes a familiarisation tour of selected premises or factories within the Group. The programme allows new Directors to get acquainted with senior management, thereby facilitating Board interaction and independent access to management. Where necessary, the Company will provide training for first-time Directors in areas such as accounting, legal and industry-specific knowledge. Directors are routinely updated on developments and changes in the operating environment, including revisions to accounting standards, and laws and regulations affecting the Group. At the request of Directors, the Company will fund Directors' participation at industry conferences, seminars or any training programmes in connection with their duties as Directors of the Company. The Company Secretary will bring to the Directors' attention, information on seminars that may be of relevance or use to them. News updates, bulletins, circulars and other releases issued by in particular the Singapore Exchange Securities Trading Ltd ("SGX-ST") and the Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the Directors are circulated to the Board by the Company Secretary.

During the financial year under review, apart from the external training programmes attended by the respective Directors of their own accord, the Company also arranged in-house seminars to keep Directors abreast with the developments in the market place. The Company also organised a field visit to Singapore Telecommunications Limited's Advanced Security Operations Centre for the Board members to have adequate awareness of cyber security risks and prepare themselves to manage and mitigate these fast-evolving cyber threats.

Formal letter to Director upon appointment

A formal letter of appointment is provided to a new Director upon his appointment, setting out the Director's duties and obligations.

No new Director was appointed during the financial year under review.

Board Composition and Guidance

Principle 2 There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders[1]. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Board independence

As at 31 December 2016, the Board comprises ten members, of whom seven are independent and three are non-independent. Except for the Group CEO, all other Directors are non-executive.

[1] A "10% shareholder" is a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share or those shares is not less than 10% of the total votes attached to all the voting shares in the company. "Voting shares" exclude treasury shares.

The NC reviews the independence of the Directors annually and is satisfied that the Company has complied with the Code which provides that there should be a strong and independent element on the Board. More than half of the Board is made up of independent Directors, which surpasses the proportion recommended in the Code.

A description of the background of each Director is provided in the "Profile of the Board of Directors & Management" section of the Annual Report.

Number of independent Directors on the Board

The Chairman of the Board, Mr. Koh Boon Hwee, is a non-independent non-executive Director. The Board comprises a majority of independent Directors, which satisfies the Code's requirement that independent Directors should make up at least half of the Board where the Chairman of the Board is not an independent Director.

Independence of Directors

The Board has adopted the definition in the Code of what constitutes an independent Director in its review of the independence of each Director and reviews annually (and as and when circumstances require) the independence of the independent Directors.

Annually, the independent Directors submit declarations on their independence to the NC for assessment. The NC, in its deliberation as to the independence of a Director and taking into account examples of relationships as stipulated in the Code, considers whether a Director has or had any relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgement. The NC noted that no material relationships (including familial relationships) exist between each independent Director and the other Board members, the Company or its 10% shareholders (as defined in the Code).

For the financial year under review, the NC, having reviewed the independence of the relevant Directors in accordance with the preceding paragraph, is satisfied that there are no relationships or circumstances which are likely to affect the following independent Directors' objective and independent judgement:

i. Dato' Mohamed Nizam bin Abdul Razak[2];

ii. Dato' N. Sadasivan a/l N.N. Pillay[2];

iii. Encik Razman Hafidz bin Abu Zarim[2]; and

iv. Dr. Tan Chin Nam[2].

Accordingly, the Board has, upon the NC's recommendation, affirmed that the abovenamed Directors, each of whom has served less than nine years as independent Directors, remains independent as contemplated by the Code.

Independence of Directors who have served on the Board beyond nine years

The provisions of the Code require the Board to review with particular rigor whether an independent Director who has served for a period of more than nine years as a Director continues to be independent.

[2] Independent Director since date of appointment to the Board.

The following Directors have each served as an independent Director for more than nine years from the date of their first appointment to the Board:

i. Mr. S. Chandra Das;

ii. Mr. Chin Yoke Choong; and

iii. Mr. Ngiam Tong Dow.

The Board is of the view that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. The NC and Board, having rigorously reviewed whether there are relationships or circumstances which are likely to affect, or could appear to affect the judgement and the independence of the above Directors, noted the above Directors' active participation in debating, questioning and evaluating proposals by management and/or actions taken. Accordingly, the Board has determined that Mr. Das, Mr. Chin and Mr. Ngiam are independent as they have continued to demonstrate independence in character and judgement in the discharge of their responsibilities as Directors and there are no relationships or circumstances which affect or are likely to affect their judgement and ability to discharge their responsibilities as independent Directors.

Size, composition and competencies of the Board and Board committees

The size and composition of the Board and Board committees and the skills and core competencies of its members are reviewed annually by the NC, which seeks to ensure that the size and composition of the Board is conducive for effective discussion and decision making, and that the Board has an appropriate number of independent Directors.

Taking into account the size and geographical spread of the Group's businesses, the Board considers the current Board size as appropriate for meaningful individual participation by Directors with diverse professional perspectives, so as to facilitate efficient and effective decision making with a strong independent element.

The current Board comprises members who as a group provide core competencies necessary to meet the Group's needs. These competencies include accounting and finance, banking, business acumen, industry knowledge and management experience.

Annually, the NC reviews the diversity of skills, qualities and experiences that the Board requires to function competently and efficiently, based on an established competency matrix of the Board and the curriculum vitae submitted by the individual Directors. As each Director brings valuable insights from various professional fields that are vital to the strategic interests of the Company, the Board considers that the Directors possess the necessary competencies to provide management with diverse and objective perspectives on issues so as to lead and govern the Company effectively and efficiently. The Board also recognises the importance of gender diversity and endeavours to include female candidates in its search pool for new appointments. To this end, the Company has announced on 30 December 2016, the appointment of Ms. Luo Dan who joins the Board with effect from 1 January 2017.

Role of non-executive Directors

The non-executive Directors (inclusive of independent Directors) engaged with management in the annual budget planning process. They also constructively challenged management and helped to develop proposals on strategy. On a quarterly basis, the non-executive Directors reviewed the performance of management in meeting agreed goals and objectives and monitored the reporting of performance against budget, peer performance and a balanced scorecard comprising key financial and non-financial performance indicators.

Meeting of Directors without executive Director and management

As and when warranted, the Board sets aside time to meet without the presence of the executive Director and management. The Board is hence of the view that it is not necessary to pre-arrange formal sessions.

REPORT ON CORPORATE GOVERNANCE

Chairman and Chief Executive Officer

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

Separation of the role of Chairman and Chief Executive Officer

The offices of Chairman of the Board and CEO are held by separate individuals to maintain effective oversight and accountability at Board and management levels. As Chairman of the Board, Mr. Koh Boon Hwee bears responsibility for the workings of the Board. Mr. Melvin Teo Tzai Win, as Group CEO, bears responsibility for overall running of the Group's businesses.

There is no familial relationship between the Chairman, Mr. Koh and the Group CEO, Mr. Teo.

Roles and responsibilities of Chairman

The Chairman leads the Board to ensure the effectiveness on all aspects of its role. He ensures that the members of the Board receive accurate, clear and timely information, facilitates the contribution of non-executive Directors, encourages constructive relations between executive, non-executive Directors and management, ensures effective communication with shareholders and promotes a high standard of corporate governance. The Chairman, in consultation with management and the Company Secretary, sets the agenda for Board meetings and ensures that Board members are provided with adequate and timely information. As a general rule, Board papers are sent to Directors at least three days in advance in order for Directors to be adequately prepared for the meeting. Key management staff who have prepared the papers, or who can provide additional insights into the matters to be discussed are invited to present the paper during the Board meetings.

At AGMs and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management.

The Board is of the view that the Company has effective independent non-executive Directors to provide balance within the workings of the Board and oversight for minority shareholders' interests.

Lead independent Director

Taking cognisance that the Chairman of the Board is not an independent Director, the Board has appointed Mr. S. Chandra Das as lead independent Director on 1 November 2005 to serve as a sounding board for the Chairman of the Board and also act as an intermediary between the non-executive Directors and the Chairman.

Shareholders with concerns may contact the lead independent Director, Mr. Das, directly, when contact through the normal channels via the Chairman or other management personnel has failed to provide satisfactory resolution, or when such contact is inappropriate.

Periodic meetings of independent Directors

The lead independent Director proposes and leads meetings of the independent Directors without the presence of the Chairman and non-independent Directors as and when warranted.

Board Membership

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

NC composition and role

The NC comprises three Directors, namely, Mr. S. Chandra Das (Chairman of NC and lead independent Director), Mr. Ngiam Tong Dow and Dato' Mohamed Nizam bin Abdul Razak. All three members are independent Directors.

The NC is guided by its written Terms of Reference which specifically sets out its authority and responsibilities. The principal roles of the NC are to review and make recommendations to the Board on relevant matters relating to:

i. Board succession plans for Directors including the Chairman and CEO;

ii. development of a process for evaluating the performance of the Board and Board committees and the contribution of each Director;

iii. independence of Directors;

iv. training and professional development programmes for the Board; and

v. nominations of candidates for the appointment or re-appointment of members of the Board of Directors and the members of the various Board committees.

During the financial year under review, the NC held one scheduled meeting.

Progressive renewal of the Board

Periodic reviews of the Board composition, including the selection of candidates for new appointments to the Board, are made by the NC as part of the Board's renewal process. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including gender. The selection of candidates is evaluated taking into account various factors including the current and mid-term needs and objectives of the Group, as well as the relevant expertise of the candidates and their potential contributions. Candidates may be put forward or sought through contacts and recommendations.

At each AGM, one third of the Directors, including the Group CEO who also serves on the Board (or, if their number is not a multiple of three, the number nearest to but not less than one-third), shall retire from office by rotation in accordance with the Constitution, and may stand for re-election. Directors appointed by the Board during the financial year, without shareholders' approval at the AGM, shall only hold office until the next AGM, and thereafter be eligible for re-election at the AGM. They are not counted in the number of Directors to retire by rotation at the AGM. The NC considers the present guidelines adequate and does not recommend any change.

The NC takes into consideration for the re-nomination of Directors for the ensuing term of office factors such as attendance, preparedness, participation and candour at meetings of the Board and Board committees. All Directors are required to submit themselves for re-nomination at regular intervals and at least once every three years.

NC to determine Directors' independence

The NC deliberates annually to determine the independence of a Director bearing in mind the guidelines set out in the Code as well as all other relevant circumstances. No member of the NC participated in the deliberation process in respect of his own status as an independent Director.

Directors' time commitments

The responsibilities of the NC also include assessing annually whether Directors who hold multiple directorships adequately carry out their duties as Directors of the Company. The NC's assessments are based on Directors' declarations made annually and from time to time.

The Code recommends that the Board consider providing guidance on the maximum number of listed company board representations which each Director of the Company may hold in order to address competing time commitments faced by Directors serving on multiple boards.

The Board considers an assessment of the individual Director's contribution at meetings to be more effective than prescribing a numerical limit on the number of listed company board seats which a Director may hold. In this respect, the Board has accordingly not set a maximum number of other company directorships which a Director may concurrently hold, taking into consideration that multiple representations can benefit the Group as these Directors bring to the Board greater depth and diversity of experience, knowledge and perspectives.

For the financial year under review, the NC is satisfied that all Directors on the Board are seasoned professionals with extensive management, financial, accounting, banking, investment and commercial backgrounds, who are capable of acting responsibly and are able to properly serve on the Board and any of the Board committees to which such Directors are appointed despite competing commitments and demands on their time.

Appointment of alternate Director

No appointment of alternate Director was made in the financial year under review.

Process for the selection, appointment and re-appointment of Directors

The NC is responsible for screening, identifying and selecting candidates for appointment as new Directors after having regard to the composition and progressive renewal of the Board and each Director's competency, commitment, contribution and performance, and how the prospective Director will fit in the overall competency matrix of the Board.

When a need for a new Director arises either to replace a retiring Director or to enhance the Board's competency, the NC, in consultation with the Board, shall evaluate and determine the selection criteria so as to identify candidates with the appropriate experience and expertise for the appointment as a new Director. The selection criteria include attributes such as integrity, diversity of competencies, industry knowledge and financial literacy. The NC seeks potential candidates widely and beyond Directors'/management's recommendations and is empowered to engage external parties, such as professional search firms, to undertake research on or assessment of candidates as it deems necessary.

The NC then meets with the shortlisted candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for approval and appointment as a new Director.

For the financial year under review, no new Director was appointed to the Board.

Key information on Directors

A description of the background of each Director is provided in the "Profile of the Board of Directors & Management" section of the Annual Report.

Other than the Group CEO, Mr. Teo, none of the Directors hold shares in the Company and/or subsidiaries of the Company. Mr. Teo's shareholdings in the Company are set out in the Directors' Statement as contained in this Annual Report.

The names of the Directors who are retiring by rotation pursuant to the Constitution and seeking re-election at the forthcoming AGM in April 2017 are provided in the Notice of AGM in this Annual Report.

Board Performance

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

Board evaluation process

While the Code recommends the assessment of the effectiveness of the Board as a whole and also the individual contribution by each Director to the effectiveness of the Board, the NC is of the view that it is more appropriate and effective for the Board to be evaluated as a whole, bearing in mind that each member of the Board contributes in various ways to the success of the Company and Board decisions are made collectively.

The NC has put in place a formal Board evaluation process to evaluate the performance of the Board as a whole and its ability to discharge its responsibilities in providing stewardship, corporate governance and overseeing of management's performance. To facilitate the evaluation process, Directors are requested to complete evaluation questionnaires annually which assess the effectiveness of the Board and the Chairman of the Board. To ensure confidentiality, the evaluation questionnaires completed by the Directors are submitted to the Company Secretary for collation, and the consolidated responses are presented to the NC for review and discussion. The results of the performance evaluation are then presented first to the Chairman and then to the Board. The Board will then act on the results where appropriate in consultation with the NC.

Following the evaluation for the financial year under review, the Board is of the view that the Board operates effectively and each Director has contributed to the overall effectiveness of the Board in meeting performance objectives.

Board evaluation criteria

To assess the Board's performance, the NC has established a set of assessment criteria such as the size of the Board, the degree of independence of the Board, information flow from management, and adequacy of the Board and committees' meetings held to enable proper consideration of issues. This set of assessment criteria is the same as that used during the financial year ended 31 December 2015.

The Board is of the opinion that a criterion such as share price performance is not appropriate for assessment of non-executive Directors and the Board's performance as a whole.

Evaluation of individual Directors

Although the Directors are not evaluated individually, factors such as Directors' contribution, participation in discussions and commitment of their time to their role have been considered during the Board renewal process. The Board is of the view that the members of the Board have performed efficiently and effectively for the Board to function collectively as a whole.

Access to Information

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

Board's access to complete, adequate and timely information

Board members are provided with management information including country performance, budgets, business plans, forecasts, funding position, capital expenditure, and manpower statistics of the Group prior to each Board meeting to enable them to keep abreast of the Group's performance, financial position and prospects. Any material variance between budgets, projections and actual results are disclosed and explained. All relevant information on material events and transactions are circulated to Directors as and when they arise.

Provision of information to the Board

Board papers and related materials are disseminated to the Board before the scheduled Board or Board committee meeting via electronic mail where the Directors will download the files onto their electronic devices, thereby removing the need to print hard copies for deliberation at meetings. With this process, the Company steers itself towards sustaining a green and environmentally-friendly work culture.

Company Secretary

Board members have separate and independent access to the Company's senior management and the Company Secretary, and *vice versa.* Such access comes in the form of electronic mail, telephone and face-to-face meetings. The Company Secretary attends all meetings of the Board and Board committees and assists the Chairman to ensure that Board procedures are followed and that there is good information flow within the Board and the Board committees and between management and non-executive Directors. Where queries made by the Directors are channelled through the Company Secretary, the Company Secretary ensures that such queries are answered promptly by management.

Appointment and removal of Company Secretary

The appointment and removal of the Company Secretary is a Board reserved matter under the Constitution.

Board's access to independent professional advice

Directors, individually or as a group, in furtherance of their duties and after consultation with the Chairman of the Board, are authorised to seek independent professional advice at the Company's expense.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

RC composition and role

The RC comprises three independent non-executive Directors, namely, Mr. Ngiam Tong Dow (Chairman of RC), Mr. S. Chandra Das and Encik Razman Hafidz bin Abu Zarim. All three members, having managed large organisations are experienced and knowledgeable in the field of executive compensation. In addition, they have access to the Company's Human Resource personnel should they have any queries on human resource matters.

The RC is guided by its written Terms of Reference which specifically sets out its authority and responsibilities. The principal roles of the RC are:

i. reviewing and approving the structure of the compensation policies of the Group so as to align compensation with shareholders' interests;

ii. recommending the fees of the non-executive Directors;

iii. reviewing executive Directors and the Group CEO's remuneration packages; and

iv. recommending the quantum of performance bonus pool and share-based incentives for the Group CEO and key employees.

During the financial year under review, the RC held two scheduled meetings.

Remuneration framework

The determination of the remuneration of the Directors is a matter for the Board as a whole. Directors do not participate in decision making in determining their own remuneration. Directors' fees are subject to shareholders' approval at the AGM.

RC's access to external expert advice on remuneration matters

If the RC requires external professional advice on remuneration matters, such professionals will be engaged at the Company's expense. For the financial year under review, the Company did not engage any remuneration consultant with regard to the remuneration of Directors.

Service contracts

The RC reviews the Company's obligations arising in the event of termination of the executive Director's and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Level and Mix of Remuneration

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

Remuneration of executive Director and key management personnel

The Company adopts a remuneration policy for staff that is primarily performance based. Remuneration comprises a fixed and a variable component. The fixed component consists of a base salary, fixed allowance and an annual wage supplement. The variable component is in the form of a variable bonus that is linked to the Company's and the individual's performance.

The Company has in place the following incentive schemes for the financial year under review:

(i) a short-term performance bonus plan based on a balanced scorecard comprising financial and non-financial key performance indicators ("KPI") that has been approved by the RC and the Board at the beginning of the year; and

(ii) a long-term share-based incentive plan (the YHS Share Incentive Plan) which was approved and adopted by members of the Company at the Extraordinary General Meeting held on 26 April 2010. This plan provides an opportunity for employees of the Group who have contributed to the growth and performance of the Group and who satisfy the eligibility criteria as set out under the rules of the plan to participate in the equity of the Company. The RC is the committee responsible for the administration of this plan. Detailed information on the YHS Share Incentive Plan can be found in the Directors' Statement in the Annual Report.

The Board has only one executive Director, namely the Group CEO. He does not receive Director's fees. When reviewing the remuneration package of the executive Director, the Company makes a comparative study of the package of executive Director in comparable industries and takes into account the performance of the Company and that of the executive Director. The remuneration package of the executive Director is made up of fixed and variable components. The fixed remuneration comprises annual basic salary, fixed allowances and annual wage supplement. The variable component is subject to individual performance and the achievement of the Company's business goals, and is subject to the discretion of the Board.

The employment contract for the Group CEO does not have fixed-term tenure and does not contain onerous removal clauses.

Remuneration of non-executive Directors

Non-executive Directors have no service contracts with the Company and their terms are specified in the Constitution. Non-executive Directors are paid a basic fee, an additional fee for serving on any of the committees and an attendance fee for participation in meetings of the Board and any of the committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent, responsibilities of non-executive Directors, and the need to be competitive in order to attract, motivate and retain these Directors are taken into account. The Chairman and members of the ARC receive higher additional fees to take into account the nature of their responsibilities. The aggregate fees of the non-executive Directors are subject to the approval of the shareholders at the AGM.

Director fees and additional fees for serving on Board committees and attendance fees are paid to non-executive Directors in accordance with the following framework:

Fee Structure	Financial Year 2016 S$
Chairman (Flat Fee)	350,000
Deputy Chairman & Lead Independent Director(1)	120,000
Non-executive Directors – Basic Fee	55,000
Audit & Risk Committee – Chairman	40,000
Audit & Risk Committee – Member	20,000
Other Committee – Chairman	20,000
Other Committee – Member	12,000
Attendance Fee – Singapore(2)	1,000
Attendance Fee – Overseas(2)	2,000

Annotation:
(1) Inclusive of S$60,000 payable for appointment as Chairman of YHS (Singapore) Pte Ltd, the Company's wholly-owned subsidiary.
(2) Attendance fees are payable on a per day basis, regardless of the number of meetings held on the same day.

Contractual provisions to reclaim incentive components of remuneration

The Company does not use contractual provisions to allow itself to reclaim incentive components of remuneration from its executive Director and key management personnel in exceptional circumstances of misstatements of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies in the event of any breach of fiduciary duties as the executive Director owes a fiduciary duty to the Company.

Disclosure of Remuneration

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

Remuneration report

The Company has decided against the inclusion of an annual remuneration report in this Report as the matters required to be disclosed therein have been disclosed in this Report, the Directors' Statement and the notes to the financial statements. The Board responds to queries from shareholders at AGMs on matters pertaining to remuneration policies and Directors' remuneration. Accordingly, it is the opinion of the Board that there is no necessity for such policies to be approved by shareholders.

Remuneration of individual Directors

The remuneration of the executive and non-executive Directors is as follows:

Non-executive Directors	Directors' Fees [1] S$
Koh Boon Hwee	350,000
S. Chandra Das[2]	231,000
Wee Kheng Jin	59,000
Chang See Hiang[3]	21,926
Chin Yoke Choong	79,000
Dato' Mohamed Nizam bin Abdul Razak	71,000
Ngiam Tong Dow	111,000
Dato' N. Sadasivan a/l N.N. Pillay	70,000
Encik Razman Hafidz bin Abu Zarim	79,000
Tan Chin Nam	79,000

Annotations:

(1) Non-executive Directors' fees as shown are on a paid basis, and relates to services rendered in respect of the previous financial year ended 31 December 2015.

(2) Inclusive of S$60,000 for appointment as Chairman of YHS (Singapore) Pte Ltd, the Company's wholly-owned subsidiary.

(3) Mr. Chang See Hiang retired from the Board of Directors at the conclusion of the AGM held on 24 April 2015.

	Total Gross Remuneration	Fixed Salary [1]	Variable Bonus [2]	Benefits-in-kind & Others [3]
Executive Director	S$	%	%	%
Melvin Teo Tzai Win	1,792,852[4]	37.9	53.7	8.4

Annotations:

(1) Fixed Salary refers to base salary, annual wage supplement, fixed allowances and contractual bonuses, where applicable.

(2) Variable Bonus comprises cash bonus awarded for Mr Teo's performance for the financial year ended 31 December 2016. In addition to the above, an additional amount of S$558,000 will be payable to Mr. Teo over three instalments from 2018.

(3) Benefits-in-kind & Others are stated on the basis of direct costs to the Group and is inclusive of payments in respect of company (employer) statutory contributions to the Singapore Central Provident Fund, Malaysia Employees Provident Fund, tax equalisation, car benefits, children's education, club membership and housing rental, where applicable.

(4) This figures excludes the grant in April 2016 of 623,571 YHS share awards which will vest over three years, with one-third of the total awards vesting in June annually. The first tranche equivalent to 207,857 shares vested in June 2016. Based on the closing price of the YHS shares on the Singapore Exchange Securities Trading Limited on 30 December 2016 of $1.33 per share, the 207,857 shares vested in June 2016 have a value of approximately $276,449.

Remuneration of key management personnel

The GMC comprising key management personnel was formed in 2015 to assist the Group CEO to manage the Group's businesses and operations. The GMC is constituted by a mix of group functional heads and heads of major operating units. This matrix governance ensures that major operational and business decisions are taken with the benefit of collective wisdom and experience. The remuneration of the GMC members as at 31 December 2016 is as follows:

Key management personnel	Designation	Remuneration Band S$	Fixed Salary [(1)] %	Variable Bonus [(2)] %	Benefits-in-kind & Others [(3)] %
Yap Ng Seng	Deputy Chief Executive Officer	1,000,000 to 1,249,999	74.1	17.5	8.4
Sueann Lim	Executive Vice President, Research & Development, Quality Assurance	500,000 to 749,999	58.3	32.1	9.6
Joanne Lim	Group Vice President, Corporate Affairs and Company Secretary	500,000 to 749,999	57.0	34.3	8.7
Ong Chay Seng	Group Vice President, Malaysia & Indonesia	250,000 to 499,999	64.9	19.1	16.0
Ronnie Chung	Senior Vice President, Indochina, South & East Asia, Africa & Pacific Islands	250,000 to 499,999	67.2	23.2	9.6
Cyndi Pei	Senior Vice President, Group Finance and Group Financial Controller	250,000 to 499,999	65.4	23.9	10.7

The aggregate remuneration paid or payable to the above GMC members in the financial year under review was S$3,545,920.

Annotations:

(1) Fixed Salary refers to base salary, annual wage supplement, fixed allowances and contractual bonuses, where applicable.

(2) Variable Bonus refers to cash bonuses awarded for performance for the financial year ended 31 December 2016. Cash bonuses above certain amounts will be payable to key management personnel in instalments in accordance with a disbursement schedule over three years.

(3) Benefits-in-kind & Others are stated on the basis of direct costs to the Group and is inclusive of payments in respect of company (employer) statutory contributions to the Singapore Central Provident Fund, Malaysia Employees Provident Fund, tax equalisation, car benefits, children's education, club membership and housing rental, where applicable.

Employees related to Directors/Group CEO

There are no employees of the Group who are the immediate family members of any of the Directors or the Group CEO and whose remuneration exceeds S$50,000 in the financial year under review. There were no termination, retirement or post-employment benefits granted to the Directors, the Group CEO or the key management personnel (who are not Directors or the Group CEO) during the financial year under review.

Link between remuneration and performance

The Company has in place a performance bonus plan. Each year, during the budget period, management will propose a balanced scorecard (comprising financial and non-financial KPIs with different ascribed weightages) to the RC and the Board for consideration and approval. The scorecard will take into consideration all the critical items that the Group is to focus on for the financial year, including key multi-years' projects. The KPIs and weightages will differ depending on the function and geography of the different operating units.

During the financial year, the Group CEO evaluates *inter alia* the extent to which the above KPIs have been achieved based on the Company's performance after taking into consideration market conditions during the year and benchmarking the Group's performance against peer performance, and recommends for the approval of the RC and the Board, the bonus pool quantum for distribution. As part of the Company's continuing efforts to reward, retain and motivate the key management personnel, the total bonus awarded to the Group CEO and key employees may be paid in a combination of cash and shares to further strengthen medium and long term alignment of the interests of such personnel with that of shareholders.

ACCOUNTABILITY AND AUDIT

Accountability

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

Board's accountability for the provision of accurate information to the investing public and regulators

The Company is committed to providing a balanced and clear assessment of the Group's performance, financial position and prospects through timely reporting of its quarterly and full-year results. The Company's Annual Report and all financial results are accessible to the public on SGXNET and the Company's website.

Compliance with legislative and regulatory requirements

The Company has in place a system of reporting to maintain compliance with statutory and regulatory reporting requirements.

In compliance with the Listing Rules of the SGX-ST, negative assurance statements were issued by the Board with each quarterly financial report to confirm that to the best of its knowledge, nothing had come to its attention which would render the Company's quarterly results false or misleading in any material respect.

As required under Listing Rule 720(1), which was amended in 2015, the Company has procured undertakings from all its Directors and executive officers where they each undertook to, in the exercise of their powers and duties as Directors and executive officers, use their best endeavours to comply with the provisions of the Listing Rules of the SGX-ST.

Management's accountability for the provision of timely information to the Board

Management provides the Board with a regular flow of relevant information on a timely basis in order that it may effectively discharge its duties. All Board members are also provided with up to date financial reports and other information on the Group's performance for effective monitoring and decision making.

Management also highlights key business indicators and any major issues that are relevant to the Group's performance as and when appropriate in order for the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Risk Management and Internal Controls

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

Risk management and internal control systems

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets. The Board is primarily responsible for the governance of risk whilst the ARC oversees and ensures that such system has been appropriately designed, implemented and closely monitored for its adequacy and effectiveness. During the financial year, the risk management framework was updated and approved by the ARC.

The Company also has in place policies on Code of Conduct, Dealing in Securities, Interested Person Transactions and Whistle-Blowing to mitigate the risk of fraud, corruption and misconduct by employees.

The identification and management of financial risks are outlined under the Notes to the Financial Statements of the Annual Report.

The main operational risks of the Company are as follows:

i. risk of product contamination and product integrity in the manufacturing process. The Company has established a strong Group Research & Development and Quality Assurance Centre in Singapore which oversees and monitors product integrity and manufacturing processes across the Group;

ii. risk of inadequate Business Continuity Program (BCP) which is essential for the continuation of key processes to recover from unexpected business interruptions. The Group has a BCP to recover from natural and/or man-made disasters;

iii. risk of ineffective advertising and promotion and selling expenses being incurred which do not generate the expected sales and profits. Management constantly monitors major advertising and promotion programmes and sets key performance indicators to monitor spending against the sales and profitability;

iv. change in operational conditions including fluctuation in raw material prices and labour issues that affect the cost of doing business. To avoid over-dependence on any one supplier and service provider, the Group has a policy to have more than one supplier where practicable. The Group will monitor and judiciously lock in raw material prices where appropriate and possible in order to contain raw material cost;

v. economic conditions in markets where the Group operates may be uncertain which inevitably subjects it to financial risks ranging from foreign exchange and commodity volatilities. Policies and procedures addressing these areas have been established throughout the Group to mitigate these risks;

vi. loss of capacity at any particular plant within the Group due to unforeseen circumstances that affect the supply and the business. The Group, where possible, will have more than one manufacturing site or a third-party contract manufacturer to serve as back-up to cushion the impact;

vii. core operational disruptions and data breaches from cyber-attacks resulting in reputation damage due to insufficient preparation of IT security systems. The Group reviewed its cyber security measures and has an off-site recovery centre, a MIS recovery plan and manual back-up procedures to improve its resilience against cyber-attacks;

viii. risk of disruptions due to departure of key management personnel. The Group has a compensation scheme that seeks to attract and retain talent and prepares for succession of key appointment holders;

ix. risk of intense competition in the markets that the Group operates. The Group constantly keeps ahead of market developments to calibrate its strategies and investments to mitigate risks which may arise, or capitalise on opportunities that present themselves;

x. water and utilities disruption in production can have tangible impacts on the Group's supply chains, operations and production. The Group has established water tanks for supply to critical production and product lines and deployed Uninterrupted Power Supply systems for its critical key processes in the event of any supply disruptions; and

xi. operating in a global environment, the Group is exposed to changing regulations and applicable laws where it has a business presence. The Group monitors and keeps itself updated with the latest changes in regulatory compliance.

Adequacy and effectiveness of risk management and internal control systems

The Company's internal auditors review the implementation of the policies and procedures adopted for risk management and internal control, and report their findings to the ARC to provide check and balance.

The Company's external auditors carry out, in the course of the statutory audit, an assessment of the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, and highlight any material internal control weaknesses that have come to their attention during the conduct of their normal audit procedures, which are designed primarily to enable them to express an opinion on the financial statements. Any material internal control weaknesses, identified during their audit and their recommendations, are reported to the ARC.

On a quarterly basis, the ARC conducts a review of the Company's significant risk areas and credit risks to ensure that the systems in place are adequate and effective for the Company's risk management and internal controls.

Board's comment on the adequacy and effectiveness of internal controls

For the financial year under review, the Board was assured by the Group CEO and the Group Financial Controller that the financial records had been properly maintained and the financial statements gave a true and fair view of the Group's operations and finances and that the Group's systems of risk management and internal control systems were adequate and effective.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management and various Board committees, the Board with the concurrence of the ARC, is of the opinion that the Group's internal controls and risk management systems were adequate and effective as at 31 December 2016 to address financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations.

Internal controls, because of their inherent limitations can only provide reasonable, but not absolute assurance in the achievement of their internal control objectives. The Board is satisfied that if significant internal control failures or weakness were to arise, management would take all necessary actions to remedy them.

Separate risk committee

Oversight of the Company's risk management framework and policies is under the purview of the ARC, which is aided by the Group Risk Management function and the internal auditors. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the opinion that a separate risk committee is not required for the time being.

Audit & Risk Committee

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

ARC composition

The ARC comprises four non-executive Directors, namely, Mr. Chin Yoke Choong (Chairman of ARC), Mr. S. Chandra Das, Dato' N. Sadasivan a/l N.N. Pillay and Dr. Tan Chin Nam. All four members are independent Directors.

The ARC is guided by its written Terms of Reference which specifically sets out its authority and responsibilities.

During the financial year under review, the ARC held four scheduled meetings.

Expertise of ARC members

The ARC members bring with them professional expertise and experience in the field of accounting and financial management. The Chairman of the ARC, Mr. Chin Yoke Choong, who is a qualified accountant, has served as the Managing Partner of KPMG Singapore from 1992 to 2005. The background of each ARC member can be found in the "Profile of the Board of Directors & Management" section of the Annual Report.

The NC is of the view that the members of the ARC have sufficient financial management expertise and experience to discharge the ARC's functions.

Role, responsibilities and authority of the ARC

The ARC has full access to and co-operation from the Company's management and the internal auditors, and has full discretion to invite any Director or executive officer to attend its meetings. The executive Director, at the invitation of the ARC, participates in the ARC's deliberations.

The ARC performs the following main functions:

i. reviewing with the external auditors their audit plan, audit reports, significant financial reporting issues and judgements, the nature, extent and costs of non-audit services and any matters which the external auditors wish to discuss;

ii. reviewing and reporting to the Board the scope and results of internal audit procedures and evaluation of the adequacy and effectiveness of the overall internal control system;

iii. reviewing and recommending to the Board for approval the first three quarterly financial statements and full-year financial results and related SGXNET announcements;

iv. reviewing and approving the appointment, re-appointment, or the dismissal of the internal auditors and the scope and effectiveness of the internal audit function;

v. reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;

vi. recommending to the Board the appointment, re-appointment or change of the external auditors, taking into consideration (where applicable) the scope and results of the audit and their cost effectiveness, and their remuneration and engagement terms;

vii. assisting the Board in the oversight of risk management including reviewing and recommending to the Board on an annual basis the type and level of business risks that YHS should undertake to achieve its business objectives, the appropriate framework and policies for managing risks that are consistent with the Group's risk appetite, recommendation on a set of risk tolerance levels for the Group's key risks to ensure that there is clarity on the thresholds within which the Group should operate and the adequacy of resources required to carry out its risk management functions effectively;

viii. reviewing interested person transactions to consider whether such transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders and (where applicable) to issue a statement on the views expressed and to recommend to the Board appropriate actions to be taken depending on the classification of the transactions in accordance with the Listing Manual of the SGX-ST;

ix. reviewing the whistle-blowing policy and arrangements for staff to raise concerns and improprieties in confidence, and ensure that these arrangements allow independent investigation of such matters and appropriate follow up action;

x. reviewing improper activities, suspected fraud or irregularities and report to the Board, where necessary; and

xi. performing any other functions which may be agreed by the ARC and the Board.

The ARC has the power to investigate any matter brought to its attention and any matters within its Terms of Reference. It also has the power to seek professional advice at the Company's expense.

Where relevant, the ARC makes reference to the best practices and guidance in publications such as the Guidebook for Audit Committees in Singapore jointly issued by ACRA, the Monetary Authority of Singapore and SGX, the Guidance to Audit Committees on ACRA's Audit Quality Indicators Disclosure Framework, practice directions issued from time to time in relation to Financial Reporting Surveillance Programme administered by ACRA, and the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council.

In the review of the financial statements, the ARC has discussed with management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements in the areas of fair value of investment properties and classification of advertising and promotion expenses as disclosed in Note 3 to the financial statements and reported under key audit matters in the independent auditors' report.

ARC has reviewed and discussed with management and the external auditors. ARC is satisfied with management's processes, disclosures in the financial statements and report of the external auditors.

Following the review and discussions, the ARC will then recommend to the Board where appropriate the release of the full-year financial statements.

Minutes of the ARC meetings are routinely tabled at Board meetings for information.

External and internal auditors

The ARC recommends to the Board the appointment, re-appointment or change of the external auditors, and their remuneration and terms of engagement. The appointment of the external auditors is subject to shareholders' approval at each AGM of the Company.

The ARC will meet with the external auditors, and with the internal auditors, in each case without the presence of management, at least annually.

Independence of external auditors

The ARC reviews the independence and objectivity of the external auditors through discussions with the external auditors, as well as an annual review of the volume and nature of non-audit services provided by the external auditors. The fees paid to the Group's external auditors are as disclosed in the table below:

External Auditors' Fees for FY2016	S$'000	% of Total Fees
Audit Fees	630	88
Non-audit Fees	87	12
Total Fees	717	100

In the ARC's opinion, the non-audit services provided by the external auditors did not impair their objectivity and independence. Accordingly, the Company has complied with Listing Rule 1207(6)(b).

The Company has also complied with Listing Rules 712, 715 and 716 in relation to the Company's appointment of auditing firms. Where auditing firms other than the Company's external auditors are engaged as auditors by foreign-incorporated subsidiaries or associated companies, such foreign-incorporated subsidiaries or associated companies are not significant in the sense of Listing Rule 718.

Whistle-blowing policy

The Company has put in place a whistle-blowing framework, endorsed by the ARC, under which employees of the Group may, in confidence raise concerns about possible corporate irregularities in matters of financial reporting or other matters. Management provides quarterly updates to the ARC on whistle-blowing incidents, if any. A copy of the whistle-blowing policy is posted on the Company's intranet and official website encouraging the report of any behaviour or action that might constitute a contravention of any rules/regulations/accounting standards as well as internal policies.

The Company treats all information received in strict confidence and protects the identity and the interest of all whistle-blowers. The anonymity of the whistle-blower will be maintained where so requested by the whistle-blower.

ARC's activities and members' duty to keep abreast of changes to accounting standards

The primary role of the ARC is to assist the Board in ensuring the integrity of the Group's financial accounting system and that a sound internal control system is in place.

The ARC meets regularly with management and the external auditors to review auditing and risk management matters and deliberate on accounting implications of any major transactions including significant financial reporting issues. It also reviews the internal audit functions to ensure that an effective system of control is maintained by the Group.

On a quarterly basis, the ARC reviews the Company's financial results announcements before their submission to the Board for approval.

The ARC is kept abreast by management and the external auditors of changes to the financial reporting standards, Listing Rules of the SGX-ST and other regulations and issues which have a direct impact on the Group's business and financial statements.

Cooling-off period for partners of the company's auditing firm

None of the ARC members were previous partners or directors of the Company's existing external auditors, KPMG LLP, within the previous 12 months. All ARC members do not have any financial interest in KPMG LLP.

Internal Audit

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

Internal auditors and their function

The Company has appointed Deloitte Enterprise Risk Services Sdn Bhd ("Deloitte") as the Company's internal auditors. Deloitte reports directly to the ARC.

The ARC assesses, at least annually, the adequacy and effectiveness of the internal audit function. Having regard to the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, and having reviewed the functions and organisational structure of Deloitte, the ARC is satisfied that Deloitte meets the requisite standards, is adequately resourced, independent, and has appropriate standing within the Company.

The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the ARC.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

Sufficient information to shareholders

The Company strives for timeliness and transparency in its disclosures to shareholders and the public. The Company also believes in providing sufficient and regular information to shareholders and the public beyond mere compliance with prevailing statutory or professional standards.

Effective participation and voting by shareholders at general meetings

All shareholders are informed of shareholders' meetings through notices contained in annual reports and circulars disseminated to them. These notices are also published in the local press and posted on SGXNET. Resolutions tabled at general meetings are voted by poll, which procedures are clearly explained by scrutineers at such general meetings.

Multiple proxies

Following the introduction of the multiple proxies regime under the amended Companies Act of Singapore, with effect from 3 January 2016 "relevant intermediaries" (such as banks and capital markets services licence holders which provide custodial services for securities) which are members of the Company, are able to appoint more than two proxies to attend, speak and vote at general meetings of shareholders of the Company. Accordingly, the Company has at its 60th AGM held on 22 April 2016 adopted a new Constitution, which contains new provisions that cater to the multiple proxies regime.

Communication with Shareholders

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

Communication with shareholders

In addition to regular dissemination of information through SGXNET, the Company also attends to general enquiries from shareholders, investors, analysts, fund managers and the press. During the financial year, the Company established a team of investor relations personnel to focus on facilitating communication with shareholders, investors, fund managers, analysts, media and other stakeholders on a regular basis, to attend to their queries or concerns as well as to keep the investing public apprised of the Company's corporate developments and financial performance.

Information on the Company and its businesses is also made available on the Company's website: www.yeos.com.sg.

Timely information to shareholders

The Company does not practise selective disclosure of material information. Price sensitive information is first publicly released before the Company meets with any group of investors or analysts. With effect from financial year 2003, the Company adopted quarterly reporting to shareholders. Financial results and other price sensitive public announcements are presented by the Company through a balanced and understandable assessment of the Group's performance, position and prospects.

Regular dialogue with shareholders

General meetings have been and are still the principal forums for dialogue with shareholders. At these meetings, shareholders are given the opportunity to engage the Board and management on the Group's activities, financial performance, other business-related matters and plans for the Group's development. Such meetings also allow the Company to gather views or inputs, and address shareholders' concerns.

Soliciting and understanding views of shareholders

Outside of the financial reporting periods, when necessary and appropriate, the Group CEO will meet analysts and fund managers who seek a better understanding of the Group's operations. The Group CEO also engages with local and foreign investors to garner feedback from the investor community on a range of strategic and topical issues, which provides the Board with valuable insights on investors' views. When opportunities arise, the Group CEO conducts media interviews to give shareholders and the investing public a profound perspective of the Group's business.

Dividend policy

The Company does not have a stated policy of distributing a fixed percentage of earnings by way of dividend in any year. Rather, in fixing a dividend for any year it considers a number of factors including current and forecast earnings, internal capital requirements, growth options and the Company's debt/equity position.

Conduct of Shareholder Meetings

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

Effective shareholders' participation

The Company supports active shareholder participation at general meetings. The shareholders are encouraged to attend these general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and visions. These meetings also allow shareholders to raise relevant questions or seek clarification on the motions before they are put to the vote.

Separate resolutions at general meetings

Resolutions to be tabled at general meetings are separate unless they are interdependent, and the reasons and material implications are explained to enable shareholders to make an informed decision.

Attendees at general meetings

Members of the Board, the Chairman of each of the Board committees, senior management, the external auditors, legal advisors and management are in attendance at general meetings of shareholders.

Minutes of general meetings

The Company Secretary prepares the minutes of shareholders' meetings which include substantive comments and queries from shareholders, and the responses from the Board and management. Minutes of shareholders' meetings are available to shareholders upon request and authentication of shareholder identity by the Company.

Voting by poll at general meetings

For greater transparency in the voting process, the Company has implemented electronic poll voting since the last AGM and this practice will continue for all future general meetings of shareholders. The voting results of all votes cast for or against each resolution are made available at the meeting and subsequently announced to the SGX-ST after the meeting.

The Board is of the opinion that the Company does not need to amend its Constitution to provide for absentia voting method, which is costly to implement.

CODE OF BUSINESS ETHICS

The Group has adopted a Code of Business Ethics to regulate the standards and ethical conduct of the Group's employees who are required to observe and maintain high standards of integrity.

DEALINGS IN SECURITIES

The Company has in place a Securities Trading Policy modelled on the best practices guidance in SGX-ST Listing Rule 1207(19), and issues quarterly reminders to its Directors and employees on the restrictions in dealings in listed securities of the Company during the period commencing (i) two weeks prior to the announcement of financial results of each of the first three quarters of the financial year, and (ii) one month before the announcement of full-year financial results, and ending on the date of such announcements. Directors and employees are also reminded not to trade in listed securities of the Company at any time while in possession of unpublished price sensitive information and to refrain from dealing in the Company's securities on short-term considerations.

MATERIAL CONTRACTS

No material contracts were entered into by the Company or any of its subsidiaries involving the interest of the Group CEO, any Director or controlling shareholder, and either still subsisting at the end of the year or entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year under review which fall under Chapter 9 of the Listing Manual of the SGX-ST are as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
Name of interested person	**2016 S$'000**	**2015 S$'000**
Sino Land Company Limited Group, a shareholder of the Company		
Operating lease expense paid/payable	–	189

The Company does not have any shareholders' mandate for interested person transactions.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Koh Boon Hwee
Chairman, Non-independent & Non-executive Director

Mr. S. Chandra Das
Deputy Chairman & Lead Independent Director, Independent & Non-executive Director

Mr. Melvin Teo Tzai Win
Executive Director & Group Chief Executive Officer

Mr. Wee Kheng Jin
Non-independent & Non-executive Director

Mr. Chin Yoke Choong
Independent & Non-executive Director

Dato' Mohamed Nizam bin Abdul Razak
Independent & Non-executive Director

Mr. Ngiam Tong Dow
Independent & Non-executive Director

Dato' N. Sadasivan a/l N.N. Pillay
Independent & Non-executive Director

Encik Razman Hafidz bin Abu Zarim
Independent & Non-executive Director

Dr. Tan Chin Nam
Independent & Non-executive Director

Ms. Luo Dan
Independent & Non-executive Director

AUDIT & RISK COMMITTEE

Mr. Chin Yoke Choong
Chairman

Mr. S. Chandra Das
Member

Dato' N. Sadasivan a/l N.N. Pillay
Member

Dr. Tan Chin Nam
Member

NOMINATING COMMITTEE

Mr. S. Chandra Das
Chairman

Mr. Ngiam Tong Dow
Member

Dato' Mohamed Nizam bin Abdul Razak
Member

REMUNERATION COMMITTEE

Mr. Ngiam Tong Dow
Chairman

Mr. S. Chandra Das
Member

Encik Razman Hafidz bin Abu Zarim
Member

COMPANY SECRETARIES

Ms. Joanne Lim Swee Lee

Ms. Sau Ean Nee

REGISTERED OFFICE

3 Senoko Way
Singapore 758057
Tel : (65) 6752 2122
Fax : (65) 6752 3122
Website : www.yeos.com.sg

SHARE REGISTRAR

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

Tel : (65) 6593 4848
Fax: (65) 6593 4847

INDEPENDENT AUDITORS

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581

Partner-in-charge :
Mr. Jeya Poh Wan S/O K. Suppiah
Appointment : 2014

FINANCIAL STATEMENTS

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 52 to 131 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; 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.

Directors

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

Koh Boon Hwee
S. Chandra Das
Melvin Teo Tzai Win
Wee Kheng Jin
Chin Yoke Choong
Ngiam Tong Dow
Tan Chin Nam
Dato' Mohamed Nizam bin Abdul Razak
Razman Hafidz bin Abu Zarim
Dato' N. Sadasivan a/l N.N. Pillay
Luo Dan (Appointed on 1 January 2017)

Arrangements to enable directors to acquire shares and debentures

Except as disclosed under the "YHS Share Incentive Plan" section of this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or any related corporations, except as follows:

	Holdings registered in name of director or nominee	
	At 31.12.2016	At 1.1.2016
Yeo Hiap Seng Limited		
(Number of ordinary shares)		
Melvin Teo Tzai Win	367,811	530,677

(b) According to the register of directors' shareholdings, the following director holding office at the end of the financial year had interest in performance share awards for ordinary shares of the Company granted pursuant to the YHS Share Incentive Plan as set out below.

	Number of unissued ordinary shares under award	
	At 31.12.2016	At 1.1.2016
Melvin Teo Tzai Win	946,392	1,061,355

(c) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2017 were the same as those as at 31 December 2016.

Share incentive plan

YHS Share Incentive Plan

The YHS Share Incentive Plan (the "Plan") was approved and adopted by the members of the Company at an Extraordinary General Meeting held on 26 April 2010. The Remuneration Committee has been designated as the committee ("Committee") responsible for the administration of the Plan. The Committee comprises Mr. Ngiam Tong Dow, Mr. S. Chandra Das and Encik Razman Hafidz bin Abu Zarim.

Share incentive plan (continued)

YHS Share Incentive Plan (continued)

The Plan is an omnibus share incentive scheme which amalgamates a share option plan component and a performance share plan component. Participants will be selected at the sole discretion of the Committee from eligible categories of persons comprising (i) employees and directors of the Group, (ii) employees and directors of associated companies, and (iii) associates (being employees of companies within the Far East Organization) who spend more than half of their time performing services out-sourced by the Company to the associates' employer. Persons who are the Company's controlling shareholders or their associates (as those terms are defined in the Listing Manual of the Singapore Exchange Securities Trading Limited) will not be eligible to participate in the Plan. The aggregate number of new shares which may be issued pursuant to options and/or awards granted under the Plan on any date, when added to the number of new shares issued and issuable in respect of all options and awards granted under the Plan, shall not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company. Unless earlier terminated or extended with the approval of the members of the Company, the Plan will continue in force, at the discretion of the Committee, for a maximum period of 10 years commencing on the date of its adoption.

Under the share option plan component, an option granted pursuant to the Plan represents a right to acquire ordinary shares in the Company at the acquisition price per share applicable to the option. The acquisition price per share is fixed at the time of the grant of the option and may be set at the market price, or at a discount to the market price, or at the market price subject to adjustment with a discount if prescribed performance conditions are met, or at a premium to the market price. Any discount given must not exceed 20% of the market price of a share.

Under the performance share plan component, an award granted represents a contingent right to receive fully paid ordinary shares in the Company, their equivalent cash value or combinations thereof, free of charge, provided that prescribed performance targets (if any) are met and upon expiry of the prescribed vesting periods.

Subject to the Plan size and the individual and collective limits applicable to associates under the Plan, the number of shares that will be comprised in an option or award, and the terms thereof, including any vesting or other conditions, will be determined by the Committee at its sole discretion having regard to various factors such as (but not limited to) the participant's capability, responsibilities, skill sets, and the objective desired to be achieved through the grant.

The person to whom the awards have been granted has no right to participate by virtue of the award in share issue of any other company.

Share incentive plan (continued)

YHS Share Incentive Plan (continued)

Grants of awards were made pursuant to the Plan in 2016. The following table sets out the movements in awards granted pursuant to the Plan and their weighted average fair values at grant date.

Number of ordinary shares under award	2016	2015
Beginning of financial year	**2,353,355**	267,000
Granted during the year	**1,772,571**	3,416,032
Shares issued during the year	**(1,814,531)**	(1,325,677)
Forfeited during the year	**–**	(4,000)
End of financial year	**2,311,395**	2,353,355
Weighted average fair value per award based on market price per share at grant date	**$1.50**	$1.73
Weighted average remaining contractual life (days)	**254**	326

No option was granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Audit and Risk Committee

The members of the Audit and Risk Committee at the end of the financial year were as follows:

Chin Yoke Choong (Chairman)
S. Chandra Das
Dato' N. Sadasivan a/l N.N. Pillay
Tan Chin Nam

All members of the Audit and Risk Committee were independent non-executive directors.

The Audit and Risk Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, including a review of the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016 and the Independent Auditors' Report thereon. The Audit and Risk Committee has full access to management, has discretion to invite any director or executive officer to attend its meetings and is given the resources required for it to discharge its functions.

Audit and Risk Committee (continued)

The Audit and Risk Committee has also reviewed the following:

(i) the adequacy of the Group's internal accounting control system and its internal control procedures relating to interested person transactions;

(ii) the compliance with legal and other regulatory requirements;

(iii) the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;

(iv) the appointment of the independent auditors and the level of audit and non-audit fees;

(v) the co-operation given by the Company's management and officers to the independent auditors;

(vi) the review of independent auditors' audit plan, audit report and any recommendations on internal accounting controls arising from the statutory audit; and

(vii) any other matter which in the Audit and Risk Committee's opinion, should be brought to the attention of the Board.

The Audit and Risk Committee has reviewed the non-audit services provided by the independent auditors; is satisfied with the independence and objectivity of the independent auditors, KPMG LLP; and has recommended to the Board that KPMG LLP be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditors

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

On behalf of the directors

MELVIN TEO TZAI WIN
Director

KOH BOON HWEE
Director

28 February 2017

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YEO HIAP SENG LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Yeo Hiap Seng Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 131.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("SFRSs") so as to give a true and fair view of the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for opinion

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

Key audit matters

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

Valuation of Investment Properties

Refer to note 2.6 and note 20 to the financial statements

The key audit matter

The Group's investment properties are accounted for at fair value and amounted to $128.99 million, which represents 16.60% of the Group's total assets as at 31 December 2016. The net fair value gains on investment properties amounted to $14.81 million for the year ended 31 December 2016.

The Group engaged external valuers to value its properties located in Malaysia, Hong Kong, China and the United States of America. In determining the fair value, the external valuers make a number of key estimates and assumptions, in particular assumptions in relation to forecasted rental rates, real estate sales prices and capitalisation rates. Some of these estimates and assumptions are subject to market forces and will change over time.

The valuation models applied to determine the value of investment properties are sensitive to the assumptions made.

How the matter was addressed in our audit

We evaluated the qualifications and competence of the external valuers. We considered the valuation methodologies used against those applied by other valuers for similar property types. We tested the integrity of inputs of the forecasted rental rate and price per square metre used in the valuations.

We challenged the capitalisation rate and price per square metre used in the valuations by comparing them against available industry data, taking into consideration the comparability and market factors. Where the rate and price were outside the expected range, we undertook further procedures to understand the effect of additional factors.

We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates.

Our findings:

The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation methodologies used are in line with generally accepted market practices and the key assumptions used are within the range of market data.

Classification and Recognition of Advertising and Promotion Expenses

Refer to note 2.2, note 4 and note 7 to the financial statements

The key audit matter

The Group incurs significant costs in the form of volume rebates, trade discounts, and advertising and promotion expenses to develop the Group's brands.

Judgement is required in ascertaining the nature and classification of the discounts (either as net against revenue or as expenses) and the accruals required in relation to promotions and advertising campaigns that span across the year end, where settlement has not been made by the year end or where prior year claims arise.

How the matter was addressed in our audit

We reviewed the Group's allocation of advertising and promotion costs in accordance with the relevant accounting standards by evaluating the classification of advertising and promotion costs against a sample of contracts, invoices and other supporting documents.

We also tested the appropriateness of accruals and the completeness of advertising and promotion costs by reference to contracts and invoices received subsequent to year end.

Our findings:

We found the classification and recognition of advertising and promotion expenses to be appropriate.

Other information

Management is responsible for the other information. The other information comprises Chairman's Statement, CEO's Statement and Operations Review, Financial Highlights, Profile of the Board of Directors and Management, Report on Corporate Governance, Corporate Information and Directors' Statement, which we obtained prior to the date of this auditors' report, and the Analysis of Shareholdings which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we 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 on the other information that we obtained prior to the date of this auditors' report, 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.

When we read the Analysis of Shareholdings, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

- 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 law or regulation precludes 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 Jeya Poh Wan S/O K. Suppiah.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 February 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	**2016** **$'000**	2015 $'000
Revenue	4	**410,032**	443,517
Cost of sales		**(254,454)**	(266,408)
Gross profit		**155,578**	177,109
Other income	5	**5,486**	6,656
Other gains – net	6	**15,935**	12,425
Expenses			
– Marketing and distribution		**(108,867)**	(119,867)
– Administrative		**(33,060)**	(32,901)
– Finance	9	**–**	(78)
Share of profit of associated companies and a joint venture		**503**	665
Profit before income tax		**35,575**	44,009
Income tax expense	10	**(6,613)**	(7,183)
Net profit attributable to equity holders of the Company		**28,962**	36,826
Other comprehensive income/(losses):			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains/(losses)		**57,293**	(39,213)
– Reclassification		**–**	(130)
Cash flow hedges			
– Fair value gains		**93**	–
– Reclassification		**173**	–
Currency translation gains/(losses) arising from consolidation		**2,924**	(18,965)
Other comprehensive income/(losses), net of tax	10	**60,483**	(58,308)
Total comprehensive income/(losses) attributable to equity holders of the Company		**89,445**	(21,482)
Earnings per share attributable to equity holders of the Company (expressed in cents per share)			
– Basic	11	**5.02**	6.40
– Diluted	11	**5.01**	6.39

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

BALANCE SHEETS
AS AT 31 DECEMBER 2016

	Note	The Group 2016 $'000	The Group 2015 $'000	The Company 2016 $'000	The Company 2015 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**92,224**	112,121	**23,654**	57,860
Trade and other receivables	13	**79,712**	72,066	**99,354**	76,361
Inventories	14	**58,006**	68,629	**–**	–
Current income tax recoverable	10	**1,197**	982	**–**	–
Available-for-sale financial assets	15	**166,670**	–	**–**	–
		397,809	253,798	**123,008**	134,221
Non-current assets					
Available-for-sale financial assets	15	**100**	109,482	**100**	105
Loans to subsidiaries	16	**–**	–	**22,563**	23,046
Investments in associated companies	17	**5,502**	5,170	**–**	–
Investment in a joint venture	18	**–***	–	**–**	–
Investments in subsidiaries	19	**–**	–	**442,875**	442,875
Investment properties	20	**128,986**	113,519	**69,000**	72,500
Property, plant and equipment	21	**242,835**	211,457	**3,029**	1,093
Intangible assets	22	**–**	–	**–**	–
Deferred income tax assets	23	**1,628**	2,349	**–**	–
		379,051	441,977	**537,567**	539,619
Total assets		**776,860**	695,775	**660,575**	673,840
LIABILITIES					
Current liabilities					
Trade and other payables	24	**79,650**	83,378	**161,022**	162,950
Current income tax liabilities	10	**1,895**	998	**37**	179
		81,545	84,376	**161,059**	163,129
Non-current liabilities					
Provisions for other liabilities and charges	25	**2,399**	2,200	**–**	–
Deferred income tax liabilities	23	**13,561**	10,919	**395**	354
Other non-current liabilities		**37**	36	**–**	–
		15,997	13,155	**395**	354
Total liabilities		**97,542**	97,531	**161,454**	163,483
NET ASSETS		**679,318**	598,244	**499,121**	510,357
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	26	**224,916**	221,990	**224,916**	221,990
Capital reserve	27	**6,066**	6,066	**–**	–
Other reserves	28	**67,773**	7,106	**2,313**	2,090
Retained profits		**380,563**	363,082	**271,892**	286,277
Total equity		**679,318**	598,244	**499,121**	510,357

*: Amount is less than $1,000.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		← Attributable to equity holders of the Company →									
	Note	Share capital $'000	Capital reserve $'000	Property revaluation reserve $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	General reserve $'000	Share-based payment reserve $'000	Hedging reserve $'000	Retained profits $'000	Total equity $'000
2016											
Beginning of financial year		**221,990**	**6,066**	**18,881**	**78,453**	**(54,553)**	**(37,765)**	**2,090**	**–**	**363,082**	**598,244**
Profit for the year		–	–	–	–	–	–	–	–	28,962	28,962
Other comprehensive income for the year		–	–	–	57,293	2,924	–	–	266	–	60,483
Transfer to retained profits on realisation		–	–	(24)	–	–	(15)	–	–	39	–
Total comprehensive income for the year		**–**	**–**	**(24)**	**57,293**	**2,924**	**(15)**	**–**	**266**	**29,001**	**89,445**
Employee share-based compensation scheme											
– Value of employee services		–	–	–	–	–	–	3,149	–	–	3,149
– Issue of new shares	26	2,926	–	–	–	–	–	(2,926)	–	–	–
Dividends paid	29	–	–	–	–	–	–	–	–	(11,520)	(11,520)
Total transactions with owners, recognised directly in equity		**2,926**	**–**	**–**	**–**	**–**	**–**	**223**	**–**	**(11,520)**	**(8,371)**
End of financial year		**224,916**	**6,066**	**18,857**	**135,746**	**(51,629)**	**(37,780)**	**2,313**	**266**	**380,563**	**679,318**

An analysis of the movements in property revaluation reserve, fair value reserve, foreign currency translation reserve, general reserve, share-based payment reserve and hedging reserve is presented in Note 28.

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

	Note	Attributable to equity holders of the Company									
		Share capital $'000	Capital reserve $'000	Property revaluation reserve $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	General reserve $'000	Share-based payment reserve $'000	Hedging reserve $'000	Retained profits $'000	Total equity $'000
2015											
Beginning of financial year		**219,593**	**6,066**	**18,905**	**117,796**	**(35,588)**	**(37,750)**	**428**	**–**	**337,710**	**627,160**
Profit for the year		–	–	–	–	–	–	–	–	36,826	36,826
Other comprehensive losses for the year		–	–	–	(39,343)	(18,965)	–	–	–	–	(58,308)
Transfer to retained profits on realisation		–	–	(24)	–	–	(15)	–	–	39	–
Total comprehensive losses for the year		**–**	**–**	**(24)**	**(39,343)**	**(18,965)**	**(15)**	**–**	**–**	**36,865**	**(21,482)**
Employee share-based compensation scheme											
– Value of employee services		–	–	–	–	–	–	4,059	–	–	4,059
– Issue of new shares	26	2,397	–	–	–	–	–	(2,397)	–	–	–
Dividends paid	29	–	–	–	–	–	–	–	–	(11,493)	(11,493)
Total transactions with owners, recognised directly in equity		**2,397**	**–**	**–**	**–**	**–**	**–**	**1,662**	**–**	**(11,493)**	**(7,434)**
End of financial year		**221,990**	**6,066**	**18,881**	**78,453**	**(54,553)**	**(37,765)**	**2,090**	**–**	**363,082**	**598,244**

An analysis of the movements in property revaluation reserve, fair value reserve, foreign currency translation reserve, general reserve, share-based payment reserve and hedging reserve is presented in Note 28.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	The Group	
	2016	2015
	$'000	$'000
Cash flows from operating activities		
Net profit	**28,962**	36,826
Adjustments for:		
– Income tax expense	**6,613**	7,183
– Depreciation of property, plant and equipment	**13,160**	12,409
– Dividend income from available-for-sale financial assets	**(2,865)**	(4,037)
– Share-based payment expense and other employee benefits	**3,149**	4,290
– Unrealised currency translation differences	**2,105**	100
– Property, plant and equipment written-off	**36**	357
– Fair value gains on investment properties – net	**(14,811)**	(8,785)
– Gain on disposal of property, plant and equipment	**(405)**	(3)
– Investment property written-off	**13**	–
– Impairment loss on available-for-sale financial assets	**5**	45
– Fair value gains on available-for-sale financial assets reclassified from other comprehensive income on disposal	**–**	(130)
– Interest expense	**–**	78
– Interest income	**(487)**	(658)
– Provision for retirement benefits	**294**	291
– Share of profit of associated companies and a joint venture	**(503)**	(665)
	35,266	47,301
Change in working capital:		
– Trade and other receivables	**(2,669)**	(9,199)
– Inventories	**10,348**	(12,473)
– Trade and other payables	**(3,314)**	15,015
Cash generated from operations	**39,631**	40,644
Income tax paid	**(2,514)**	(2,308)
Retirement benefits paid	**(71)**	(223)
Net cash provided by operating activities	**37,046**	38,113

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	The Group 2016 $'000	2015 $'000
Cash flows from investing activities			
Dividends received from available-for-sale financial assets		**2,865**	4,037
Proceeds from disposal of property, plant and equipment		**1,055**	83
Purchases of property, plant and equipment		**(44,782)**	(41,708)
Deposits paid for property, plant and equipment		**(5,303)**	(96)
Interest received		**487**	658
Net cash used in investing activities		**(45,678)**	(37,026)
Cash flows from financing activities			
Dividends paid		**(11,520)**	(11,493)
Interest paid		**–**	(78)
Repayments of borrowings		**–**	(7,000)
Net cash used in financing activities		**(11,520)**	(18,571)
Net decrease in cash and cash equivalents		**(20,152)**	(17,484)
Cash and cash equivalents at beginning of financial year		**112,121**	130,821
Effects of currency translation on cash and cash equivalents		**255**	(1,216)
Cash and cash equivalents at end of financial year	12	**92,224**	112,121

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Yeo Hiap Seng Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 3 Senoko Way, Singapore 758057.

The principal activities of the Company are those of a management and investment holding company. The principal activities of the subsidiaries are shown in Note 37.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of value-added tax, volume rebates and trade discounts, and after eliminating sales within the Group.

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Sale of goods – consumer food and beverage products*

Revenue from sale of goods is recognised when the Group has delivered the products to the customers and the customers have accepted the products in accordance with the terms of the sales contracts or arrangements.

(b) *Revenue from sale of development properties*

Revenue from the sale of development properties is recognised using percentage of completion method based on the stage of completion as certified by the architects or quantity surveyors. In the case where the certificates are not available, the stage of completion is measured by reference to the development costs incurred to date to the estimated total costs for the project. No revenue is recognised on unsold units.

(c) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(d) *Royalty fees*

Royalty fees are recognised on an accrual basis in accordance with the terms of the relevant agreements.

(e) *Interest income*

Interest income is recognised using the effective interest method.

(f) *Rental income*

Rental income from operating leases is recognised on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions (continued)

The excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over (b) the fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to Note 2.7 for the accounting policy on goodwill.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.8 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in "general reserve" within equity attributable to the equity holders of the Company.

(c) Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(c) Associated companies and joint ventures (continued)

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses.

(i) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated company or joint venture over the Group's share of fair value of the identifiable net assets of the associated company or joint venture and is included in the carrying amount of the investments.

(ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated companies' or joint ventures' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company or a joint venture equals to or exceeds its interests in the associated company or joint venture, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations to make or has made payments on behalf of the associated company or joint venture.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associated companies or joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. Any retained equity interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal is recognised in profit or loss.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(c) Associated companies and joint ventures (continued)

(iii) Disposals (continued)

Please refer to Note 2.8 for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) Measurement

(i) Land and buildings

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses and includes plots of land with Land Usage Titles in Indonesia ("Land Usage Titles"). These Land Usage Titles entitle the Group to use the land for the purpose of the operation of food and beverages manufacturing and other facilities for a period of 30 years. Management anticipates that the Land Usage Titles will be perpetually renewable at a nominal cost and therefore the land is not depreciated. Buildings and leasehold land are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Please refer to Note 2.9 for the accounting policy on borrowing costs.

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(b) *Depreciation*

No depreciation is provided on construction-in-progress and freehold land.

Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land (over term of lease)	50 – 99 years
Buildings on freehold and leasehold land	20 – 50 years
Plant and machinery, furniture and fittings	5 – 20 years
Computer equipment and software costs	3 – 7 years
Motor vehicles and trucks	5 – 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “other gains – net”.

(e) *Transfer of property, plant and equipment to investment properties*

When the use of a property changes from owner-occupation to investment property holding, the property is remeasured to fair value before transfer. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in the property revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

2. Significant accounting policies (continued)

2.5 Development properties

Development properties refer to properties under development and completed properties held for sale.

Development properties are carried at cost less allowance for foreseeable losses. Cost capitalised includes cost of land and other directly related development expenditure, including borrowings costs, incurred in developing the properties.

Revenue and cost on development properties that have been sold are recognised using the percentage of completion method. The stage of completion is measured by reference to the physical surveys of construction work completed as certified by the architects or quantity surveyors. In the case where the certificates are not available, the stage of completion is measured by reference to the development costs incurred to date to the estimated total costs for the project. No revenue is recognised on unsold units. When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised as an expense immediately.

The aggregated costs incurred and the profit or loss recognised in each development property that has been sold are compared against progress billings up to the financial year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is included in “trade and other receivables”. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is included in “trade and other payables”.

2.6 Investment properties

Investment properties are land and buildings held for long-term rental yields and/or for capital appreciation. Investment properties include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss.

The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

When the use of an investment property changes such that it becomes owner-occupied and is transferred to property, plant and equipment, its fair value at the date of change in use becomes its deemed cost for subsequent accounting.

2. Significant accounting policies (continued)

2.7 Goodwill

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over (b) the fair value of the identifiable assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisition of associated companies and joint ventures represent the excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies and joint ventures is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, associated companies and joint ventures include the carrying amount of goodwill relating to the entity sold.

2.8 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the properties under development and assets under construction. Borrowings costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.10 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

2. Significant accounting policies (continued)

2.10 Impairment of non-financial assets (continued)

(a) *Goodwill* (continued)

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

(b) *Property, plant and equipment*
Investments in subsidiaries, associated companies and joint ventures

Property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss. An impairment loss for an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2. Significant accounting policies (continued)

2.11 Financial assets

(a) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "cash and cash equivalents", "trade and other receivables" excluding prepayments and "loans to subsidiaries" on the balance sheet.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management expects to realise the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the sale proceeds and the carrying amount is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is also reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(d) *Subsequent measurement*

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. Significant accounting policies (continued)

2.11 Financial assets (continued)

(d) Subsequent measurement (continued)

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.11(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is objective evidence that the available-for-sale financial asset is impaired.

If any objective evidence of impairment exists, the cumulative loss that was recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss in subsequent period.

2. Significant accounting policies (continued)

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.15 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

2. Significant accounting policies (continued)

2.15 Derivative financial instruments and hedging activities (continued)

Cash flow hedge

The Group has entered into currency forwards or designated non-derivative financial assets or liabilities that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The fair value changes on the effective portion of the currency forwards or non-derivative financial assets or liabilities designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and transferred to profit or loss when the hedged forecast transactions are recognised.

The fair value changes on the ineffective portion of currency forwards; or non-derivative financial assets or liabilities are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in other comprehensive income are reclassified to profit or loss immediately.

2.16 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices and the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments.

The fair values of currency forwards are determined using actively quoted forward exchange rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2. Significant accounting policies (continued)

2.17 Leases

(a) Finance leases when the Group is the lessee

Leases of property, plant and equipment where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(b) Operating leases

(i) When the Group is the lessee

Leases of property, plant and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

(ii) When the Group is the lessor

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

2.18 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Cost also includes any gains or losses on qualifying cash flow hedges of foreign currency purchases of inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2. Significant accounting policies (continued)

2.19 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2. Significant accounting policies (continued)

2.21 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Defined benefit plan*

Post-employment benefits relate to retirement benefits given to employees and are a non-contributory unfunded retirement benefits scheme for employees who are eligible under a collective bargaining agreement.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields at the end of the reporting period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

(c) *Share-based compensation*

The Company operates an equity-settled, share-based compensation plan for the Group's employees with a share option plan component and a performance share plan component. The value of the employee services received in exchange for the grant of options on shares or shares is recognised as an expense with a corresponding increase in the share-based payment reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options on shares or share awards on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under the plan which are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under the plan which are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share-based payment reserve over the remaining vesting period.

When the shares are issued, the proceeds received (net of transaction costs) and the related balance previously recognised in the share-based payment reserve are credited to share capital account when new ordinary shares are issued to the employees.

2. Significant accounting policies (continued)

2.21 Employee compensation (continued)

(d) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(e) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when there is a contractual obligation to pay or when there is a past practice that has created a constructive obligation to pay.

(f) Annual leave entitlement

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.22 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the Company's functional currency.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from net investment in foreign operations are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

2. **Significant accounting policies** (continued)

2.22 **Currency translation** (continued)

(b) *Transactions and balances* (continued)

When a foreign operation is disposed of, the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within "finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in profit or loss within "other gains – net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and balance sheet of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.23 **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer who is responsible for allocating resources and assessing performance of the operating segments.

2. Significant accounting policies (continued)

2.24 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.25 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.26 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of investment properties

Investment properties are stated at fair value based on valuations performed by independent professional valuers. The fair values are based on highest-and-best-use basis and certain judgements are required over the valuation techniques and inputs used. The valuation techniques, key inputs and other assumptions are disclosed in Note 20.

At 31 December 2016, the fair value of investment properties amounts to $128,986,000 (2015: $113,519,000).

Classification of advertising and promotion expenses

In the sale and distribution of food and beverage products, the Group may make payments to the customers in relation to trading arrangements and/or for collaborative merchandising, advertising, promotion or selling initiatives. When a payment is made and there is no identifiable benefit in the form of an identifiable good or service, the payment would be deemed to be a form of volume rebate or trade discount and hence, be netted off against revenue.

4. Revenue

	The Group	
	2016	2015
	$'000	$'000
Sale of consumer food and beverage products	**407,152**	439,426
Dividend income from available-for-sale financial assets	**2,865**	4,037
Royalty fees	**15**	54
	410,032	443,517

5. Other income

	The Group	
	2016	2015
	$'000	$'000
Interest income	**487**	658
Rental income	**4,999**	5,998
	5,486	6,656

6. Other gains – net

	The Group	
	2016	2015
	$'000	$'000
Other gains		
Fair value gains on available-for-sale financial assets reclassified from other comprehensive income on disposal	**–**	130
Fair value gains on investment properties – net (Note 20)	**14,811**	8,785
Gain on disposal of property, plant and equipment	**405**	3
Currency translation gain – net	**289**	3,193
Other miscellaneous income	**484**	716
	15,989	12,827
Other losses		
Investment property written-off (Note 20)	**(13)**	–
Property, plant and equipment written-off	**(36)**	(357)
Impairment loss on available-for-sale financial assets (Note 15)	**(5)**	(45)
	(54)	(402)
Other gains – net	**15,935**	12,425

7. Expenses by nature

	The Group	
	2016	2015
	$'000	$'000
Fees on audit services paid/payable to		
– Auditors of the Company	**273**	273
– Other auditors*	**357**	364
Fees on non-audit services paid/payable to		
– Auditors of the Company	**74**	268
– Other auditors*	**13**	28
Depreciation of property, plant and equipment (Note 21)	**13,160**	12,409
Write-down of inventories – net (Note 14)	**2,904**	2,573
Impairment of trade receivables (Note 31(b)(ii))	**44**	315
Employee compensation (Note 8)	**64,162**	66,811
Cost of raw materials and trading goods recognised as expenses (included in cost of sales)	**203,563**	213,126
Advertising and promotion expenses	**33,814**	39,867
Transportation expense	**21,362**	23,824
Rental expense on operating leases	**7,091**	8,754
Utilities expense	**13,074**	14,575
Repairs and maintenance expenses	**10,591**	10,069

*: *Includes the network of member firms of KPMG International.*

8. Employee compensation

	The Group	
	2016	2015
	$'000	$'000
Wages and salaries	**50,310**	51,617
Employer's contribution to defined contribution plans including Central Provident Fund	**4,967**	4,985
Share-based payment expense (Note 28(b)(v))	**3,149**	4,059
Retirement benefits costs (Note 25)	**294**	291
Other short-term employee benefits	**5,442**	5,859
	64,162	66,811

9. Finance expenses

	The Group	
	2016	2015
	$'000	$'000
Interest expense on bank borrowings	**–**	78

10. Income taxes

(a) Income tax expense

	The Group	
	2016	2015
	$'000	$'000
Tax expense attributable to profit is made up of:		
Current income tax		
– Singapore	**1,415**	591
– Foreign	**2,256**	2,918
	3,671	3,509
Deferred income tax	**3,337**	4,050
	7,008	7,559
(Over)/Under provision in prior financial years		
– Current income tax	**(482)**	(707)
– Deferred income tax	**87**	331
	6,613	7,183

10. Income taxes (continued)

(a) Income tax expense (continued)

The tax expense on the Group's profit before tax differs from the theoretical amount derived from using the Singapore standard rate of income tax as follows:

	The Group	
	2016	2015
	$'000	$'000
Profit before income tax	**35,575**	44,009
Share of profit of associated companies and a joint venture, net of tax	**(503)**	(665)
Profit before tax and share of profit of associated companies and a joint venture	**35,072**	43,344
Tax calculated at tax rate of 17% (2015: 17%)	**5,962**	7,368
Effects of:		
– Different tax rates in other countries	**1,501**	2,400
– Income not subject to tax	**(2,884)**	(2,708)
– Expenses not deductible for tax purposes	**2,117**	2,113
– Tax incentives	**(280)**	(857)
– Utilisation of previously unrecognised tax benefits	**(210)**	(440)
– Deferred income tax assets not recognised	**802**	386
– Recognition of previously unrecognised tax losses	**–**	(703)
– Over provision in prior financial years – net	**(395)**	(376)
Tax charge	**6,613**	7,183

(b) Movements in current income tax liabilities net of current income tax recoverable

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**16**	(491)	**179**	209
Currency translation differences	**7**	13	**–**	–
Income tax paid	**(2,514)**	(2,308)	**(174)**	(300)
Tax expense	**3,671**	3,509	**26**	262
(Over)/Under provision in prior financial years	**(482)**	(707)	**6**	8
End of financial year	**698**	16	**37**	179
Representing:				
Current income tax recoverable	**(1,197)**	(982)	**–**	–
Current income tax liabilities	**1,895**	998	**37**	179
	698	16	**37**	179

10. Income taxes (continued)

(c) Income tax expense on other comprehensive income/(losses)

The tax charge relating to each component of other comprehensive income/(losses) is as follows:

	2016			2015		
	Before tax	**Tax charge**	**After tax**	Before tax	Tax charge	After tax
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
The Group						
Available-for-sale financial assets						
– Fair value gains/(losses)	**57,293**	**–**	**57,293**	(39,213)	–	(39,213)
– Reclassification	**–**	**–**	**–**	(130)	–	(130)
Cash flow hedges						
– Fair value gains	**120**	**(27)**	**93**	–	–	–
– Reclassification	**201**	**(28)**	**173**	–	–	–
Currency translation gains/(losses) arising from consolidation	**2,924**	**–**	**2,924**	(18,965)	–	(18,965)
Other comprehensive income/(losses)	**60,538**	**(55)**	**60,483**	(58,308)	–	(58,308)

11. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	The Group	
	2016	2015
Net profit attributable to equity holders of the Company ($'000)	**28,962**	36,826
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**576,936**	575,339
Basic earnings per share (cents per share)	**5.02**	6.40

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares under a share award plan described in Note 26.

11. Earnings per share (continued)

(b) Diluted earnings per share (continued)

The assumed issue price of the shares under the share grant is the fair value of the shares at grant date for non-cash consideration in the form of services rendered by the grantees (mainly employees) to the Group over the vesting periods of one, two and three years in three equal tranches. It is assumed that the Group receives this consideration progressively from the grant date to the vesting date, over which it builds up a share-based payment reserve while recognising the additional employee compensation expense through an amortisation process. At 31 December 2016, the unamortised amount which represents the services yet to be received is assumed to be the remaining proceeds to be received for the number of shares granted. As the number of shares to be issued under the share grant is greater than the number of shares which would have been issued at fair value (the average market price for the financial year) for the remaining proceeds, the difference is the number of shares issued for no consideration which dilutes the earnings per share. The number of shares issued for no consideration is added to the weighted average number of shares outstanding during the financial year to arrive at a larger number of shares to calculate the diluted earnings per share, with the same net profit.

	The Group	
	2016	2015
Net profit attributable to equity holders of the Company ($'000)	**28,962**	36,826
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**576,936**	575,339
Adjustment for share awards ('000)	**1,623**	919
	578,559	576,258
Diluted earnings per share (cents per share)	**5.01**	6.39

12. Cash and cash equivalents

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**58,701**	39,954	**5,368**	2,570
Fixed deposits with financial institutions	**33,523**	72,167	**18,286**	55,290
	92,224	112,121	**23,654**	57,860

13. Trade and other receivables – current

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade receivables				
– Non-related parties	**64,960**	61,195	**–**	–
– Related parties	**30**	16	**–**	–
	64,990	61,211	**–**	–
Less: Allowance for impairment of receivables – non-related parties	**(476)**	(606)	**–**	–
Trade receivables – net	**64,514**	60,605	**–**	–
Other receivables				
– Non-related parties	**7,107**	8,554	**94**	234
– Subsidiaries	**–**	–	**100,359**	77,308
– Associated companies	**6,457**	6,457	**6,457**	6,457
– A related party	**38**	38	**38**	38
	13,602	15,049	**106,948**	84,037
Less: Allowance for impairment of other receivables				
– Subsidiaries	**–**	–	**(1,287)**	(1,287)
– Associated companies	**(6,457)**	(6,457)	**(6,457)**	(6,457)
Other receivables – net	**7,145**	8,592	**99,204**	76,293
Staff loans	**154**	300	**–**	–
Deposits	**1,392**	1,870	**70**	45
Prepayments	**6,507**	699	**80**	23
	79,712	72,066	**99,354**	76,361

Other receivables from non-related parties, subsidiaries, associated companies and a related party are unsecured, interest-free and repayable on demand.

Related parties refer to the related companies of the ultimate holding company and companies controlled by the shareholders of the Company's ultimate holding company (Note 32).

14. Inventories

	The Group	
	2016	2015
	$'000	$'000
Raw materials	**15,881**	17,543
Work-in-progress	**926**	1,159
Finished/Trading goods	**41,199**	49,927
	58,006	68,629

14. Inventories (continued)

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $254,454,000 (2015: $266,408,000).

During the financial year, the Group wrote down inventories of $2,904,000 (2015: $2,573,000).

15. Available-for-sale financial assets

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**109,482**	148,971	**105**	530
Fair value gains/(losses) recognised in other comprehensive income/(losses) (Note 28(b)(ii))	**57,293**	(39,213)	**–**	(150)
Disposals	**–**	(231)	**–**	(230)
Impairment loss (Note 6)	**(5)**	(45)	**(5)**	(45)
End of financial year	**166,770**	109,482	**100**	105
Less: Current portion	**166,670**	–	**–**	–
Non-current portion	**100**	109,482	**100**	105

Available-for-sale financial assets are analysed as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Listed equity securities – Singapore	**166,670**	109,377	**–**	–
Unlisted investments	**100**	105	**100**	105
	166,770	109,482	**100**	105

As at 31 December 2016, $166,670,000 of the Group's available-for-sale financial assets have been reclassified to current assets and held for sale as these represent the investments in the ordinary shares of Super Group Ltd ("SGL") for which the Group expects to realise within twelve months after the balance sheet date as it has undertaken to accept a voluntary conditional general offer (the "Offer") from Sapphire Investments B.V. (the "Offeror") in respect of all the 130,211,296 SGL shares held by the Group. Subsequent to the year end, SGL announced that all pre-conditions were satisfied and the Offeror announced its firm intention to make the Offer. Subject thereto, the consideration for each SGL Share will be $1.30 in cash for which the Group expects to realise a gain of approximately $138,350,000 in respect of the Offer.

16. Loans to subsidiaries

Loans to subsidiaries are treated as a long-term source of additional capital and financing within the Group. Accordingly, they are managed centrally and represent additions to the Company's net investments in the subsidiaries, except for those that are interest-bearing.

	The Company	
	2016	2015
	$'000	$'000
Loans to subsidiaries	**25,336**	25,925
Less: Allowance for impairment	**(2,773)**	(2,879)
	22,563	23,046

Movements in allowance for impairment are as follows:

	The Company	
	2016	2015
	$'000	$'000
Beginning of financial year	**2,879**	2,879
Impairment charge	**694**	–
Loans written-off	**(800)**	–
End of financial year	**2,773**	2,879

In 2015, loans to a subsidiary, amounting to $138,000,000, were capitalised and the Company received 138,000,000 ordinary shares issued by the subsidiary (Note 19).

Loans to subsidiaries are unsecured, repayable on demand but are not expected to be repaid within the next twelve months. Loans to subsidiaries are interest-free except for in 2015, loans to subsidiaries amounting to $10,965,000 bore effective interest rate at 2.51% per annum.

17. Investments in associated companies

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Equity investments at cost			**199**	199
Less: Allowance for impairment			**(199)**	(199)
			–	–
Beginning of financial year	**5,170**	5,157		
Currency translation differences	**(171)**	(198)		
Share of profit, net of tax	**503**	665		
Less: Dividend received/receivable	**–**	(454)		
End of financial year	**5,502**	5,170		

17. Investments in associated companies (continued)

The Group has interests in a number of individually immaterial associates. The summarised financial information of these associated companies, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	The Group	
	2016	2015
	$'000	$'000
– Assets	**50,855**	52,322
– Liabilities	**64,539**	66,974
– Revenue	**186,450**	211,188
– Net profit and total comprehensive income	**2,313**	2,552

The Group has not recognised its share of losses of associated companies amounting to $1,000 (2015: $2,000) during the year because the Group's cumulative share of unrecognised losses exceeds its interest in the entities and the Group has no obligation in respect of those losses. The cumulative unrecognised losses with respect to the entities amount to $1,867,000 (2015: $1,935,000) at the balance sheet date.

There are no contingent liabilities relating to the Group's interest in the associated companies. Details of significant associated companies are included in Note 37.

18. Investment in a joint venture

	The Group	
	2016	2015
	$'000	$'000
Beginning of financial year	**–**	–
Addition	**–***	–
End of financial year	**–***	–

The Group has interests in an immaterial joint venture. The summarised financial information of this joint venture, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	The Group	
	2016	2015
	$'000	$'000
– Assets	**–***	–
– Liabilities	**–***	–
– Revenue	**–**	–
– Net profit and total comprehensive income	**–**	–

*: Amount is less than $1,000.

There are no contingent liabilities relating to the Group's interest in the joint venture.

19. Investments in subsidiaries

	The Company	
	2016	2015
	$'000	$'000
Unquoted equity investments at cost less impairment	**442,875**	442,875

	The Company	
	2016	2015
	$'000	$'000
Beginning of financial year	**442,875**	305,875
Liquidation of a subsidiary	**–**	(1,000)
Capitalisation of loans (Note 16)	**–**	138,000
End of financial year	**442,875**	442,875

Details of significant subsidiaries are included in Note 37.

20. Investment properties

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**113,519**	105,205	**72,500**	75,000
Currency translation differences	**669**	(471)	**–**	–
Additions	**–**	–	**818**	723
Written-off (Note 6)	**(13)**	–	**–**	–
Net fair value gains/(losses) recognised in profit or loss, under "other gains-net" (Note 6)	**14,811**	8,785	**(4,318)**	(3,223)
End of financial year	**128,986**	113,519	**69,000**	72,500

Certain investment properties are leased to non-related parties under operating leases (Note 30(b)).

The following amounts are recognised in profit or loss:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Rental income	**4,957**	5,815	**3,240**	2,511
Direct operating expenses arising from:				
– investment properties that generate rental income	**(1,190)**	(1,380)	**(3,098)**	(2,313)
– investment properties that do not generate rental income	**(273)**	(324)	**(930)**	(804)

20. Investment properties (continued)

Rental income of the Company is primarily derived from its subsidiaries. At the Group level, the investment properties of the Company are owner occupied and are classified as property, plant and equipment (Note 21).

Details of investment properties of the Group are follows:

Location	Description and existing use	Approximate land area (in sq. metres)	Tenure	Carrying amount 2016 $'000	Carrying amount 2015 $'000
United States of America					
745 Epperson Drive City of Industry, California 91748	Office and warehouse	3,408	Freehold	**7,452**	6,406
Hong Kong					
7/F & 8/F Ever Gain Centre No. 28 On Muk Street Shatin New Territories Hong Kong	Office and warehouse	8,798	Leasehold expiring in year 2047	**64,460**	52,472
The People's Republic of China					
300 Kai Ming Road Shanghai Songjiang Industrial Zone, Songjiang, Shanghai	Office and warehouse	35,199	Leasehold expiring in year 2046	**16,024**	14,099
286 & 288 Chigangxi Road; Haizhu District, Guangzhou Guangdong Province	Office and warehouse	30,873	Leasehold expiring in year 2040	**9,760**	10,173
242 Chigangxi Road; No. 1 Guitiandongyue Forth Lane; and Unit 702, No. 186 Dunhe Road, Haizhu District, Guangzhou Guangdong Province	Apartments	1,812	Leasehold expiring in years 2065 to 2068	**4,760**	4,811
Malaysia					
Leong Sin Nam Farm, Jalan Ampang Tambun, Tambun, Ipoh, Perak, Malaysia	Farming land	1,048,718	17 lots freehold, 3 lots leasehold expiring in year 2045	**8,718**	7,664

20. Investment properties (continued)

Details of investment properties of the Group are follows: (continued)

Location	Description and existing use	Approximate land area (in sq. metres)	Tenure	Carrying amount 2016 $'000	2015 $'000
Malaysia (continued)					
Lot No. 2987 & 2988, Jalan Bidor, Teluk Intan, Bidor, Perak, Malaysia	Industrial land	396,875	Leasehold expiring in year 2094	**3,293**	3,261
Lot 645-650, Sek 44, Kawasan Perusahaan Pengkalan Chepa II, Jalan Padang Tembak Kota Bahru, Kelantan, Malaysia	Office and warehouse	4,908	Leasehold expiring in year 2048	**565**	571
40 1/4 Milepost, Jalan Air Itam – Johor Bahru, Simpang Renggam, Johor, Malaysia	Industrial land	420,209	Interest in perpetuity	**9,929**	10,029
Lot No. 30, Jalan Upper Lanang, Sibu, Sarawak, Malaysia	Office and warehouse	6,107	Leasehold expiring in year 2029	**651**	646
Lot 4183, Jalan Kuching, Taman Tunku Industrial Area, Miri, Sarawak, Malaysia	Office and warehouse	8,858	Leasehold expiring in year 2054	**1,146**	1,169
Lot 71, Sedco Industrial Estate, Phase 2, Jalan Kolombong, Kota Kinabalu, Sabah, Malaysia	Office and warehouse	5,235	Leasehold expiring in year 2034	**1,776**	1,794
Lot 1632, Jalan Kidurong, Kidurong Light Industrial Estate, Bintulu, Sarawak, Malaysia	Industrial land	5,582	Leasehold expiring in year 2058	**452**	424
				128,986	113,519

20. Investment properties (continued)

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every financial year based on the properties' highest and best use.

Fair value hierarchy

Description	Fair value measurements using significant unobservable inputs (Level 3)	
	2016	2015
	$'000	$'000
Recurring fair value measurements		
The Group		
Investment properties:		
– Office and warehouse – United States of America	**7,452**	6,406
– Offices and warehouses – Hong Kong	**64,460**	52,472
– Offices and warehouses – The People's Republic of China	**25,784**	24,272
– Apartments – The People's Republic of China	**4,760**	4,811
– Offices and warehouses – Malaysia	**4,138**	4,180
– Industrial and farming land – Malaysia	**22,392**	21,378
	128,986	113,519
The Company		
Investment properties:		
– Office, factory and warehouses – Singapore	**69,000**	72,500

Reconciliation of movements in Level 3 fair value measurement

The investment properties of the Group and the Company are all measured within Level 3 of the fair value hierarchy and there are no transfers into or out of Level 3 during the years ended 31 December 2016 and 2015.

20. Investment properties (continued)

Valuation techniques and inputs used in Level 3 fair value measurement

The valuation techniques and key inputs that were used to determine fair value of investment properties are as follows:

Description	Fair value 2016 $'000	Fair value 2015 $'000	Valuation technique
The Group			
Office and warehouse – United States of America	**7,452**	6,406	Adjusted sales comparison approach
Offices and warehouses – Hong Kong	**64,460**	52,472	Income capitalisation approach (2015: Adjusted sales comparison approach)
Offices and warehouses – The People's Republic of China	**25,784**	24,272	Adjusted sales comparison approach, income capitalisation approach and depreciated replacement cost method (2015: Income capitalisation approach and depreciated replacement cost method)
Apartments – The People's Republic of China	**4,760**	4,811	Income capitalisation approach (2015: Depreciated replacement cost method)
Offices and warehouses – Malaysia	**4,138**	4,180	Depreciated replacement cost method
Industrial and farming land – Malaysia	**22,392**	21,378	Adjusted sales comparison approach
The Company			
Office, factory and warehouses – Singapore	**69,000**	72,500	Adjusted sales comparison approach

20. Investment properties (continued)

Valuation techniques and inputs used in Level 3 fair value measurement (continued)

The main Level 3 valuation techniques and inputs used are as follows:

Adjusted sales comparison approach

The key unobservable input used is the transacted prices per square metre of comparable properties in close proximity based on recent market transactions. These recent transacted prices are subsequently adjusted to consider the size of the Group's property, the age of the building, the remaining tenure of the property and/or the plot ratio of the land relative to those of the comparable properties sold to derive the fair value of the Group's property. The transacted prices per square metre would affect the outcome of the valuation directly.

Income capitalisation approach

Under this approach, the estimated net income on a fully leased property is capitalised over the remaining term of the lease from the valuation date at an appropriate capitalisation rate. The key unobservable inputs are the estimated market rental rate per square metre and capitalisation rate. Market rental rate is estimated considering the estimated rental value of the property under existing market conditions and if any, existing lease agreements on the property. The market rental rate is adjusted to reflect anticipated operating costs to derive at the estimated net income. The Group's properties which have existing lease agreements and are valued under this approach have a weighted average rental per annum of $111 (2015: $64) per square metre. Capitalisation rate, estimated at 3.0% to 9.0% (2015: 6.0% to 9.5%), is the rate of return on the property considering market conditions on the valuation date and the profile of the property. The estimated market rental rate per square metre and capitalisation rate would have a direct and an inverse effect on the fair value of the property respectively.

Depreciated replacement cost method

The key unobservable inputs of this method are construction cost per square metre and where applicable, estimated cost to complete per square metre. Construction cost and estimated cost to complete are estimated by the valuer based on market construction rates for similar properties as at the date of valuation. A depreciation factor is then applied to the total estimated construction costs to reflect the remaining economic life of the property in deriving its fair value.

In 2016, valuation techniques for offices and warehouses in Hong Kong and certain properties in China have been changed due to the change in availability of comparable recent market transactions as input to valuation.

21. Property, plant and equipment

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery, furniture and fittings	Computer equipment and software costs	Motor vehicles and trucks	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group							
2016							
Cost							
Beginning of financial year	44,819	135,052	154,011	8,632	3,517	17,742	363,773
Currency translation differences	1,027	(549)	(1,304)	(68)	(21)	226	(689)
Additions	683	2,070	6,737	2,054	112	33,126	44,782
Disposals	–	(6)	(9,554)	(711)	(199)	–	(10,470)
Reclassification/Transfer	–	1,333	3,849	24	–	(5,206)	–
End of financial year	46,529	137,900	153,739	9,931	3,409	45,888	397,396
Accumulated depreciation							
Beginning of financial year	5,561	30,595	80,173	7,366	1,831	–	125,526
Currency translation differences	33	(193)	(777)	(65)	(14)	–	(1,016)
Disposals	–	(6)	(8,080)	(700)	(195)	–	(8,981)
Depreciation charge (Note 7)	535	2,693	8,682	821	429	–	13,160
End of financial year	6,129	33,089	79,998	7,422	2,051	–	128,689
Cost less accumulated depreciation at end of financial year	40,400	104,811	73,741	2,509	1,358	45,888	268,707
Accumulated impairment losses							
Beginning of financial year	87	21,479	5,224	–	–	–	26,790
Currency translation differences	1	(14)	(102)	–	–	–	(115)
Disposals	–	–	(803)	–	–	–	(803)
End of financial year	88	21,465	4,319	–	–	–	25,872
Net book value at end of financial year	**40,312**	**83,346**	**69,422**	**2,509**	**1,358**	**45,888**	**242,835**

21. Property, plant and equipment (continued)

	Freehold land and buildings	Leasehold land and buildings	Plant and machinery, furniture and fittings	Computer equipment and software costs	Motor vehicles and trucks	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
The Group							
2015							
Cost							
Beginning of financial year	36,037	133,026	145,615	9,777	3,284	20,113	347,852
Currency translation differences	(2,793)	(4,967)	(13,818)	(691)	(103)	(391)	(22,763)
Additions	11,575	1,166	10,629	709	434	17,195	41,708
Disposals	–	–	(1,645)	(1,163)	(98)	(118)	(3,024)
Reclassification/Transfer	–	5,827	13,230	–	–	(19,057)	–
End of financial year	44,819	135,052	154,011	8,632	3,517	17,742	363,773
Accumulated depreciation							
Beginning of financial year	5,357	30,358	80,756	7,921	1,601	–	125,993
Currency translation differences	(318)	(2,310)	(6,969)	(611)	(81)	–	(10,289)
Disposals	–	–	(1,572)	(920)	(95)	–	(2,587)
Depreciation charge (Note 7)	522	2,547	7,958	976	406	–	12,409
End of financial year	5,561	30,595	80,173	7,366	1,831	–	125,526
Cost less accumulated depreciation at end of financial year	39,258	104,457	73,838	1,266	1,686	17,742	238,247
Accumulated impairment losses							
Beginning of financial year	102	21,713	5,539	–	–	–	27,354
Currency translation differences	(15)	(234)	(315)	–	–	–	(564)
End of financial year	87	21,479	5,224	–	–	–	26,790
Net book value at end of financial year	**39,171**	**82,978**	**68,614**	**1,266**	**1,686**	**17,742**	**211,457**

21. Property, plant and equipment (continued)

	Plant and machinery, furniture and fittings $'000	Computer equipment and software costs $'000	Construction-in-progress $'000	Total $'000
The Company				
2016				
Cost				
Beginning of financial year	1,811	106	–	1,917
Additions	1,050	1	1,452	2,503
Disposals	(466)	(24)	–	(490)
Reclassification	1,411	–	(1,411)	–
End of financial year	3,806	83	41	3,930
Accumulated depreciation				
Beginning of financial year	451	103	–	554
Disposals	(247)	(24)	–	(271)
Depreciation charge	346	2	–	348
End of financial year	550	81	–	631
Cost less accumulated depreciation at end of financial year	3,256	2	41	3,299
Accumulated impairment losses				
Beginning and end of financial year	270	–	–	270
Net book value at end of financial year	**2,986**	**2**	**41**	**3,029**

21. Property, plant and equipment (continued)

	Plant and machinery, furniture and fittings $'000	Computer equipment and software costs $'000	Construction-in-progress $'000	Total $'000
The Company				
2015				
Cost				
Beginning of financial year	1,322	110	–	1,432
Additions	489	–	–	489
Disposals	–	(4)	–	(4)
End of financial year	1,811	106	–	1,917
Accumulated depreciation				
Beginning of financial year	327	104	–	431
Disposals	–	(4)	–	(4)
Depreciation charge	124	3	–	127
End of financial year	451	103	–	554
Cost less accumulated depreciation at end of financial year	1,360	3	–	1,363
Accumulated impairment losses				
Beginning and end of financial year	270	–	–	270
Net book value at end of financial year	**1,090**	**3**	**–**	**1,093**

21. Property, plant and equipment (continued)

Details of properties of the Group under property, plant and equipment are as follows:

Location	Description and existing use	Approximate land area (in sq. metres)	Tenure	Carrying amount 2016 $'000	Carrying amount 2015 $'000
Singapore					
3 Senoko Way	Office, factory and warehouses	27,638	30 years leasehold with effect from April 1994 with an option to renew for a further 30 years	**47,365**	47,507
Cambodia					
No. 385, Tachet, Beung Thom, Posenchey, Phnom Penh, Cambodia	Industrial land for factory use	92,769	50 years leasehold with effect from March 2014 with an option to renew for a further 50 years	**7,117**	6,984
Indonesia					
111, 122, 123, 124, 125, 126, 129, 134, 135 & 137/MS Ciampel District, Karawang Regency, West Java Province	Industrial land for factory use	146,809	30 years lease perpetually renewable at a nominal cost	**26,651**	25,560
United States of America					
755 Epperson Drive City of Industry, California 91748	Office and warehouse	4,068	Freehold	**644**	702
The People's Republic of China					
1 Southwest Street, Sanshui District, Foshan, Guangdong	Factory and trading depot	25,308	Leasehold expiring in year 2063	**8,941**	9,523

21. Property, plant and equipment (continued)

Details of properties of the Group under property, plant and equipment are as follows: (continued)

Location	Description and existing use	Approximate land area (in sq. metres)	Tenure	Carrying amount 2016 $'000	2015 $'000
Malaysia					
Lot No. 66134 & 154475, Jalan Jelapang, Jelapang Industrial Area, Ipoh, Perak, Malaysia	Factory and trading depot	29,428	Leasehold expiring in year 2033 and 2048 respectively	**126**	136
Lot No. 65644, Jalan Jelapang, Jelapang Industrial Area, Ipoh, Perak, Malaysia	Factory and trading depot	20,334	Leasehold expiring in year 2033		
Lot No. 154474, Jalan Jelapang, Jelapang Industrial Area, Ipoh, Perak, Malaysia	Factory and trading depot	6,100	Leasehold expiring in year 2048	**1,112**	1,075
Lot No. 1427, Jalan Jelapang, Jelapang Industrial Area, Ipoh, Perak, Malaysia	Factory and trading depot	6,039	Leasehold expiring in year 2894		
No. 7 Jalan Tandang, Petaling Jaya, Selangor, Malaysia	Office, factory and trading depot	11,635	Leasehold expiring in year 2058	**1,967**	1,064
No. 121 & 191, Jalan Utas, Shah Alam, Selangor, Malaysia	Factory and trading depot	39,775	Leasehold expiring in year 2074 and 2073 respectively	**7,750**	7,235
Lot PTD 90047, 6th Miles, Jalan Kota Tinggi, Pandan, Johor Bahru, Johor, Malaysia	Office, warehouse, factory and trading depot	27,757	Interest in perpetuity subject to payment of annual rent	**1,970**	2,147
Lot 2050, Jalan Bintawa, Pending Industrial Estate, Kuching, Sarawak, Malaysia	Factory and trading depot	13,804	Leasehold expiring in year 2027	**54**	59
Lot No. 1347 & 1348 Jalan Swasta, Pending Industrial Estate, Kuching, Sarawak, Malaysia	Industrial building and land	29,368	Leasehold expiring in year 2027	**501**	572

21. Property, plant and equipment (continued)

Details of properties of the Group under property, plant and equipment are as follows: (continued)

Location	Description and existing use	Approximate land area (in sq. metres)	Tenure	Carrying amount 2016 $'000	2015 $'000
Malaysia (continued)					
PLO 247, Jalan Gangsa, Pasir Gudang Industrial Estate, Johor, Malaysia	Industrial building and land	24,232	Leasehold expiring in year 2050	**5,107**	5,334
Lot 764, Mukim Bukit Raja, Shah Tempat Padang Jawa, Daerah Petaling, Malaysia	Office and warehouse	17,630	Freehold	**11,047**	10,762
No. 986 Jalan Perusahaan and No. 988-990, Solok Perusahaan Tiga, Kawasan MIEL Prai Industrial Estate Prai, Pulau Pinang, Malaysia	Office and warehouse	7,980	Leasehold expiring in year 2071	**3,306**	3,489
				123,658	122,149

22. Intangible assets

Goodwill arising on consolidation

	The Group 2016 $'000	2015 $'000
Cost		
Beginning and end of financial year	**5,361**	5,361
Accumulated impairment losses		
Beginning and end of financial year	**(5,361)**	(5,361)
Net book value	**–**	–

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified within the consumer food and beverage products business segment in the People's Republic of China.

The goodwill in the CGUs was fully impaired in 2008.

23. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities, and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Deferred income tax assets	**(1,628)**	(2,349)	**–**	–
Deferred income tax liabilities	**13,561**	10,919	**395**	354
	11,933	8,570	**395**	354

Movements in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation	Fair value gains-net	Total
	$'000	$'000	$'000
The Group			
2016			
Beginning of financial year	**8,697**	**3,156**	**11,853**
Currency translation differences	**(149)**	**12**	**(137)**
Charged to profit or loss	**904**	**1,712**	**2,616**
Charged to other comprehensive income	**–**	**55**	**55**
End of financial year	**9,452**	**4,935**	**14,387**
2015			
Beginning of financial year	7,861	1,710	9,571
Currency translation differences	(798)	101	(697)
Charged to profit or loss	1,634	1,345	2,979
End of financial year	8,697	3,156	11,853

23. Deferred income taxes (continued)

Deferred income tax assets

	Unutilised capital allowances and tax losses $'000	Provisions $'000	Total $'000
The Group			
2016			
Beginning of financial year	**(2,186)**	**(1,097)**	**(3,283)**
Currency translation differences	**13**	**8**	**21**
Charged to profit or loss	**731**	**77**	**808**
End of financial year	**(1,442)**	**(1,012)**	**(2,454)**
2015			
Beginning of financial year	(3,862)	(1,112)	(4,974)
Currency translation differences	120	169	289
Charged/(Credited) to profit or loss	1,556	(154)	1,402
End of financial year	(2,186)	(1,097)	(3,283)

In 2015 and under Malaysia Budget 2016, the reduction of corporate tax rate from 25% to 24% with effect from year of assessment 2016 was announced. Consequently, deferred income tax assets and liabilities are measured using 24% tax rate for the Malaysian subsidiaries.

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of $14,886,000 (2015: $13,672,000) and unrecognised capital allowances of $778,000 (2015: $1,047,000) at the balance sheet date with varying expiry dates which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. $10,186,000 tax losses will expire between 2018 and 2028 (2015: $6,086,000 tax losses will expire between 2018 and 2020) and $4,700,000 (2015: $7,586,000) tax losses do not have expiry date.

Deferred income tax liabilities of $4,630,000 (2015: $4,372,000) have not been recognised for the withholding and other taxes that will be payable on the earnings of overseas subsidiaries when remitted to the holding company. These unremitted earnings are permanently reinvested and amount to $15,433,000 (2015: $14,572,000) at the balance sheet date.

23. Deferred income taxes (continued)

Deferred income tax liabilities

	Accelerated tax depreciation $'000
The Company	
2016	
Beginning of financial year	**354**
Charged to profit or loss	**41**
End of financial year	**395**
2015	
Beginning of financial year	88
Charged to profit or loss	266
End of financial year	354

24. Trade and other payables – current

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade payables – Non-related parties	**27,596**	27,159	**–**	–
Other payables				
– Non-related parties	**12,898**	13,492	**213**	719
– Subsidiaries	**–**	–	**158,923**	160,568
	12,898	13,492	**159,136**	161,287
Accruals for operating expenses	**39,156**	42,727	**1,886**	1,663
	79,650	83,378	**161,022**	162,950

Other payables to non-related parties and subsidiaries are unsecured, interest-free and repayable on demand.

25. Provisions for other liabilities and charges

	The Group	
	2016	2015
	$'000	$'000
Provision for retirement benefits	**2,399**	2,200

Movements in provision for retirement benefits are as follows:

	The Group	
	2016	2015
	$'000	$'000
Beginning of financial year	**2,200**	2,494
Currency translation differences	**(24)**	(362)
Provision made (Note 8)	**294**	291
Provision utilised	**(71)**	(223)
End of financial year	**2,399**	2,200

The amount recognised in the Group's balance sheet is analysed as follows:

	The Group	
	2016	2015
	$'000	$'000
Present value of unfunded obligations/liabilities recognised in the balance sheet	**2,399**	2,200

The retirement benefit plan is not funded. There are no plan assets or actual returns on plan assets.

As of 31 December 2016, the provision for retirement benefits consists of non-contributory unfunded retirement benefits scheme for employees who are eligible under a collective bargaining agreement.

The current service and interest cost recognised in profit or loss in respect of the provision for retirement benefits amounted to $187,000 and $107,000 (2015: $181,000 and $110,000) respectively.

The principal actuarial assumptions used are discount rate at 5% (2015: 5%) per annum and expected rate of salary increases at 5% (2015: 5%) per annum.

The latest actuarial valuation of the plan was carried out at 31 December 2016.

26. Share capital

	Number of ordinary shares Issued share capital '000	Amount Share capital $'000
2016		
Beginning of the financial year	**575,887**	**221,990**
Shares issued	**1,815**	**2,926**
End of financial year	**577,702**	**224,916**
2015		
Beginning of the financial year	574,561	219,593
Shares issued	1,326	2,397
End of financial year	575,887	221,990

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

YHS Share Incentive Plan

The YHS Share Incentive Plan (the "Plan") is an omnibus share incentive scheme which amalgamates a share option plan component and a performance share plan component. Participants will be selected at the sole discretion of the Remuneration Committee from eligible categories of persons comprising (i) employees and directors of the Group, (ii) employees and directors of associated companies, and (iii) associates (being employees of companies within the Far East Organization) who spend more than half of their time performing services out-sourced by the Company to the associates' employer. Persons who are the Company's controlling shareholders or their associates (as those terms are defined in the Listing Manual of the Singapore Exchange Securities Trading Limited) will not be eligible to participate in the Plan. The aggregate number of new shares which may be issued pursuant to options and/or awards granted under the Plan on any date, when added to the number of new shares issued and issuable in respect of all options and awards granted under the Plan, shall not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company. Unless earlier terminated or extended with the approval of the members of the Company, the Plan will continue in force, at the discretion of the Committee, for a maximum period of 10 years commencing on the date of its adoption.

Under the share option plan component, an option granted pursuant to the Plan represents a right to acquire ordinary shares in the Company at the acquisition price per share applicable to the option. The acquisition price per share is fixed at the time of the grant of the option and may be set at the market price, or at a discount to the market price, or at the market price subject to adjustment with a discount if prescribed performance conditions are met, or at a premium to the market price. Any discount given must not exceed 20% of the market price of a share.

Under the performance share plan component, an award granted represents a contingent right to receive fully paid ordinary shares in the Company, their equivalent cash value or combinations thereof, free of charge, provided that prescribed performance targets (if any) are met and upon expiry of the prescribed vesting periods.

Subject to the Plan size and the individual and collective limits applicable to associates under the Plan, the number of shares that will be comprised in an option or award, and the terms thereof, including any vesting or other conditions, will be determined by the Committee at its sole discretion having regard to various factors such as (but not limited to) the participant's capability, responsibilities, skill sets, and the objective desired to be achieved through the grant.

26. Share capital (continued)

YHS Share Incentive Plan (continued)

The person to whom the awards have been granted has no right to participate by virtue of the award in share issue of any other company.

Grants of awards were made pursuant to the Plan in 2016. The following table sets out the movements in awards granted pursuant to the Plan and their weighted average fair values at grant date.

Number of ordinary shares under award	**2016**	2015
Beginning of financial year	**2,353,355**	267,000
Granted during the year	**1,772,571**	3,416,032
Shares issued during the year	**(1,814,531)**	(1,325,677)
Forfeited during the year	**–**	(4,000)
End of financial year	**2,311,395**	2,353,355
Weighted average fair value per award based on market price per share at grant date	**$1.50**	$1.73
Weighted average remaining contractual life (days)	**254**	326

No share option has been granted under the Plan.

27. Capital reserve

Composition:

	The Group	
	2016	2015
	$'000	$'000
Capital reserve arising on consolidation	**2,352**	2,352
Share of capital reserve of an associated company	**3,714**	3,714
	6,066	6,066

28. Other reserves

(a) Composition:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Property revaluation reserve	**18,857**	18,881	**–**	–
Fair value reserve	**135,746**	78,453	**–**	–
Foreign currency translation reserve	**(51,629)**	(54,553)	**–**	–
General reserve	**(37,780)**	(37,765)	**–**	–
Share-based payment reserve	**2,313**	2,090	**2,313**	2,090
Hedging reserve	**266**	–	**–**	–
	67,773	7,106	**2,313**	2,090

28. Other reserves (continued)

(b) Movements:

	The Group 2016 $'000	The Group 2015 $'000	The Company 2016 $'000	The Company 2015 $'000
(i) Property revaluation reserve				
Beginning of financial year	**18,881**	18,905	**–**	–
Transfer to retained profits on realisation	**(24)**	(24)	**–**	–
End of financial year	**18,857**	18,881	**–**	–
(ii) Fair value reserve				
Beginning of financial year	**78,453**	117,796	**–**	280
Fair value gains/(losses) on available-for-sale financial assets (Note 15)	**57,293**	(39,213)	**–**	(150)
Reclassification to profit or loss	**–**	(130)	**–**	(130)
End of financial year	**135,746**	78,453	**–**	–
(iii) Foreign currency translation reserve				
Beginning of financial year	**(54,553)**	(35,588)	**–**	–
Net currency translation differences of financial statements of foreign subsidiaries, associated companies and a joint venture	**2,924**	(18,965)	**–**	–
End of financial year	**(51,629)**	(54,553)	**–**	–
(iv) General reserve				
Beginning of financial year	**(37,765)**	(37,750)	**–**	–
Transfer to retained profits on realisation	**(15)**	(15)	**–**	–
End of financial year	**(37,780)**	(37,765)	**–**	–
(v) Share-based payment reserve				
Beginning of financial year	**2,090**	428	**2,090**	428
Employee share-based compensation scheme				
– Value of employee services (Note 8)	**3,149**	4,059	**3,149**	4,059
– Issue of new shares	**(2,926)**	(2,397)	**(2,926)**	(2,397)
End of financial year	**2,313**	2,090	**2,313**	2,090
(vi) Hedging reserve				
Beginning of financial year	**–**	–	**–**	–
Fair value gains	**120**	–	**–**	–
Tax on fair value gains	**(27)**	–	**–**	–
	93	–	**–**	–
Reclassification to inventories	**201**	–	**–**	–
Tax on reclassification adjustments	**(28)**	–	**–**	–
	173	–	**–**	–
End of financial year	**266**	–	**–**	–

Other reserves are non-distributable. General reserve primarily arose from the acquisition of non-controlling interests in a subsidiary in 2013.

29. Dividends

	The Group	
	2016	2015
	$'000	$'000
Ordinary dividends paid		
First and final dividend paid in respect of the previous financial year of 2 cents (2015: 2 cents) per share, tax exempt (1-tier)	**11,520**	11,493

The directors have proposed a first and final dividend of 2 cents per ordinary share, tax exempt (1-tier) amounting to $11,554,000 for approval by shareholders at the forthcoming annual general meeting to be convened for the financial year ended 31 December 2016.

These financial statements do not reflect these dividends, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2017.

30. Commitments

(a) Operating lease commitments – where the Group is a lessee

The Group leases land, warehouses, plant and machinery, vending machines and office equipment mainly from non-related parties under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future minimum lease payments payable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Not later than one year	**3,217**	3,572	**779**	738
Between one and five years	**6,282**	6,769	**3,157**	2,993
Later than five years	**4,933**	4,676	**4,933**	4,676
	14,432	15,017	**8,869**	8,407

30. Commitments (continued)

(b) Operating lease commitments – where the Group is a lessor

The Group leases out land, office spaces, apartments and warehouses to non-related parties under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Not later than one year	**3,643**	4,587	**122**	164
Between one and five years	**4,691**	6,832	**48**	126
	8,334	11,419	**170**	290

(c) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Capital commitments in respect of purchase and construction of property, plant and equipment approved and contracted for	**12,594**	36,738	**768**	289

31. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as currency forwards and foreign currency borrowings to manage certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

31. Financial risk management (continued)

(a) Market risk

(i) *Currency risk*

The Group operates in a number of countries with dominant operations in Singapore, Malaysia and the People's Republic of China. Sale and purchase transactions between the companies in the Group are mainly denominated in Singapore Dollar.

Whenever possible, in their respective dealings with third parties, the companies in the Group would use their respective functional currencies, to minimise foreign currency risk.

Currently, the Group will try to manage its currency exposures by having natural hedges between its foreign currency receivables and payables; and/or entering into currency forwards with banks.

The Group's currency exposures are as follows:

	← SGD equivalent →							
	SGD	USD	HKD	RMB	RM	IDR	Other^	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2016								
Financial assets								
Cash and cash equivalents	42,177	34,800	3,230	3,276	7,380	1,361	–	92,224
Trade and other receivables*	13,875	14,917	698	209	32,751	10,287	468	73,205
Intra-group balances	268,367	82,821	2,136	11,359	50,830	3,562	21	419,096
	324,419	132,538	6,064	14,844	90,961	15,210	489	584,525
Financial liabilities								
Intra-group balances	(268,367)	(82,821)	(2,136)	(11,359)	(50,830)	(3,562)	(21)	(419,096)
Other financial liabilities	(23,361)	(5,525)	(913)	(4,112)	(41,493)	(4,039)	(207)	(79,650)
	(291,728)	(88,346)	(3,049)	(15,471)	(92,323)	(7,601)	(228)	(498,746)
Net financial assets/(liabilities)	32,691	44,192	3,015	(627)	(1,362)	7,609	261	85,779
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(31,015)	(19,829)	(3,023)	627	1,248	(7,608)	(469)	
Less: Net financial assets designated as hedges for highly probable forecast transactions in foreign currencies	–	(9,907)	–	–	–	–	–	
Currency exposure	**1,676**	**14,456**	**(8)**	**–**	**(114)**	**1**	**(208)**	

31. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Group's currency exposures are as follows: (continued)

	SGD	USD	HKD	RMB	RM	IDR	Other^	Total
		← SGD equivalent					→	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2015								
Financial assets								
Cash and cash equivalents	62,892	43,576	1,757	1,182	1,310	1,404	–	112,121
Trade and other receivables*	20,548	7,840	792	549	31,455	9,557	626	71,367
Intra-group balances	291,584	45,895	5,497	15,075	50,455	38,368	20	446,894
	375,024	97,311	8,046	16,806	83,220	49,329	646	630,382
Financial liabilities								
Intra-group balances	(291,584)	(45,895)	(5,497)	(15,075)	(50,455)	(38,368)	(20)	(446,894)
Other financial liabilities	(26,011)	(5,196)	(814)	(5,536)	(40,125)	(4,511)	(1,185)	(83,378)
	(317,595)	(51,091)	(6,311)	(20,611)	(90,580)	(42,879)	(1,205)	(530,272)
Net financial assets/(liabilities)	57,429	46,220	1,735	(3,805)	(7,360)	6,450	(559)	100,110
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(56,429)	(9,164)	(1,743)	3,796	7,193	(6,449)	(234)	
Currency exposure	**1,000**	**37,056**	**(8)**	**(9)**	**(167)**	**1**	**(793)**	

31. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Company's currency exposures are as follows:

	SGD equivalent		
	USD	RMB	HKD
	$'000	$'000	$'000
At 31 December 2016			
Financial assets			
Other receivables*	1,126	1,661	–
Loans to subsidiaries	7,376	–	–
	8,502	1,661	–
Financial liabilities			
Other financial liabilities	(1)	(208)	–
	(1)	(208)	–
Currency exposure	**8,501**	**1,453**	–
At 31 December 2015			
Financial assets			
Other receivables*	1,094	2,820	–
Loans to subsidiaries	7,165	–	–
	8,259	2,820	–
Financial liabilities			
Other financial liabilities	(816)	(138)	(295)
	(816)	(138)	(295)
Currency exposure	7,443	2,682	(295)

Legend:

SGD – Singapore Dollar
USD – United States Dollar
HKD – Hong Kong Dollar
RMB – Chinese Renminbi
RM – Malaysian Ringgit
IDR – Indonesian Rupiah
* – Exclude prepayments
^ – Other currencies are individually insignificant

31. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

If the USD and RMB had changed against the SGD by 2% (2015: 3%) and 2% (2015: 1%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position would have been as follows:

	Increase/(Decrease)	
	2016	2015
	Profit after tax	Profit after tax
	$'000	$'000
The Group		
USD against SGD		
– strengthened	**235**	927
– weakened	**(235)**	(927)
The Company		
USD against SGD		
– strengthened	**141**	185
– weakened	**(141)**	(185)
RMB against SGD		
– strengthened	**24**	22
– weakened	**(24)**	(22)

The currency risk analysis for RMB, RM, HKD and IDR is insignificant to the Group as the net financial assets/(liabilities) in these currencies are mainly recorded in the respective entities' functional currencies, resulting in minimal currency exposures.

31. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to securities price risk arising from equity investments listed in Singapore which are classified as available-for-sale.

If prices of the Group's securities listed in Singapore had changed by 1.6% (2015: 14.3%) with all other variables including tax rate being held constant, the effects on other comprehensive income would have been:

	Increase/(Decrease)	
	2016	2015
	Other comprehensive income	Other comprehensive income
	$'000	$'000
The Group		
Listed in Singapore		
– increased by	**2,604**	15,625
– decreased by	**(2,604)**	(15,625)

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group places cash in excess of operating requirements in fixed deposits with financial institutions. If SGD interest rate had increased/decreased by 0.01% (2015: 0.06%) with other variables including tax rate being held constant, the profit after tax would have been higher/lower by $2,000 (2015: $28,000) for the Group and the Company as a result of higher/lower interest income. USD interest rate is not expected to have a significant impact on the Group.

There is no outstanding borrowing in 2016 and 2015.

31. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

To minimise credit risk for trade receivables, management ensures that proper credit evaluation is done on potential customers, and that proper approvals have been obtained for the determination of credit limits. Management monitors the status of outstanding debts and ensures that follow-up action is taken to recover the overdue amounts.

As the Group obtains bankers' guarantees from certain customers, the maximum exposure to credit risk for each class of financial instruments for the Group and the Company is the carrying amount of that class of financial instruments presented on the balance sheet except for trade receivables of the Group as follows:

	The Group	
	2016	2015
	$'000	$'000
By geographical areas		
Singapore	**10,689**	17,077
Malaysia	**29,783**	27,684
Indochina	**10,078**	2,634
China and Hong Kong	**552**	946
North America	**2,870**	2,649
Indonesia	**6,802**	6,336
Europe	**2,742**	2,625
Other countries	**998**	654
Trade receivables – net (Note 13)	**64,514**	60,605
Less: Amounts covered by bankers' guarantees	**(20,781)**	(13,809)
Maximum exposure to credit risk for trade receivables	**43,733**	46,796
By types of customers		
Consumer food and beverage products		
Related parties	**27**	16
Non-related parties:		
– Supermarkets, minimart chains, provision shops and gas stations	**19,926**	17,680
– Hotels, bars/pubs, restaurants, food courts and coffee shops	**3,007**	4,831
– Wholesalers and distributors	**39,525**	36,164
– Vending sales	**243**	239
– Other	**1,786**	1,675
	64,514	60,605

31. Financial risk management (continued)

(b) Credit risk (continued)

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables, which are neither past due nor impaired, are assessed by historical information about counterparty default rates monitored by key management as follows:

	The Group	
	2016	2015
	$'000	$'000
New customers with less than six months experience	**5,877**	1,210
Existing customers with no defaults in the past	**38,397**	40,306
	44,274	41,516

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables and other receivables from associated companies that are fully impaired (Note 13).

The age analysis of trade receivables past due but not impaired is as follows:

	The Group	
	2016	2015
	$'000	$'000
Past due less than three months	**18,145**	18,242
Past due three to six months	**1,707**	683
Past due over six months	**388**	164
	20,240	19,089

The carrying amount of trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	The Group	
	2016	2015
	$'000	$'000
Trade receivables overdue and impaired	**476**	606
Less: Allowance for impairment	**(476)**	(606)
	–	–
Beginning of financial year	**606**	701
Currency translation differences	**(11)**	(10)
Allowance made (Note 7)	**44**	315
Allowance utilised	**(163)**	(400)
End of financial year	**476**	606

31. Financial risk management (continued)

(c) Liquidity risk

The Group manages the liquidity risk by maintaining sufficient cash and cash equivalents to finance the Group's operations. In addition to funds generated from its operations, the Group also relies on adequate amount of committed credit facilities and bank borrowings for its working capital requirements.

The table below analyses the maturity profile of financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than one year $'000	Between one and five years $'000	Over five years $'000	Total $'000
The Group				
At 31 December 2016				
Trade and other payables	**(79,650)**	**–**	**–**	**(79,650)**
Other non-current liabilities	**–**	**(37)**	**(2,399)**	**(2,436)**
	(79,650)	**(37)**	**(2,399)**	**(82,086)**
At 31 December 2015				
Trade and other payables	(83,378)	–	–	(83,378)
Other non-current liabilities	–	(36)	(2,200)	(2,236)
	(83,378)	(36)	(2,200)	(85,614)

	Less than one year $'000
The Company	
At 31 December 2016	
Other payables	**(161,022)**
At 31 December 2015	
Other payables	(162,950)

31. Financial risk management (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Where cash holding exceeds net debt, net debt is considered zero and hence no gearing. Total capital employed is calculated as equity plus net debt. There were no changes in the Group's approach to capital management during the year.

The gearing ratios as at 31 December 2016 and 31 December 2015 were as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Net debt	**–**	–	**137,368**	105,090
Total equity	**679,318**	598,244	**499,121**	510,357
Total capital employed	**679,318**	598,244	**636,489**	615,447
Gearing ratio	**Nil**	Nil	**22%**	17%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

31. Financial risk management (continued)

(e) Fair value measurements (continued)

	Level 1	Level 2	Total
	$'000	$'000	$'000
The Group			
2016			
Assets			
Available-for-sale financial assets	**166,670**	**100**	**166,770**
2015			
Assets			
Available-for-sale financial assets	109,377	105	109,482
The Company			
2016			
Assets			
Available-for-sale financial assets	**–**	**100**	**100**
2015			
Assets			
Available-for-sale financial assets	–	105	105

The fair values of financial assets traded in active markets are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These investments are included in Level 1.

The fair value of financial assets that are not traded in an active market is determined using observable market data. These investments are included in Level 2.

There were no transfers between Level 1 and 2 during the years ended 31 December 2016 and 2015.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Loans and receivables	**165,429**	183,488	**145,491**	157,244
Financial liabilities at amortised cost	**82,086**	85,614	**161,022**	162,950

32. Immediate and ultimate holding company

The Company's immediate and ultimate holding company is Far East Organisation Pte. Ltd., incorporated in Singapore.

33. Related party transactions

In addition to information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties during the financial year at terms agreed between the parties:

(a) Sales and purchases of goods and services

	The Group	
	2016	2015
	$'000	$'000
Amount billed by Far East Orchard Limited Group:		
– Purchase of services	**(2)**	(2)
– Rental expense	**(31)**	(23)
Amount billed to other related parties:		
– Sales of goods and services	**94**	94
Amount billed to/(by) Sino Land Company Limited Group:		
– Sales of goods and services	**12**	17
– Purchases of services	**(5)**	(6)
– Rental expense	**(95)**	(84)

Far East Orchard Limited is a fellow subsidiary of the Company.

Sino Land Company Limited is a shareholder of the Company.

Other related parties comprise companies that are controlled or significantly influenced by the Group's key management personnel or the shareholders of the Company's ultimate holding company.

Outstanding balances at 31 December 2016, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 13 and 24 respectively.

33. Related party transactions (continued)

(b) Key management personnel compensation

The key management personnel compensation is as follows:

	The Group	
	2016	2015
	$'000	$'000
Wages and salaries	**5,398**	5,102
Employer's contribution to defined contribution plans including Central Provident Fund	**173**	161
Other short-term employee benefits	**326**	1,433
Share-based payment expense	**2,091**	2,798
	7,988	9,494

34. Segment information

Management has determined the operating segments based on the reports that are used to make strategic decisions, allocate resources and assess performance by the Chief Executive Officer ("CEO").

Based on segment information reported to the CEO, the Group is organised into three main business segments:

- Consumer food and beverage products
- Property development (currently dormant)
- Other investments

The consumer food and beverage products segment is the aggregation of the Group's consumer food and beverage business in the different markets it operates in and which are considered to have similar economic characteristics and exhibit similar long term performance.

Other investments of the Group mainly comprise investment property holding and equity investment holding.

Inter-segment transactions are recorded at their transacted price which is generally at arm's length. Segment assets consist primarily of property, plant and equipment, investment properties, intangible assets, inventories, receivables and operating cash, and exclude current income tax recoverable, deferred income tax assets and investments in associated companies and a joint venture. Segment liabilities comprise operating liabilities and exclude items such as current income tax liabilities and deferred income tax liabilities.

34. Segment information (continued)

The segment information provided to the CEO for the reportable segments for the year ended 31 December 2016 is as follows:

	Consumer food and beverage products $'000	Property development $'000	Other investments $'000	Elimination $'000	The Group $'000
Year ended 31 December 2016					
Revenue					
– External sales	407,152	–	2,880	–	410,032
– Inter-segment sales	–	–	6,408	(6,408)	–
	407,152	–	9,288	(6,408)	410,032
Profit/(Loss) from operation	13,562	(13)	21,523	–	35,072
Share of profit of associated companies and a joint venture	503	–	–	–	503
Segment profit/(loss)	14,065	(13)	21,523	–	35,575
Finance expense					–
Profit before income tax					35,575
Income tax expense					(6,613)
Net profit					**28,962**
Segment assets	449,122	128,810	445,212	(254,611)	768,533
Associated companies and a joint venture	5,502	–	–	–	5,502
Unallocated assets					2,825
Consolidated total assets					**776,860**
Segment liabilities	195,845	2,250	144,501	(260,510)	82,086
Unallocated liabilities					15,456
Consolidated total liabilities					**97,542**
Other segment items					
Additions to property, plant and equipment	44,780	–	2	–	**44,782**
Additions to investment in a joint venture	–*	–	–	–	**–***
Interest income	(215)	–	(272)	–	**(487)**
Depreciation	13,153	–	7	–	**13,160**
Fair value gains on investment properties – net	–	–	(14,811)	–	**(14,811)**
Property, plant and equipment written-off	35	–	1	–	**36**
Currency translation (gain)/loss – net	(361)	–	72	–	**(289)**

*: Amount is less than $1,000

34. Segment information (continued)

The segment information provided to the CEO for the reportable segments for the year ended 31 December 2016 is as follows: (continued)

	Consumer food and beverage products $'000	Property development $'000	Other investments $'000	Elimination $'000	The Group $'000
Year ended 31 December 2015					
Revenue					
– External sales	439,426	–	4,091	–	443,517
– Inter-segment sales	–	–	6,636	(6,636)	–
	439,426	–	10,727	(6,636)	443,517
Profit from operation	25,651	1,332	16,439	–	43,422
Share of profit of associated companies	665	–	–	–	665
Segment profit	26,316	1,332	16,439	–	44,087
Finance expense					(78)
Profit before income tax					44,009
Income tax expense					(7,183)
Net profit					**36,826**
Segment assets	413,554	129,259	384,763	(240,302)	687,274
Associated companies	5,170	–	–	–	5,170
Unallocated assets					3,331
Consolidated total assets					**695,775**
Segment liabilities	176,779	2,504	152,564	(246,233)	85,614
Unallocated liabilities					11,917
Consolidated total liabilities					**97,531**
Other segment items					
Additions to property, plant and equipment	41,690	–	18	–	**41,708**
Interest income	(71)	–	(587)	–	**(658)**
Depreciation	12,396	–	13	–	**12,409**
Fair value gains on investment properties – net	–	–	(8,785)	–	**(8,785)**
Property, plant and equipment written-off	353	–	4	–	**357**
Currency translation (gain)/loss – net	(4,048)	–	855	–	**(3,193)**

34. Segment information (continued)

Geographical information

The Group's main business segments operate in three main geographical areas:

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally investment holding, manufacture, sale, distribution and export of beverages, sauces, canned food and provision of vending services and property development.

- Malaysia – the operations in this area are principally production, marketing and sale and distribution of beverages and food products.

- Cambodia – the operations in this area are principally marketing and sale and distribution of beverages and food products.

- Other countries – the operations include manufacturing, sale and distribution of beverages and food products; and investment holding.

With the exception of Singapore, Malaysia and Cambodia, no other individual country contributed more than 10% of consolidated sales. Sales are based on the country in which the customer is located. Non-current assets, comprising investments in associated companies, investment in a joint venture, investment properties, property, plant and equipment and intangible assets, are shown by the geographical area where the assets are located.

	Revenue		Non-current assets	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Singapore	**115,167**	131,969	**78,012**	75,693
Malaysia	**169,991**	184,480	**109,308**	107,825
Cambodia	**43,033**	39,768	**46,438**	17,703
Other countries	**81,841**	87,300	**143,565**	128,925
	410,032	443,517	**377,323**	330,146

35. New or revised accounting standards and interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, the Group is assessing the transition options and the potential impact on the financial statements. The Group does not plan to adopt these standards early.

Below is the summary of the requirements for new standards and their potential impact on the financial statements.

Applicable to 2018 financial statements

- **FRS 115 *Revenue from Contracts with Customers***

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

35. New or revised accounting standards and interpretations (continued)

Applicable to 2018 financial statements (continued)

- **FRS 115 *Revenue from Contracts with Customers*** (continued)

Potential impact on the financial statements

Based on its initial assessment, the Group expects the following key changes:

Identification of performance obligations – The Group currently recognises revenue for each contract at its contract level with customers. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Further, under FRS 115, the Group is required to identify performance obligations within each contract and account for each performance obligation separately if they are distinct; or continue to account for the contract as one performance obligation if it can be demonstrated that the group provides a significant integrated service, or the goods and services within the contract are highly dependent on or integrated with other goods or services. The Group is in the process of evaluating the criteria required for the contracts with multiple performance obligations and is in the process of determining the extent and necessary processes to monitor, assess and track the recognition of revenue for each performance obligation.

Variable consideration – The Group's contracts may include variable considerations such as volume rebates, discounts, incentives, or other similar terms. Under FRS 115, the Group is required to estimate the amount of consideration to which it expects to be entitled and variable amounts are included in the revenue to the extent it is highly probable that there will be no significant reversal when the uncertainty is resolved.

Transition – The Group plans to adopt the standard when it becomes effective in 2018 using the full retrospective approach. The Group is currently performing a detailed analysis under FRS 115 to determine its election of the practical expedients and to quantify the transition adjustments on its financial statements, taking materiality into consideration.

35. New or revised accounting standards and interpretations (continued)

Applicable to 2018 financial statements (continued)

- **FRS 109 *Financial Instruments***

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

<u>Potential impact on the financial statements</u>

Based on the initial assessment, the Group does not expect a significant impact on its opening equity. The Group's initial assessment of the three elements of FRS 109 is as described below.

Classification and measurement – The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

For financial assets currently held at fair value, the Group expects to continue measuring most of these assets at fair value under FRS 109. The Group holds equity instruments currently classified as available-for-sale financial assets and measured at fair value for which fair value through other comprehensive income election is available under FRS 109.

Impairment – The Group is evaluating the approach to adopt in respect of recording expected impairment losses on its trade receivables. On adoption of FRS 109, the Group does not expect a significant impact to the impairment loss allowance.

Hedge accounting – The Group expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109.

Transition – The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information; and is gathering data to quantify the potential impact arising from the adoption.

35. New or revised accounting standards and interpretations (continued)

Applicable to 2019 financial statements

- **FRS 116 *Leases***

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases-Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

<u>Potential impact on the financial statements</u>

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $14,432,000 (Note 30(a)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit or loss and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The Group plans to adopt the standard when it becomes effective in 2019. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients in 2017.

The Group expects that the impact on adoption of IFRS 16 Leases to be similar to adopting SG-FRS 116, after the transition to SG-IFRS in 2018, as described in the following section.

35. New or revised accounting standards and interpretations (continued)

Convergence with International Financial Reporting Standards (IFRS)

In addition, the Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 First-time adoption of International Financial Reporting Standards for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 Revenue from Contracts with Customers and SG-IFRS 9 Financial Instruments will be similar to adopting FRS 115 and FRS 109 as described in this Note.

36. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Yeo Hiap Seng Limited on 28 February 2017.

37. Listing of significant companies in the Group

Name of company/ Country of incorporation	Principal activities	Country of business	Equity holding	
			2016	2015
			%	%
Significant subsidiaries held by the Company				
YHS (Singapore) Pte Ltd (Singapore) [(1)]	Investment holding, manufacture, sale, distribution and export of beverages, sauces, canned food and provision of vending services	Singapore	**100**	100
YHS International Pte Ltd (Singapore) [(1)]	Distribution of food and beverages	Singapore	**100**	100
YHS Investment Pte Ltd (Singapore) [(1)]	Investment holding	Singapore	**100**	100
Yeo Hiap Seng (Shanghai) Co., Ltd (People's Republic of China) [(3)]	Property holding	The People's Republic of China	**100**	100

37. Listing of significant companies in the Group (continued)

Name of company/ Country of incorporation	Principal activities	Country of business	Equity holding 2016 %	Equity holding 2015 %
Significant subsidiaries held by subsidiaries				
Yeo Hiap Seng (Guangzhou) Food & Beverages Ltd (People's Republic of China) (2)	Distribution of beverages	The People's Republic of China	**100**	100
Yeo Hiap Seng (Guangdong) Food & Beverages Ltd (People's Republic of China) (2)	Manufacture and distribution of beverages	The People's Republic of China	**100**	100
YHS (Cambodia) Food & Beverage Pte Ltd (Cambodia) (2)	Manufacture of food and beverages (currently under development)	Cambodia	**100**	100
YHS Hong Kong (2000) Pte Limited (Hong Kong) (2)	Distribution of beverages and canned food	Hong Kong	**100**	100
Ranko Way Limited (Hong Kong) (2)	Property holding	Hong Kong	**100**	100
YHS Trading (USA) Inc. (USA) (3)	Distribution of beverages and canned food	USA	**100**	100
YHS (USA) Inc. (USA) (3)	Owns and leases properties	USA	**100**	100
Yeo Hiap Seng (Malaysia) Berhad (Malaysia) (2)	Production, marketing and sale of beverages and food products	Malaysia	**100**	100
Bestcan Food Technological Industrial Sdn Bhd (Malaysia) (2)	Production of instant noodles	Malaysia	**100**	100

37. Listing of significant companies in the Group (continued)

Name of company/ Country of incorporation	Principal activities	Country of business	Equity holding 2016 %	2015 %
Significant subsidiaries held by subsidiaries (continued)				
Yeo Hiap Seng (Sarawak) Sdn Bhd (Malaysia) (2)	Production of sauces and non-alcoholic beverages (currently inactive)	Malaysia	**100**	100
Yeo Hiap Seng Trading Sdn Bhd (Malaysia) (2)	Distribution of food and beverages	Malaysia	**100**	100
PT YHS Indonesia (Indonesia) (2)	Distribution of food and beverages	Indonesia	**100**	100
PT Botani Beverage Indonesia (Indonesia) (2)	Manufacture of food and beverages (currently inactive)	Indonesia	**100**	100
Significant associated companies held by subsidiaries				
Langfang Yili Dairy Products Co., Ltd (People's Republic of China) (3)	Manufacture and sale of packaged dairy milk and other related products	The People's Republic of China	**25**	25
TM Foods Sdn. Bhd. (Malaysia) (3)	Manufacturing and trading of canned food	Malaysia	**30**	30

Legend:

(1) Audited by KPMG LLP, Singapore.

(2) Audited by other member firms of KPMG International.

(3) Audited by other firms of auditors. The names of the audit firms are as follows:

Companies	Name of audit firm
Yeo Hiap Seng (Shanghai) Co., Ltd	Shinewing Certified Public Accountants, Shanghai
YHS Trading (USA) Inc. YHS (USA) Inc.	MOSS-ADAMS LLP Certified Public Accountants, a member of Moores Rowland International, a professional association of independent accounting firm
Langfang Yili Dairy Products Co., Ltd	BDO China Li Xin Da Hua Certified Public Accountants
TM Foods Sdn. Bhd.	Lim Chong & Co

ANALYSIS OF SHAREHOLDINGS

AS AT 8 MARCH 2017

Issued and Fully Paid-up Capital	:	S$224,916,145.165
No. of Shares Issued	:	577,701,647
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share
Treasury Shares	:	Nil

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 – 99	501	8.7	13,553	0.00
100 – 1,000	1,754	30.46	943,393	0.17
1,001 – 10,000	2,963	51.46	10,296,698	1.78
10,001 – 1,000,000	525	9.12	21,367,980	3.70
1,000,001 and above	15	0.26	545,080,023	94.35
Total	**5,758**	**100.00**	**577,701,647**	**100.00**

TOP TWENTY SHAREHOLDERS

Name of Shareholders	No. of Shares	% of Shares
Far East Organisation Pte Ltd	309,973,933	53.66
Far East Spring Pte Ltd	63,888,889	11.06
Transurban Properties Pte Ltd	56,342,854	9.75
HSBC (Singapore) Nominees Pte Ltd	25,983,060	4.50
Sino Land Company Limited	24,661,978	4.27
OCBC Securities Private Ltd	15,958,872	2.76
Citibank Nominees Singapore Pte Ltd	13,650,008	2.36
DBS Nominees Pte Ltd	12,060,639	2.09
Bank of East Asia Nominees Pte Ltd	8,146,498	1.41
Raffles Nominees (Pte) Ltd	5,368,754	0.93
Morph Investments Ltd	2,615,500	0.45
Estate of Khoo Teck Puat Deceased	2,521,556	0.44
Daiwa (Malaya) Private Limited	1,486,652	0.26
BNP Paribas Nominees Singapore Pte Ltd	1,241,814	0.21
United Overseas Bank Nominees Pte Ltd	1,179,016	0.20
OCBC Nominees Singapore Pte Ltd	787,363	0.14
CIMB Securities (Singapore) Pte Ltd	633,046	0.11
UOB Kay Hian Pte Ltd	605,678	0.11
Chong Yean Fong	600,000	0.10
Maybank Kim Eng Securities Pte Ltd	592,322	0.10
Total	**548,298,432**	**94.91**

ANALYSIS OF SHAREHOLDINGS

AS AT 8 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

	Name of Substantial Shareholder	Direct Interest No. of Shares	% of Total Issued Shares	Deemed Interest No. of Shares	% of Total Issued Shares
1.	Far East Organisation Pte. Ltd. ("FEO")	309,973,933	53.66	–	–
2.	Far East Spring Pte. Ltd. ("FES")	63,888,889	11.06	–	–
3.	Philip Ng Chee Tat ("PN") (1)	–	–	63,888,889	11.06
4.	Transurban Properties Pte. Ltd. ("TPPL")	56,342,854	9.75	–	–
5.	Glory Realty Co. Private Ltd. ("Glory") (2)	–	–	56,342,854	9.75
6.	Madam Tan Kim Choo @ Teng Kim Chow ("Madam Tan") (3)	–	–	398,524,800	68.98
7.	The Estate of Mr. Ng Teng Fong (Deceased) (the "Estate") (4)	–	–	390,978,765	67.68

Notes:

(1) PN, through his interest in FES, is deemed to have an interest in FES's shareholding in the Company.

(2) Glory, through its interest in TPPL, is deemed to have an interest in TPPL's shareholding in the Company.

(3) Madam Tan's deemed interest in shares in the Company include her interests through FEO, FES and Sino Land Company Limited ("Sino Land").

(4) The Estate's deemed interest in shares in the Company include its interests through FEO, Glory and Sino Land.

(5) Based on information available to the Company as at 8 March 2017, approximately 21.20% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty-first Annual General Meeting of the Company will be held at The Auditorium, Yeo Hiap Seng Limited, 3 Senoko Way, Singapore 758057 on Wednesday, 26 April 2017, at 2.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2016 and the report of the Auditors. **Ordinary Resolution 1**

2. To declare a first and final tax exempt dividend of $0.02 per ordinary share for the financial year ended 31 December 2016. (2015: $0.02) **Ordinary Resolution 2**

3. To approve the payment of $1,066,000 as Directors' fees for the financial year ended 31 December 2016. (2015: $1,090,926) **Ordinary Resolution 3**

4. (i) To re-elect the following Directors:

   (a) Mr. Koh Boon Hwee; **Ordinary Resolution 4**
   (b) Mr. Melvin Teo Tzai Win; and **Ordinary Resolution 5**
   (c) Mr. Chin Yoke Choong, **Ordinary Resolution 6**

   each of whom retires by rotation pursuant to articles 94 and 95 of the Constitution of the Company.

   (ii) To re-elect Ms. Luo Dan, who retires pursuant to article 100 of the Constitution of the Company. **Ordinary Resolution 7**

5. To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 8**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

6. That authority be and is hereby given to the Directors of the Company to: **Ordinary Resolution 9**

   (i) (a) issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (b) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into shares,

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

   (ii) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50 per cent. of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed 20 per cent. of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time that this Resolution is passed after adjusting for:

    (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

    (ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by to this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

7. That: **Ordinary Resolution 10**

(a) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50 (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares of the Company ("Shares") not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

    (i) market purchase(s) on the Singapore Exchange Securities Trading Limited ("SGX-ST") and/or any other stock exchange on which the Shares may for the time being be listed and quoted ("Other Exchange"); and/or

    (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(b) unless varied or revoked by the Company in General Meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"Maximum Limit" means that number of Shares representing 10% of the issued Shares (excluding any Shares held as treasury shares) as at the date of the passing of this Resolution;

"Maximum Price" in relation to a Share to be purchased, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase of a Share, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase of a Share, 120% of the Average Closing Price,

where:

"Average Closing Price" means the average of the closing market prices of the Shares over the last five Market Days on which the Shares were transacted on the SGX-ST or, as the case may be, Other Exchange, before the date of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to an Off-Market Purchase, as deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"date of the making of the offer" means the date on which the Company makes an offer for the purchase or acquisition of Shares from shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"Market Day" means a day on which the SGX-ST (or, as the case may be, Other Exchange) is open for trading in securities; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

8. That the Directors be and are hereby authorised to grant options and/or awards in accordance with the provisions of the YHS Share Incentive Plan (the "Plan") and allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of options under the Plan and/or such number of fully paid shares in the Company as may be required to be issued pursuant to the vesting of awards under the Plan, provided that the aggregate number of new shares to be issued pursuant to options granted (or to be granted) under the Plan and the vesting of awards granted (or to be granted) under the Plan shall not exceed 10% of the total number of issued shares excluding treasury shares of the Company from time to time. **Ordinary Resolution 11**

9. That pursuant to Section 161 of the Companies Act, Cap. 50, authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of shares in the Company as may be required to be allotted and issued pursuant to the Yeo Hiap Seng Limited Scrip Dividend Scheme. **Ordinary Resolution 12**

BY ORDER OF THE BOARD

Joanne Lim Swee Lee
Sau Ean Nee
Company Secretaries

Singapore, 4 April 2017

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 3 Senoko Way, Singapore 758057 not less than 72 hours before the Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Notice of Books Closure:

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed on 9 May 2017 for the purposes of determining shareholders' entitlements to the proposed first and final dividend.

Duly completed and stamped transfers of the ordinary shares of the Company ("Shares") received by the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00 ASO Building, Singapore 048544 up to 5.00 p.m. on 8 May 2017 will be registered before shareholders' entitlements to the first and final dividend are determined.

Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with Shares as at 5.00 p.m. on 8 May 2017 will rank for the proposed first and final dividend.

Subject to shareholders' approval at the Sixty-first Annual General Meeting to be held on 26 April 2017, the payment of the first and final dividend of $0.02 cents per Share will be made on 19 May 2017.

Additional information relating to items of Ordinary and Special Business:

Item 4(i) – A fourth Director, Mr. Wee Kheng Jin, retires by rotation and has decided not to seek re-election. Mr. Wee will step down from the Board as a Non-independent, Non-executive Director at the conclusion of the Annual General Meeting.

Ordinary Resolution 4 – Subject to his re-election, Mr. Koh Boon Hwee, who is a Non-independent, Non-executive Director, will continue to serve as Chairman of the Board.

Ordinary Resolution 5 – Subject to his re-election, Mr. Melvin Teo Tzai Win, who is an Executive Director and the Group Chief Executive Officer, will continue to serve as a member of the Board.

Ordinary Resolution 6 – Subject to his re-election, Mr. Chin Yoke Choong, who is an Independent, Non-executive Director, will continue to serve as chairman of the Audit & Risk Committee.

Ordinary Resolution 7 – Ms. Luo Dan, who was appointed as a Director on 1 January 2017, holds office until this Annual General Meeting under article 100 of the Constitution of the Company and is eligible for re-election. Subject to her re-election, Ms. Luo Dan, who is an Independent, Non-executive Director, will continue to serve as a member of the Board.

Ordinary Resolutions 4 to 7 – Please refer to "Profile of the Board of Directors & Management" section and the Report on Corporate Governance in the Annual Report 2016 for more information on the Directors seeking re-election at the Annual General Meeting. Save as disclosed in those sections, there are no relationships including immediate family relationships between each of these Directors and the other Directors, the Company or its 10% shareholders.

Ordinary Resolution 9 – If passed, will authorise the Directors from the date of this Annual General Meeting up to the next Annual General Meeting, to issue shares in the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, for such purposes as they consider would be in the interests of the Company, up to a number not exceeding 50 per cent. of the issued shares excluding treasury shares, of which up to 20 per cent. may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time that the Ordinary Resolution is passed, after adjusting for the conversion or exercise of any convertible securities and share options or vesting of share awards that have been issued or granted (provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual) and which are outstanding or subsisting at the time that the Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

Ordinary Resolution 10 – If passed, will empower the Directors to exercise the power of the Company to purchase or acquire its issued ordinary shares, until the date of the next Annual General Meeting. The Company intends to use internal sources of funds, external borrowings, or a combination of internal resources and external borrowings, to finance purchases or acquisitions of its shares. The amount of financing required for the Company to purchase or acquire its shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on, *inter alia*, whether the shares are purchased or acquired out of capital and/or profits of the Company, the aggregate number of shares purchased or acquired, and the consideration paid at the relevant time. Purely for illustrative purposes only, the financial effects of an assumed purchase or acquisition by the Company of 57,770,164 shares on 8 March 2017 representing approximately 10% of the issued shares (excluding treasury shares) as at that date, at a purchase price equivalent to the Maximum Price per share, in the case of a market purchase and an off-market purchase respectively, based on the audited financial statements of the Group and the Company for the financial year ended 31 December 2016 and certain assumptions, are set out in Paragraph 2.7 of the Company's letter to shareholders dated 4 April 2017.

Ordinary Resolution 11 – If passed, will empower the Directors to grant options and/or awards under the YHS Share Incentive Plan, and to allot and issue shares pursuant to the exercise of options and/or the vesting of awards granted pursuant to this Plan provided that the aggregate number of new shares to be issued pursuant to this Plan does not exceed 10% of the total number of issued shares excluding treasury shares of the Company from time to time.

Ordinary Resolution 12 – If passed, will authorise the Directors to issue shares in the Company pursuant to the Yeo Hiap Seng Limited Scrip Dividend Scheme to participating shareholders who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

Yeo Hiap Seng Limited will provide a complimentary shuttle bus service from Sembawang MRT Station for shareholders attending its Sixty-first Annual General Meeting ("61st AGM") on Wednesday, 26 April 2017.

The shuttle bus will be parked at the bus stop of Sembawang MRT Station. Please look out for this sign "YHS 61st AGM" on the bus. The pick-up times will be at 1.30 p.m. and 2.00 p.m. Return trips will be from 3.45 p.m. to 4.00 p.m. after the 61st AGM.

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PROXY FORM
ANNUAL GENERAL MEETING

YEO HIAP SENG LIMITED

(Registration No: 195500138Z)
(Incorporated in Singapore)

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Cap. 50, may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Yeo Hiap Seng Limited shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 4 April 2017.

I/We (Name) ______________________________ (NRIC/Passport/UEN No.) ______________

of (Address) ____

being a member/members of Yeo Hiap Seng Limited (the "**Company**") hereby appoint:

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

and/or *(delete as appropriate)*

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

or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Sixty-first Annual General Meeting of the Company to be held at The Auditorium, Yeo Hiap Seng Limited, 3 Senoko Way, Singapore 758057 on Wednesday, 26 April 2017 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

Ordinary Business		No. of Votes For*	No. of Votes Against*
Ordinary Resolution 1	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report		
Ordinary Resolution 2	Declaration of first and final dividend		
Ordinary Resolution 3	Approval of Directors' fees		
Ordinary Resolution 4	Re-election of Mr. Koh Boon Hwee as Director		
Ordinary Resolution 5	Re-election of Mr. Melvin Teo Tzai Win as Director		
Ordinary Resolution 6	Re-election of Mr. Chin Yoke Choong as Director		
Ordinary Resolution 7	Re-election of Ms. Luo Dan as Director		
Ordinary Resolution 8	Re-appointment of KPMG LLP as Auditors and authority for the Directors to fix their remuneration		
Special Business			
Ordinary Resolution 9	Approval of Share Issue Mandate		
Ordinary Resolution 10	Approval of Renewal of Share Purchase Mandate		
Ordinary Resolution 11	Approval of Issue of Shares pursuant to the YHS Share Incentive Plan		
Ordinary Resolution 12	Approval of Issue of Shares pursuant to the Yeo Hiap Seng Limited Scrip Dividend Scheme		

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ________ day of ________________ 2017.

Total number of Shares held	

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Fold along this line (2)

Postage will be
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Singapore only.

BUSINESS REPLY SERVICE
PERMIT NO. 09180

THE COMPANY SECRETARY
YEO HIAP SENG LIMITED
3 SENOKO WAY
SINGAPORE 758057

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Notes to Proxy Form:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.

3. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 3 Senoko Way, Singapore 758057 not less than 72 hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy or proxies, failing which the instrument may be treated as invalid.

General

The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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www.yeos.com.sg

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