YEO HIAP SENG LIMITED

ANNUAL REPORT 2017

TABLE OF CONTENTS

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present the annual report for the financial year ended 31 December 2017 ("FY2017").

FINANCIAL OVERVIEW

2017 was a very challenging year for the Group as we faced weak consumption in our core markets as well as sales disruption in Cambodia. While some positive economic indicators have emerged in our core markets in 2017, consumer sentiment remained subdued and consumption remained weak. The Group's revenue decreased 16.9% to $340.7 million, mainly due to the weak market sentiment and competitive pricing. In addition, we encountered sales disruption in Cambodia during our transition to new distributors, who required time to establish their reach and build up sales volume. Nonetheless, we executed our sales strategy cautiously and maintained our Asian Drinks market leadership positions in Malaysia and Singapore where we achieved volume share of 33.7% in both markets based on Nielsen data. On the bottom line, the Group's net profit increased 430.9% to $153.7 million, boosted by a $138.4 million gain from the disposal of our investment in Super Group Limited. The disposal proceeds will further strengthen the Group's balance sheet, providing more flexibility in seeking strategic collaborations or mergers and acquisitions for growth.

Moving into 2018, competition will remain keen with competitive pricing as well as upward pressure from costs. We will continue to manage the Group's businesses cautiously.

STRATEGY EXECUTION

Since 2016, we have been steadfast in executing our three-pronged strategy to navigate the competitive business environment.

The first prong is 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. The last round of brand rejuvenation was completed in 2016 with encouraging market acceptance and we are making plans to refresh our brand and packaging in 2018/19. We have also continued our pace of new product launches in 2017, which include Justea, Juscoffee, Snow Chrysanthemum, Pureté Natural Mineral Water, Fun Zesty Citrus, and Fun Lemon Lime Twist. On the other hand, we are also extending our range of products with lower sugar content to promote healthier consumption.

We continue to grow our food segment offerings as the second prong to diversify our revenue streams. We have introduced Chicken Rendang, Tomato Sauce, Chilli Sauce, Satay Sauce and Black Pepper Sauce in various packaging formats in 2017. At the same time, we continue to grow food service accounts and food distributor partnerships across our markets.

Our third prong is to develop our agency business to leverage on our extensive distribution network and sales force to provide our customers with complementary products. Our stable of agency brands is expanding and currently includes Allswell, Red Bull, A1 Food, Uni-President, Yami, Draft Denmark, Louis Raison and Pantai, just to name a few.

BRAND BUILDING

Malaysia is one of our key markets and we have held various marketing campaigns across different platforms to engage our consumers.

For Hari Raya, we released an online video 'Diari Ramadan Opah' which centred on showing appreciation to all mothers by encouraging family members in town to return home ('balik kampung') to celebrate the festival together. The video was well received and generated 3.4 million viewership through multiple social media platforms and was nominated by the Malay Mail, Sundaily and Astro Gempak as one of the top ten Hari Raya videos.

To promote and increase the brand awareness of our Juscool series of carbonated drinks, we joined Malaysia's first fried chicken festival ("Ayam Lejen Fried Chicken Festival") which showcased various famous fried chicken vendors. As the exclusive drinks partner for the event, we paired our Juscool drinks with the delicious fried chicken to provide participants with an enjoyable consumption while promoting trial.

CHAIRMAN'S STATEMENT

With health and wellness being on top of people's minds as well as a nationwide drive, the Ministry of Health Malaysia launched the Healthier Choice Logo ("HCL") in April 2017 to differentiate the product choices and a number of companies have applied for HCL status for their products. We were among the first batch of companies to receive HCL certification for our Green Tea, Chicken Curry and Beef Curry. This is a recognition of how we have balanced health and taste in creating our product offerings.

In Singapore, we launched a series of advertising campaigns to feature our new food and beverage products to highlight the unique or attractive product values using thematic slogans. Examples are "every drop Pureté as nature intended" for our new Pureté branded natural mineral water sourced from Fonte Tavina in the Italian Alps; "Natural heavenly taste" for our new Snow Chrysanthemum Tea Drink; "So rich & smooth you can't resist!" to show the attractive qualities in our Justea ("The perfect blend of Zen") and Juscoffee ("Silky & aromatic") series of tea and coffee drinks; "Real Cool, Real Fun! Get an explosion of refreshing tastes!" for our Fun series of drinks – Fun Zesty Citrus and Fun Lemon Lime Twist; and "Spicy comfort meal in just minutes" for our new Chicken Rendang.

In 2017, we reached another high point in our branding journey when we were named the Overall Winner and Most Popular Brand for the Regional Brands category in the Singapore Prestigious Brands Award ("SPBA") 2017. On top of that, we were also inducted into the prestigious SPBA – Hall of Fame. This is a testament to the standing of the Yeo's brand in the minds of our customers and the Group's brand building efforts.

I am also pleased to share that Yeo's brand was ranked 53rd on Brand Finance plc's list of Singapore's Top 100 brands in 2017, moving up by one position from last year. This ISO-compliant list is compiled by the global independent brand valuation consultancy practice, which adopts a robust and systematic methodology to rank Singapore's most valuable brands, and further affirms our standing in terms of brand value.

PAVING THE ROAD FOR SUSTAINABLE GROWTH

In 2017, we are still in the midst of our multi-year plan to invest in new plants and/or facilities to capture new markets and upgrade existing operations to extract cost and operational efficiencies. We are working steadily to prepare our factory in Cambodia for production while the plan for reorganisation and relocation of our production lines in Johor Bahru is underway. We also continue to invest in the systematic overhaul of the Group's production facilities to enhance the overall production resilience and efficiency.

Our workforce is vital to our strategy and we place the safety of our workforce in high priority. We are proud to win the Gold Platinum Award for the 13th Malaysian Occupational Safety and Health Practitioners' Association ("MOSHPA") Occupational Safety and Health Excellence Awards 2017 – OSHE Management in Manufacturing Food & Beverage, affirming our commitment to safety excellence.

At the "World Congress on Safety and Health at Work 2017" in September 2017, Prime Minister Lee Hsien Loong shared that the Singapore Government has set a new target to reduce Singapore's workplace fatality rate to below 1.0 per 100,000 before the year 2028. Shortly in November 2017, we enhanced the Group's Environment, Health and Safety (EHS) framework and introduced an integrated Group reporting structure to enhance the robustness of reporting, review and follow-up. Additionally, our production crew underwent training in work safety and health, quality, Halal and technical competencies in 2017 to keep themselves updated and vigilant.

CORPORATE RESPONSIBILITY

We believe in and are committed to conducting business in a sustainable manner, and strive to contribute and give back to the communities which we operate in. We do so by organising and participating in various outreach activities.

In support of the Malaysian Ministry of Education's vision in encouraging the community to adopt a healthy and active lifestyle, we led a five-month long scholarship program ("Program Biasiswa #SayaSihat Bersama Yeo's") from April to August 2017. This program provided children in Malaysia an opportunity to showcase their language

CHAIRMAN'S STATEMENT

proficiency and foster their creativity through essay writing on the topic of healthy eating. Close to 500 primary schools participated in and benefited from this program.

Malaysia experienced a prolonged hot and dry spell in June 2017. To help the public get some relief from the heat, we distributed 10,000 packets of Chrysanthemum Tea and Jasmine Green Tea free-of-charge at selected bus stations, markets, schools and tertiary institutions in Klang Valley.

In November 2017, Penang was hit by massive floods. We contributed RM15,000 worth of food and beverage products as part of the aid given to the flood victims. This flood aid was initiated by the Sundaily newspaper and we joined in the efforts to ensure that the people affected had access to food and drinks during this difficult period.

We also supported World Vision Malaysia's 30-Hour Famine 2017 movement to create awareness on global hunger and poverty. We donated close to 450 cartons of Soya Bean Drink to help hunger fighters in 20 selected individual camps stay nourished and hydrated. The funds raised will go towards supporting World Vision programs in helping hungry children and families get access to nutritious food, clean water and better sanitation in the Philippines, India, China, Vietnam, Myanmar, Thailand, Mongolia and Malaysia.

In January 2018 and for two years in a row, we are proud to be a Platinum partner to the "Community Chest Charity in the Park" event which was jointly organised by Community Chest and Resorts World Sentosa in promotion of inclusivity. Close to 200 of our staff volunteered to facilitate and participate in the activities alongside beneficiaries to make it an engaging event. The Group also contributed $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, we were ranked within the top 15% of more than 600 companies assessed in the Singapore Governance & Transparency Index ("SGTI") 2017. The SGTI – a collaboration between CPA Australia; NUS Business School's Centre for Governance, Institutions and Organisations; and Singapore Institute of Directors ("SID") – is the leading index for assessing corporate governance practices of Singapore-listed companies.

SUSTAINABILITY REPORTING AND EXCELLENCE

The Board oversees the strategic direction of sustainability for the Group and has taken into consideration the sustainability reporting requirements issued by the Singapore Exchange. The Group's inaugural Sustainability Report has been included in this Annual Report. Sustainable practices have always been embedded in our strategy and operations and we embrace the opportunity to share our vision, results and targets for the future.

ACKNOWLEDGEMENT AND APPRECIATION

I am pleased to welcome Mr. Fong Chun Man Kenneth to the YHS Board as a Non-independent Non-executive Director. Mr Fong has over 25 years of track record in general management, strategic planning, commercial leadership, product innovation and new business development in the beverage industry in the Asia Pacific region. Mr. Fong's experience and knowledge will be an addition to the Board.

I would like to express my sincere gratitude to our customers, suppliers, business associates and shareholders for their unwavering support and trust in us throughout the year. To our management and employees, thank you for your continued dedication and contribution to the Group in 2017. Last but not least, I would also like to extend my heartfelt gratitude to my fellow 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

Our business and financial performance in 2017 reflected the weak consumer sentiments in our core markets. The Group's revenue decreased 16.9% to $340.7 million, mainly due to dampened market sentiments, competitive pricing and sales disruption in Cambodia. Our net profit received a one-time $138.4 million boost from the sale of investment in Super Group Limited, bringing the Group's net profit to $153.7 million.

To better extract value, we focused our marketing efforts on promoting our new range of food and beverage products, and through continuous corporate improvements and cost management, we reduced our operating expenses by $23.2 million.

The Group's balance sheet remained healthy with cash and cash equivalents of $294.8 million and no borrowings as at 31 December 2017. The proceeds from the disposal of Super Group Limited will provide the Group with stronger capability to grow through strategic collaborations or acquisitions when the opportunities arise. As a start, we invested in Nissin Foods Company Limited during its Hong Kong initial public offering in December 2017 as a cornerstone investor and started discussions on collaboration opportunities.

PAVING FOR GROWTH

As we execute our three-pronged strategy to rejuvenate our brand; grow our food business; and develop our agency business, the Group continues to launch new products from both Yeo's and those of agency brands. This momentum for new offerings is required to maintain an attractive portfolio and to stay relevant to the evolving and rapidly changing consumer tastes.

During the year, we launched the Snow Chrysanthemum Tea as a premium addition to our Asian Drinks portfolio.

In order to cater to the premium water segment, we launched our Pureté branded natural mineral water which is sourced from Fonte Tavina in the Italian Alps. Breaking into the Ready-To-Drink (RTD) tea and coffee categories, we launched our Justea and Juscoffee range. We also expanded our Fun series with the addition of Fun Zesty Citrus Drink and Fun Lemon Lime Twist Drink.

In the food segment, we launched our Yeo's Chicken Rendang, Yeo's Chilli Sauce and Yeo's Tomato Sauce. These new products will enhance the growth traction of our food business strategy.

We will build on our extensive sales and distribution workforce to take on more agency partners and products. In 2017, we began distributing products from well-known brands like Allswell, Red Bull, Budweiser, Corona and Beck's. We are also distributing Yami fruit drinks in Malaysia, which are developed together with our joint venture partner, Hui Yuan.

As a pioneer in offering products in 'less sweet' alternatives, we have been mindful of the consumers' increasing focus on health and wellness as well as an increasing preference for lower sugar products. Currently, 60% of our product volume are endorsed with the Healthier Choice Symbol (HCS) and less than 1% of our range are above the 12% sugar level. We have collaborated with the Singapore Health Promotion Board to develop products with lower sugar content and are also in the midst of reformulating products that are above 12% sugar level to bring their sugar content down. We are constantly innovating to ensure that lower sugar products still taste great so that our consumers continue to have an enjoyable experience with our drinks.

CEO'S STATEMENT AND OPERATIONS REVIEW

CORPORATE IMPROVEMENT INITIATIVES

In light of the challenging operating and business environment in the markets that we operate in, we stepped up our efforts on improvement initiatives across the Group to enhance operational efficiencies and extract savings.

In procurement, we continued on efforts to identify and qualify alternative suppliers to ensure reliable and competitive sourcing of raw materials. On the manufacturing front, we are building on last year's efforts to raise the productivity of our workers through streamlining of workflow and efficient production scheduling.

From April 2017, we leveraged on our resources and expertise to provide warehousing and logistics services to Coca Cola Singapore Beverages. In addition to bringing on a new revenue stream to the Group, it enables us to optimise the utilisation of our assets. We look forward to working closer with Coca Cola Singapore Beverages to further expand our relationship.

On the corporate front, we are strengthening the resilience and efficiency of the Group through the rationalisation of our organisation structure and enhancement of our Risk Management framework to better manage risk. We are also unlocking value from our real estate assets through leasing or sale.

Overall, we adopted a coordinated, group-wide and cross-functional approach to improve cost and operational efficiency. Through these initiatives, we are transforming the Group into a leaner and more agile business, which will put us in good stead to capture opportunities when they arise. We will continue to pursue continuous corporate improvements into 2018.

NOTE OF APPRECIATION

In 2018, we will continue to focus on growing our businesses while strengthening the resilience of our businesses and operations. Although consumer sentiments are still lagging behind positive economic indicators, the Group has strong fundamentals to navigate the headwinds and 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


So rich &
smooth
you can't resist!
Yeo's
Tea Latte
Justea
ティーラテ
Yeo's
Matcha Latte
Justea
抹茶ラテ
No Added Preservatives
Fine selection of premium tea
Yeo's
Iced Café Latte
Juscoffee
アイスカフェラテ
No Added Preservatives
Fine selection coffee
Yeo's
Iced Coffee
Juscoffee
アイスコーヒー
Fine selection coffee

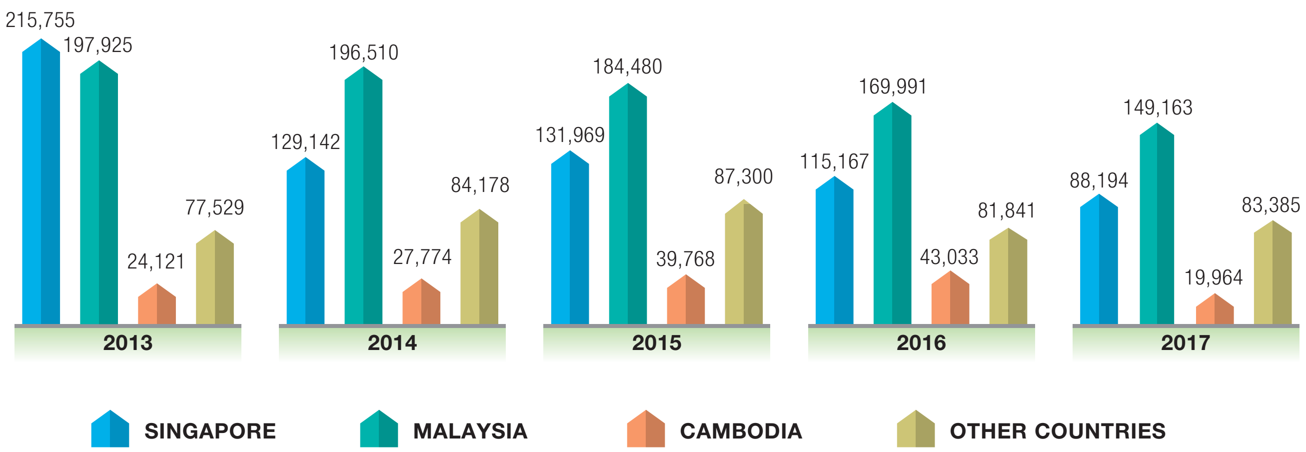
FINANCIAL HIGHLIGHTS

FIVE-YEAR STATISTICAL RECORD OF THE GROUP

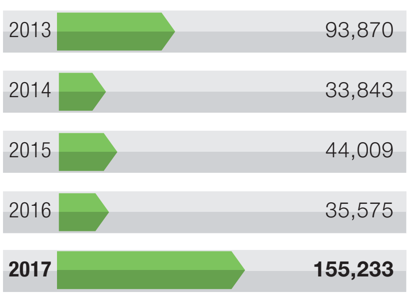
Unit: S$'000	2013	2014	2015	2016	2017
TURNOVER BY GEOGRAPHICAL SEGMENTS					
Singapore	215,755	129,142	131,969	115,167	88,194
Malaysia	197,925	196,510	184,480	169,991	149,163
Cambodia	24,121	27,774	39,768	43,033	19,964
Other countries	77,529	84,178	87,300	81,841	83,385
TOTAL GROUP TURNOVER	515,330	437,604	443,517	410,032	340,706
Pre-tax profit	93,870	33,843	44,009	35,575	155,233
Net tangible assets*	736,464	627,160	598,244	679,318	656,493

* Figures do not include interests of minority shareholders

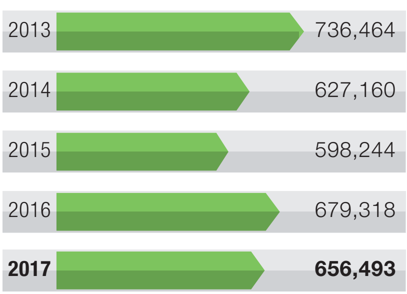
TURNOVER BY GEOGRAPHICAL SEGMENTS



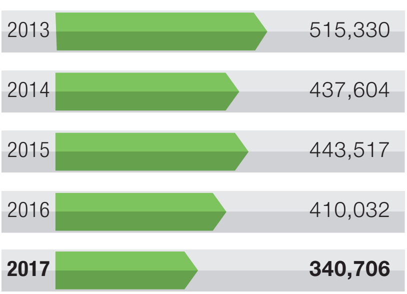
PRE-TAX PROFIT



NET TANGIBLE ASSETS



GROUP TURNOVER



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. Chin Yoke Choong
Independent & Non-executive Director

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

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

Dr. Tan Chin Nam
Independent & Non-executive Director

Ms. Luo Dan
Independent & Non-executive Director

Mr. Fong Chun Man Kenneth
Non-independent & Non-executive Director

COMPANY SECRETARIES

Ms. Joanne Lim Swee Lee
Ms. Sau Ean Nee

AUDIT & RISK COMMITTEE

Mr. Chin Yoke Choong
Chairman

Mr. S. Chandra Das
Member

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

Dato' Mohamed Nizam bin Abdul Razak
Member

NOMINATING COMMITTEE

Mr. S. Chandra Das
Chairman

Mr. Chin Yoke Choong
Member

Dr. Tan Chin Nam
Member

REMUNERATION COMMITTEE

Dr. Tan Chin Nam
Chairman

Mr. S. Chandra Das
Member

Ms. Luo Dan
Member

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

PROFILE OF THE BOARD OF DIRECTORS & MANAGEMENT

MR. KOH BOON HWEE

67 | Chairman
Non-independent &
Non-executive Director

- 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 26 April 2017.

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

78 | Deputy Chairman &
Lead Independent Director
Independent &
Non-executive 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, Director of Ascott Residence Trust Management Limited from 2006 to 2015 and Director of Super Group Ltd from 2011 to 2017.

Currently, Mr. Das is the Chairman of TalkMed Group Ltd, a public company listed on the Singapore Stock Exchange. He is also the Managing Director of NUR Investment & Trading Pte Ltd, Chairman of Goodhope Asia Holdings Ltd, Chairman of Travelex Holdings (S) Pte Ltd, Chairman 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.

PROFILE OF THE BOARD OF DIRECTORS & MANAGEMENT

MR. MELVIN TEO TZAI WIN

47 | 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 26 April 2017.

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. CHIN YOKE CHOONG

66 | Independent & Non-executive Director

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

Mr. Chin Yoke Choong was appointed Independent, Non-executive Director on YHS Board on 15 May 2006 and was last re-elected on 26 April 2017.

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 and Singapore Telecommunications Limited. Mr Chin 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 the Chairman of Housing and Development Board and Chairman of Frasers Centrepoint Asset Management (Commercial) Ltd. He also serves as a board member of Temasek Holdings (Private) Ltd and Singapore Labour Foundation. Mr. Chin was the 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, Chairman of the Singapore Totalisator Board from 1 January 2006 to 31 December 2012 and Director of Sembcorp Industries Ltd from 1 December 2008 to 19 April 2017.

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

PROFILE OF THE BOARD OF DIRECTORS & MANAGEMENT

DATO' MOHAMED NIZAM BIN ABDUL RAZAK

59 | Independent & Non-executive Director

- Member of Board of Directors
- Member of Audit & Risk 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 Petra Energy Berhad and 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. In November 2017, Dato' Nizam was appointed Chairman of University Tun Abdul Razak Sdn Bhd.

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

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

78 | 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 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

DR. TAN CHIN NAM

67 | Independent &
Non-executive Director

- Member of Board of Directors
- Member of Remuneration Committee
- Member of Nominating 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 Global Fusion Capital Pte Ltd. He served as Chairman of Temasek Management Services Pte Ltd till October 2017. 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

49 | Independent &
Non-executive Director

- Member of Board of Directors
- Member of Remuneration Committee

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

Ms. Luo Dan was formerly 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 and MBA from IMD, Switzerland in 1999.

PROFILE OF THE BOARD OF DIRECTORS & MANAGEMENT

MR. FONG CHUN MAN KENNETH

49 | Non-independent & Non-executive Director

- Member of Board of Directors

Mr Fong Chun Man Kenneth has been appointed as a Non-independent, Non-executive Director on the YHS Board since 1 July 2017.

Mr Fong is currently the Director and General Manager of Telford International Company Limited, one of Hong Kong's leading beverage companies. He has over 25 years of proven track record in general management, strategic/ business planning, marketing/commercial leadership, product innovation and new business development in beverage industry in Asia Pacific region.

Mr Fong has studied Bachelor of Mathematics at the University of British Columbia in Canada for 3 years since 1983.

MR. YAP NG SENG

61 | 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 of Directors ("Board") and the management team of the Company ("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.

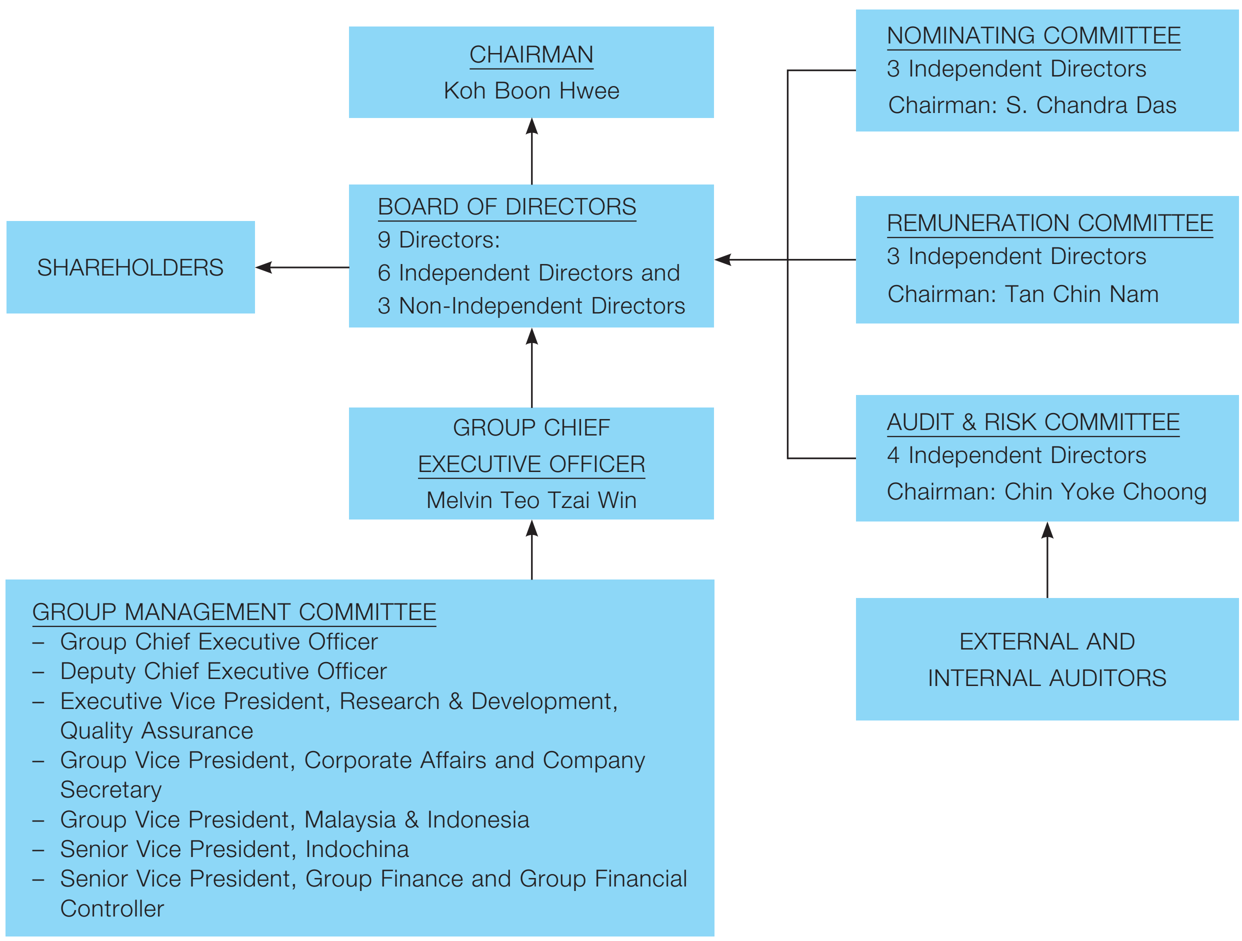
The Board and its committees have established policies and regulations on good governance, and such committees are guided by their respective formal terms of references for the time being ("Terms of Reference").

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 2017 with specific references to the principles of the Code of Corporate Governance 2012 (the "Code") and any deviation from any guideline of the Code is explained in this Report. The Board believes that the Group has complied in all material aspects with the principles and guidelines as set out in the Code save for the following exceptions, deviation from which are explained in this Report:

(a) Guideline 4.4 – setting a maximum number of listed company board representations for directors; and
(b) Guideline 8.4 – Contractual provisions to reclaim incentive components of remuneration.

CORPORATE GOVERNANCE FRAMEWORK



REPORT ON CORPORATE GOVERNANCE

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, the CEO and key management personnel;

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

vii. assuming responsibility for corporate governance; and

viii. assuming responsibility for the Group's sustainability direction.

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 composition of these Board committees is structured to ensure an equitable distribution of responsibilities among Board members, maximise the effectiveness of the Board and foster active participation and contribution. Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances between the different Board committees. The Board acknowledges that while these various Board committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters still lies with the Board.

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.

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. 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 key management personnel in the GMC is approved by the RC and the Board as part of the disclosures in the Report.

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
Chin Yoke Choong[1]	M	4	4	C	4	4	M	1	0	–	–	–
Dato' Mohamed Nizam bin Abdul Razak[2]	M	4	4	M	4	2	M	1	1	–	–	–
Dato' N. Sadasivan a/l N.N. Pillay	M	4	2	M	4	2	–	–	–	–	–	–
Tan Chin Nam[3]	M	4	4	M	4	2	M	1	0	C	2	1
Luo Dan[4]	M	4	4	–	–	–	–	–	–	M	2	1
Fong Chun Man Kenneth[5]	M	4	2	–	–	–	–	–	–	–	–	–
Wee Kheng Jin[6]	M	4	2	–	–	–	–	–	–	–	–	–
Ngiam Tong Dow[7]	M	4	0	–	–	–	M	1	0	C	1	1
Razman Hafidz bin Abu Zarim[8]	M	4	1	–	–	–	–	–	–	M	2	0

Annotations:

A Position held as at 31 December 2017 either as Chairman (C), Deputy Chairman (DC) or Member (M)

B Number of meetings held during the financial year from 1 January 2017 to 31 December 2017

C Number of meetings attended during the financial year from 1 January 2017 to 31 December 2017

1 Appointed as NC member on 27 April 2017

2 Appointed as ARC member and ceased as NC member on 27 April 2017

3 Appointed as RC Chairman and NC member and ceased as ARC member on 27 April 2017

4 Appointed as independent and non-executive Director on 1 January 2017 and RC Member on 27 April 2017

5 Appointed as non-independent and non-executive Director on 1 July 2017

6 Retired as a non-independent and non-executive Director at the conclusion of the AGM held on 26 April 2017

7 Ceased as independent and non-executive Director on 27 April 2017 and accordingly also ceased as NC member and RC Chairman on 27 April 2017

8 Ceased as independent and non-executive Director on 27 April 2017 and accordingly also ceased as RC member on 27 April 2017

REPORT ON CORPORATE GOVERNANCE

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 briefings to keep Directors abreast with the developments in the market place.

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.

During the financial year under review, two new Directors, Ms. Luo Dan (independent and non-executive) and Mr. Fong Chun Man Kenneth (non-independent and non-executive) were appointed on 1 January 2017 and 1 July 2017 respectively.

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 2017, the Board comprises nine members, of whom six are independent and three are non-independent. Except for the Group CEO, all other Directors are non-executive.

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.

[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.

REPORT ON CORPORATE GOVERNANCE

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 and 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]; and

iii. Ms. Luo Dan[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.

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[2];

ii. Mr. Chin Yoke Choong[2]; and

iii. Dr. Tan Chin Nam[2].

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

REPORT ON CORPORATE GOVERNANCE

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 Dr. Tan 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 efficaciously.

The Board also recognises the importance of gender diversity and endeavours to include female candidates in its search pool for new appointments. Ms. Luo Dan was appointed as a Board member on 1 January 2017 and as a member of the RC on 27 April 2017. The incumbent Board comprises eight male Directors and one female Director.

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.

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.

REPORT ON CORPORATE GOVERNANCE

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 papers 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. The lead independent Director will provide feedback to the Chairman after the conclusion of such meetings.

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. Chin Yoke Choong (NC member since 27 April 2017) and Dr. Tan Chin Nam (NC member since 27 April 2017). All three members are independent Directors.

Mr. Ngiam Tong Dow and Dato' Mohamed Nizam bin Abdul Razak, both independent and non-executive Directors, were NC members at the start of the financial year until 27 April 2017. Mr. Ngiam ceased as a Director from 27 April 2017. Dato' Mohamed Nizam remains on the Board as an independent and non-executive Director.

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;

REPORT ON CORPORATE GOVERNANCE

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 in consultation with the Chairman 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. In support of the renewal of the Board composition, three non-executive Directors stepped down from the Board and two new non-executive Directors joined the Board during the financial year under review.

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 have 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.

REPORT ON CORPORATE GOVERNANCE

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.

Two new Directors, Ms. Luo Dan (independent and non-executive) and Mr. Fong Chun Man Kenneth (non-independent and non-executive) were appointed during the financial year under review.

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 2018 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. The results of the performance evaluation are then presented first to the Chairman and then to the Board for consideration. The Board will then act on the results where appropriate.

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.

REPORT ON CORPORATE GOVERNANCE

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 2016.

Annually, members of the Board are required to assess the Board by completing a Board Evaluation Questionnaire comprising the following performance criteria as recommended by the NC and approved by the Board:

(a) Board Composition;
(b) Board Information;
(c) Board Process; and
(d) Board Accountability.

The above performance criteria will be reviewed by the NC and the Board from time to time, where appropriate. 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.

Other factors taken into consideration by the NC also include the value of contribution to the development of strategy, availability at Board meetings (as well as informal contribution via electronic mail and telephone), degree of preparedness, industry and business knowledge and experience each director possesses which are crucial to the Group's business.

For the year under review, 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.

REPORT ON CORPORATE GOVERNANCE

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, Dr. Tan Chin Nam (Chairman of RC and member since 27 April 2017), Mr. S. Chandra Das and Ms. Luo Dan (RC member since 27 April 2017). 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.

Mr. Ngiam Tong Dow and Encik Razman Hafidz bin Abu Zarim, both independent and non-executive Directors, were Chairman of RC and a member of the RC, respectively, at the start of the financial year until they relinquished their positions in the RC in conjunction with their cessation as Directors, respectively, with effect from 27 April 2017.

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 RC is responsible for ensuring that a formal and transparent procedure is in place for developing policy on executive remuneration and for determining the remuneration packages of individual directors and key management personnel. It reviews the remuneration packages with the aim of building capable and committed management teams through competitive compensation and focused management and progression policies.

The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each Director. 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.

No member of the RC is involved in deliberating in respect of any remuneration, compensation or any form of benefits to be granted to him.

REPORT ON CORPORATE GOVERNANCE

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.

REPORT ON CORPORATE GOVERNANCE

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 2017 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 for meetings in Singapore[2]	1,000
Attendance Fee for meetings outside of Singapore[2]	2,000

Annotations:

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.

REPORT ON CORPORATE GOVERNANCE

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
Chin Yoke Choong	96,104
Dato' Mohamed Nizam bin Abdul Razak	70,000
Dato' N. Sadasivan a/l N.N. Pillay	77,842
Tan Chin Nam	79,000
Wee Kheng Jin	59,000
Ngiam Tong Dow	90,896
Encik Razman Hafidz bin Abu Zarim	72,158

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 2016.

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

Executive Director	Total Gross Remuneration S$	Fixed Salary[1] %	Variable Bonus[2] %	Benefits-in-kind & Others[3] %
Melvin Teo Tzai Win	1,488,010	45.7	45.0	9.3

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 2017. In addition to the above, an additional amount of S$362,800 will be payable to Mr. Teo over three instalments from 2019.

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.

REPORT ON CORPORATE GOVERNANCE

Remuneration of key management personnel

The remuneration of the GMC members as at 31 December 2017 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	750,000 to 999,999	81.7	11.6	6.7
Sueann Lim	Executive Vice President, Research & Development, Quality Assurance	500,000 to 749,999	64.4	26.8	8.8
Joanne Lim	Group Vice President, Corporate Affairs and Company Secretary	500,000 to 749,999	63.1	28.5	8.4
Ronnie Chung	Senior Vice President, Indochina	250,000 to 499,999	86.1	3.8	10.1
Cyndi Pei	Senior Vice President, Group Finance and Group Financial Controller	250,000 to 499,999	70.8	18.8	10.4
Ong Chay Seng[4]	Group Vice President, Malaysia & Indonesia	250,000 to 499,999	79.6	–	20.4

The aggregate remuneration paid or payable to the above GMC members in the financial year under review was S$3,085,246.

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 2017. 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.

4 Resigned on 13 July 2017.

Employees related to Directors/Group CEO

There were 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. No termination, retirement or post-employment benefits were 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.

REPORT ON CORPORATE GOVERNANCE

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), 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 provides all members of the Board with unaudited results with explanatory notes which present a balanced and understandable assessment of the Company's performance, financial position and prospects on a quarterly basis. The Company announces the unaudited financial results of the Group and the Company on a quarterly basis and discloses other relevant material information via SGXNET to the shareholders.

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.

REPORT ON CORPORATE GOVERNANCE

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. The Group has established a comprehensive risk management framework approved by the ARC.

The Company has instituted and put in place across the Group 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 Group 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;

REPORT ON CORPORATE GOVERNANCE

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, the assurance furnished by the Group CEO and the Group Financial Controller, 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 2017 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 Group'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 Group'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.

REPORT ON CORPORATE GOVERNANCE

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 Dato' Mohamed Nizam bin Abdul Razak (ARC member since 27 April 2017). All four members are independent Directors.

Dr. Tan Chin Nam was a member of the ARC at the start of the financial year until 27 April 2017. He remains on the Board as an independent and non-executive Director.

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;

REPORT ON CORPORATE GOVERNANCE

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 its 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 valuation of inventories as disclosed in Note 3 to the financial statements and reported under key audit matters in the independent auditors' report.

Having reviewed the audit plans (internal and external) and the adequacy and effectiveness of the Group's system of internal controls, the 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 meets with the external auditors, and with the internal auditors, in each case without the presence of management, at least annually.

REPORT ON CORPORATE GOVERNANCE

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 FY2017	S$'000	% of Total Fees
Audit Fees	297	98
Non-audit Fees	7	2
Total Fees	304	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.

REPORT ON CORPORATE GOVERNANCE

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's corporate governance practices promote the fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, especially information pertaining to the Company's business development and financial performance which could have a material impact on the price or value of its shares, so as to enable shareholders to make informed decisions in respect of their investments in the Company.

Further, 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 60^{th} AGM held on 22 April 2016 adopted a new Constitution, which contains new provisions that cater to the multiple proxies regime.

REPORT ON CORPORATE GOVERNANCE

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.

REPORT ON CORPORATE GOVERNANCE

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 at 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.

REPORT ON CORPORATE GOVERNANCE

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$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
Name of interested person	**2017 S$**	**2016 S$**
Sino Land Company Limited Group[1]		
Operating lease expense paid/payable	198,991	–
Telford International Company Limited[2]		
Purchase of goods	560,286	–

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

Annotations:

1 Sino Land Company Limited is an associate of a controlling shareholder of the Company.

2 Telford International Company Limited is an associate of Mr Fong Chun Man Kenneth, a Director of the Company. Purchase of goods made prior to Mr Fong's appointment as a Director of the Company on 1 July 2017 does not fall under Chapter 9 of the Listing Manual.


Sourced from
Fonte Tavina
in the pristine
ITALIAN ALPS
Pureté
Pureté
Pureté
NATURAL
MINERAL WATER
Pureté
NATURAL
MINERAL WATER
1500ml
every drop
Pureté
as nature intended

SUSTAINABILITY REPORT

BUILDING A SUSTAINABLE FUTURE

Yeo Hiap Seng Limited (“**YHS**”)’s inaugural annual sustainability report details our environmental, social and governance (“ESG”) performance for the calendar year 2017.

ABOUT THIS REPORT

This report has been prepared with reference to the Global Reporting Initiative Standards and covers ESG performance of all business divisions and subsidiaries which are under YHS Group’s financial and operational control.

Information presented in the report has been extracted from our internal records and documents to ensure accuracy using internationally accepted measurement data units. Unless otherwise stated, the information represents that of the Group.

SUSTAINABILITY AT THE FOREFRONT

Sustainability initiatives have always been at the heart of YHS. Having been in the fast moving consumer goods (“FMCG”) business for more than a century, YHS is committed to sustainable long-term growth across its businesses.

Our vision for sustainability is embedded in our operating strategy where we maintain robust governance structures; optimise resource use; minimise environmental footprint; invest in our people; manufacture high quality food and beverages for our consumers; and contribute to local communities.

Our sustainability values have formed the bedrock of our sustainability strategy over the years and have acted as the guiding principles in the business decisions that we make.

Sustainability is a key success factor to grow our business as our consumers and stakeholders are increasingly expecting high standards in our products. This pursuit for sustainability excellence is backed by our sustainability values which emphasise on integrity, diligence as well as unity across the functions as we work towards our sustainability goals.

As YHS has always embedded sustainable practices in its activities, it welcomes the release of the SGX sustainability reporting guidelines issued by SGX in July 2016. This initiative has provided us the platform to formalise our sustainability policies and procedures; consolidate our existing efforts; communicate to our stakeholders; and plan further for the future.

YHS SUSTAINABILITY VALUES:

B - U - I - L - D

Our approach to sustainable development of our business is guided by our sustainability values:

Business excellence with sustainability in mind

Unity as one team in pursuing sustainability goals

Integrity, honesty and fairness to all stakeholders

Loyalty and commitment to sustainability goals

Diligence, pride and passion

SUSTAINABILITY IS A KEY SUCCESS FACTOR TO GROW OUR BUSINESS

SUSTAINABILITY REPORT

SUSTAINABILITY GOVERNANCE

At YHS, the Board of Directors has oversight of the Group's sustainability strategy. The Board's responsibilities include providing guidance on the material ESG factors that impact the Group's activities. In managing the sustainability strategy, the Board is assisted by the Sustainability Reporting Committee ("SRC") which is headed by the Group Financial Controller and reports to the Group Management Committee.

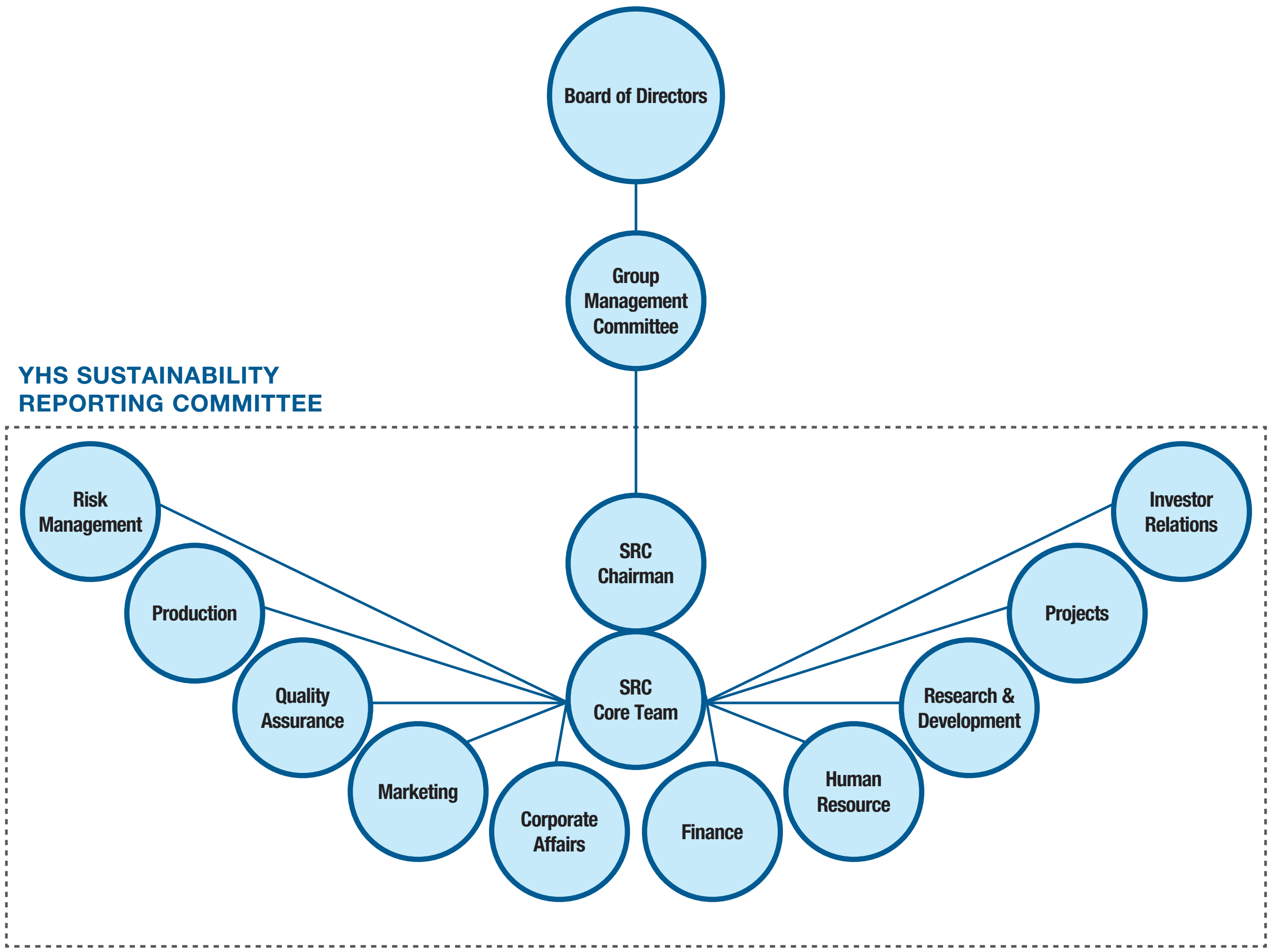
REPORTING PROCESS

YHS's SRC is represented by the Heads of Departments from major functions and provides the overall direction for preparing the report.

The SRC oversees the management of sustainability within the Group and is primarily responsible for the following areas:

- Providing effective and timely sustainability reporting;
- Reviewing sustainability initiatives and performance;
- Reviewing sustainability key performance indicators and their implementation; and
- Facilitating the adoption of a sustainability culture throughout the Group.

While we have not sought independent assurance, we rely on our internal processes to verify the accuracy of ESG performance data and the information presented in the report.



SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is key to our sustainability strategy and we recognise that our actions can impact how our stakeholders assess us and make their decisions. Our selection of stakeholders for engagement is determined by the influence, responsibility, dependency, representation and proximity that the stakeholders have with our businesses.

At YHS, we have categorised our stakeholders into five groups and engage them as follows:

OUR VISION FOR SUSTAINABILITY IS EMBEDDED IN OUR OPERATING MODEL

STAKEHOLDER GROUPS

YHS

EMPLOYEES
- Intranet / Circulars
- Email communication

INVESTORS
- Annual General Meeting
- Annual report
- Corporate website

SUPPLIERS
- Face-to-face meetings
- Email communication

GOVERNMENT / REGULATORS / ACTIVISTS
- Regulatory filings
- Meetings and dialogues

CUSTOMERS / RETAILERS
- Corporate website
- Product campaigns
- Social media channels

MATERIALITY ASSESSMENT

We conducted a high-level industry benchmarking exercise to shortlist the potential topics applicable to us. Thereafter, we engaged our internal stakeholders including our employees and management to identify and validate the final list of topics based on the significance of the ESG factors; their impact on the business; and the degree of influence they have on stakeholders' decisions.

The validated topics were endorsed by the Board and these material topics will be reviewed every year in the light of fresh stakeholder feedback and new trends in sustainability. The results of the materiality assessment exercise are presented below.

20 ESG TOPICS IDENTIFIED AND THEIR IMPORTANCE

Importance to stakeholders ↓ / Importance to business →	Low		High
High		• **Occupational health and safety** • Human capital development and training • Code of business conduct	• **Product quality and safety** • **Water management** • **Effluents and waste** • **Economic performance**
	• Diversity and equal opportunity • Emissions	• Product and service labelling • Energy management • Packaging and materials	• **Corporate governance** • Supply chain management • Raw material sourcing • Innovation management • Marketing and communications
Low	• Climate strategy • Engagement with local communities • Biodiversity		

SUSTAINABILITY REPORT

OUR MATERIALITY TOPICS

Out of the 20 ESG topics identified, 6 material topics were shortlisted to be reported as they were the most relevant to the business. The rest of the topics remain important and we will look to build on these topics as we progress on our sustainability journey in the future.

SUSTAINABILITY REPORT

PROTECTING OUR ENVIRONMENT

WE MANAGE OUR ENVIRONMENTAL FOOTPRINT BY MINIMISING THE ENVIRONMENTAL IMPACT OF OUR BUSINESS OPERATIONS.

Our management philosophy is to adopt a precautionary approach to environmental challenges by addressing material environmental risks and impacts on our operations. We recognise that we cannot do this alone, and will leverage the strength of partnerships and collaborations with key agencies in tackling this issue.

WATER MANAGEMENT

According to the UN Sustainable Development Goals Report 2017, more than 2 billion people across the world live in water stressed levels of over 60%. With a growing global population and if water conservation is ignored, the issue of water scarcity is very likely to impact our local and regional operations.

In Singapore where it has always been reliant on imported water, plans have been laid down to ensure that the country can be self-reliant in water by 2061. The country has also been increasing its size of local water catchment area and building up supply from non-conventional sources. To control excessive water usage, the government has also announced water tax hikes.

Malaysia is located in a humid tropical area rich in water resources. Nonetheless, seasonal rainfall and uneven rainfall between areas in the country affect the consistency of supply in different areas while decreasing quality of river water is also becoming a concern. As such, it is not uncommon for certain Malaysian states to, at times, implement water-rationing measures when they face severe water shortages.

Clean potable water is a vital ingredient in our production process and it is imperative that we do our part in pursing a more efficient use of water and innovating in ways of recycling. By implementing water saving technologies, we strive to be able to lead the industry in evolving the way food and beverages can be produced.

CONSERVATION AND RECYCLING

Water usage is the highest in the production function in our business and the aggregate production capacity of Singapore and Malaysia factories forms more than 90% of the Group's.

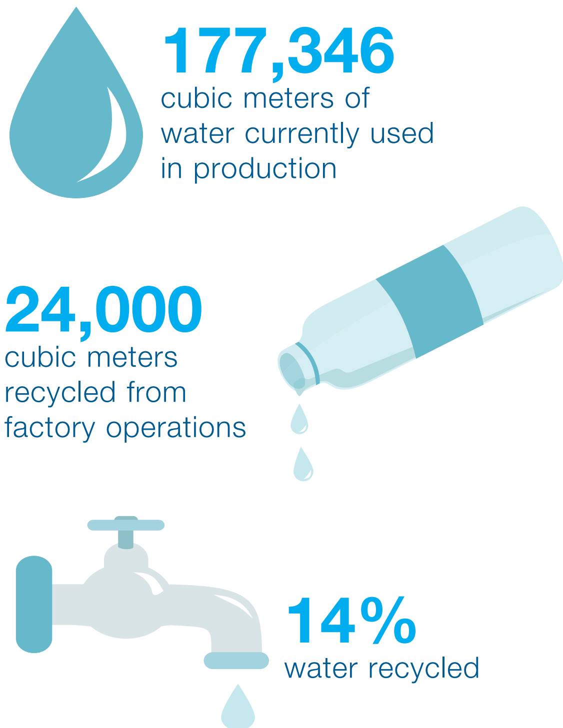
We currently reduce our water footprint by putting recycled water to alternative uses.

To further reduce our water usage in Singapore, we are setting up a water recycling plant at our Senoko factory in Singapore. This is done in collaboration with the nation's Public Utilities Board and Nanyang Technological University ("NTU") as its research partner.

The research phase of the project has been completed with technical designs from NTU. The project is currently on track for completion in 2018/2019.

The proposed water recycling plant in Singapore is expected to recycle a substantial portion of the wastewater collected from the production process which can be used for cooling, steam generation, washing and other industrial non-production processes. As a result, we believe that the project will help to considerably lower our water footprint and environmental impact, and underscores our continuous investment in implementing water saving technologies.

2017 WATER USAGE AND RECYCLED IN SINGAPORE



SUSTAINABILITY REPORT

In our Malaysia factories, we are also testing water recycling initiatives for further rollout. In one of our Malaysia plants, we are now able to recycle 23.7 cubic meters of ultra-high temperature water per hour for use at the cooling tower. We will evaluate the feasibility of extending this process to other plants and continue to find new uses for recycled water.

Our water management targets are currently focused on Singapore and we will extend the targets to Malaysia and other countries progressively.

Material Topic(s)		Target(s)
Water Management		
303-1	Water withdrawal by source	Reduce by 20% from water recovery and recycling programs by 2020 in Singapore, and an additional 10% when these programs are fully operationalised
303-3	Water recycled and reused	Recycle at least 50% of collected wastewater generated by 2020 in Singapore

OUR OKARA WASTE FROM THE MALAYSIA FACTORIES IS SOLD OFF AS ANIMAL FEED TO THE FARMS IN THE VICINITY

EFFLUENTS AND WASTE

Linked to our goal of water conservation is that of reducing and managing waste, as improper disposal could also lead to pollution of clean water sources, amongst other environmental damages.

In our operations, waste management efforts are focused on the by-products generated by the manufacturing process in our factories.

OUR APPROACH

Soya pulp residue, also known as okara, is a by-product from our soy milk production. Traditionally disposed in the landfills, okara can also be used as animal feed or as natural fertilisers.

Currently, our okara waste from the Malaysia factories are sold off as animal feed to the farms in the vicinity. In the Singapore factory, we dispose it to an offtaker who uses the by-product as fertilisers while maintaining dialogues with agencies to explore alternative usage for okara.

WASTE MANAGEMENT

Okara waste from our Singapore and Malaysia factory is recycled for use as animal feed or fertilisers.

894 metric tonnes of waste generated in Singapore

31% of waste is recycled in Singapore

0.2 metric tonnes of hazardous waste generated in Singapore

Material Topic(s)		Target(s)
Effluents and Waste		
306-2	Waste by type and disposal method	Develop a framework for measuring the types of waste generated from our operations to progressively cover all factories in the Group by 2020

SUSTAINABILITY REPORT

CARING FOR OUR PEOPLE

EMPLOYEES, OUR PEOPLE

Our people are our greatest asset and we strive towards taking care of and developing them. We provide learning opportunities and are constantly strengthening our human resource policies to make YHS an employer of choice.

OUR APPROACH

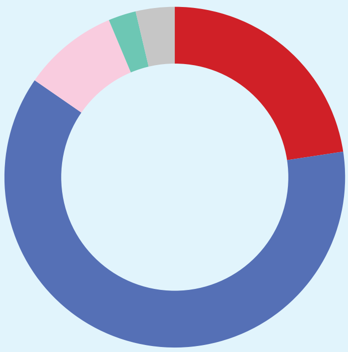
As part of our people management process, we adopt the following 3-step approach: (i) We adopt fair labour practices and have zero tolerance towards discrimination; (ii) We invest in the development of our employees, and provide regular feedback to seek constant improvement; and (iii) We provide our employees a safe and conducive working environment for them to excel in.

FAIR LABOUR PRACTICES

Our hiring policy focuses primarily on the ability and the character fit of the applicants to our corporate culture, and does not discriminate any applicant based on age, gender or race.

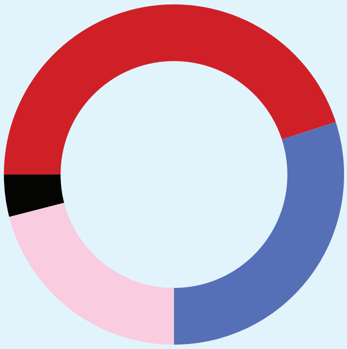
With 1,866 employees working across all our operations as at 31 December 2017, including 85% who are based in Singapore and Malaysia, we are committed to ensuring fair labour practices, diversity and inclusion in our factories and offices.

EMPLOYEE DIVERSITY BY GEOGRAPHY



On gender diversity, given the nature of the work in our industry in which a substantial portion of our work force are deployed in the manufacturing and supply chain operations, the gender balance has a tendency to weigh stronger on the males.

EMPLOYEE DIVERSITY BY EMPLOYMENT TYPE



At the Group level, 46% of our employees are covered by collective bargaining agreements. In Singapore, we are associated with a number of industry associations including the Singapore National Employers Federation; Food, Drinks and Allied Workers Union; and Food Industry Employees' Union. In Malaysia, we are associated with the Malaysian Employers Federation, Federation of Malaysian Manufacturers, MECA Employers Consulting Agency Sdn Bhd and Food Industry Employees' Union. We maintain regular dialogues with these stakeholders to build constructive and harmonious relationships, enable regular feedback and ensure compliance with applicable laws and regulations.

SUSTAINABILITY REPORT

INVESTING IN OUR PEOPLE

We invest in the development of our people through both formal and on-the-job trainings. We ensure that our staff receive training regularly regardless of their role. This year, our production team received training on the safe operation of machines, while the staff in our corporate offices were trained in cyber risk management. In addition, we supported 61 of our staff to seek certification-based training under Singapore Workforce Skills Qualifications ("WSQ"). They have fully completed the training and received the WSQ certificate in Generic Manufacturing Skills awarded by SkillsFuture.

Other than corporate-initiated functional or thematic trainings, staff can also tap on external trainings to customise their training plans and to cater to their individual developmental needs. Together with on-the-job training and coaching, the holistic training and development approach keeps our people up to date with technical developments and skillsets in the market; and allows them to contribute meaningfully to the business.

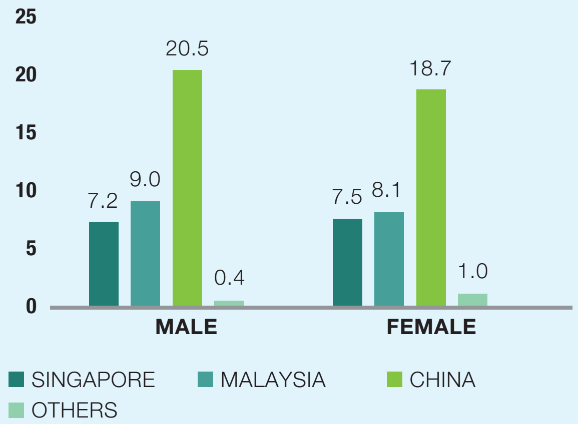
In FY2017, we have provided a total of 16,504 hours of training to all our employees across the regions. We provide similar hours of training to both male and female staff across the geographies.

The executive staff in Singapore and Malaysia receive more classroom training, whereas the non-executive staff receive more on-the-job learning, which is excluded in the training hours reported. All new employees are also required to go through a compulsory safety induction training as part of new hire orientation.

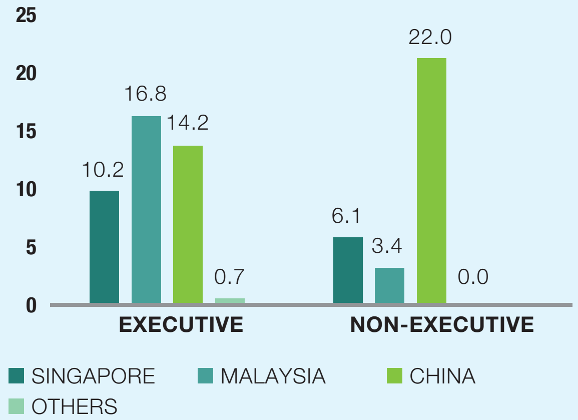
Geographically, we recorded higher overall training hours in China as mandated under local work regulations. The graphs show the breakdown of registered training hours provided by gender, region and employee category.

We also believe in regular feedback as an effective way to ensure continuous improvement. Each employee has a formal performance review and feedback session with their direct superior at least once a year while both managers and staff are encouraged to have regular real time feedback and discussions. For the year ended 31 December 2017, 100% of our staff have completed their performance feedback and discussions.

AVERAGE TRAINING HOURS (BY GENDER)



AVERAGE TRAINING HOURS (BY EMPLOYMENT CATEGORY)



OCCUPATIONAL HEALTH AND SAFETY

Safety risks are inherent in work places and will be relatively higher in manufacturing and supply chain functions where plant and machineries are operated.

While acknowledging the presence of safety risks to our on-duty employees and sub-contracted workers, we enforce robust safety policies and practices to mitigate these risks.

In Singapore, we have been a bizSAFE Level 3 certified company for the past two years and will continue to renew our certification in February 2018. In order to attain bizSAFE Level 3 status, we are required to be assessed and certified by a Ministry of Manpower Approved Workplace Safety and Health auditor on our company's risk management

SUSTAINABILITY REPORT

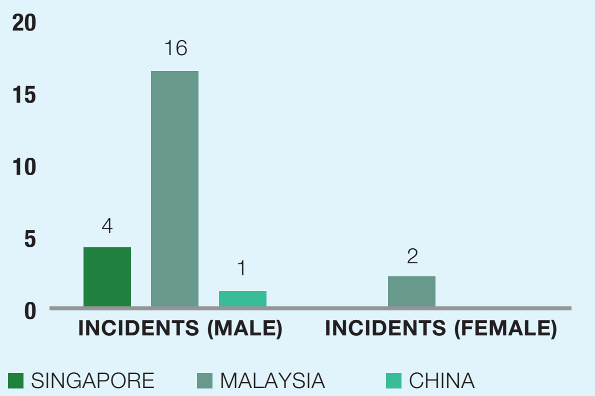
implementation. This is on top of training requirements for the earlier levels. The bizSAFE Level 3 certification was granted to us as a result of our continuous commitment to excellence in work health safety risk management, which assures our customers that we meet their stringent safety requirements as a service provider. In Malaysia, we have received awards from the Malaysia Occupational Safety and Health Practitioner's Association in 2016 and 2017 with regard to Occupational Safety and Health Excellence and Occupational Safety, Health, and Environment Management in the food and beverage manufacturing sector.

In the area of safety, we also do not rest on the laurels of our good safety track records. In the same spirit to seek continuous improvement and development in any other area of our business, we also target to progress to a more integrated and sophisticated system in managing occupational health and safety.

In 2017, we have refreshed YHS's Environment, Health & Safety ("EHS") policy and benchmarked our safety framework with the ISO14001 standard. The refreshed policy, displayed prominently in all our factories and offices, stresses that "all accidents are preventable" and promotes a culture of "zero tolerance to workplace injuries and illnesses". On an annual basis, we will continue to review our EHS policy to seek opportunities to adopt improved industry best practices.

Furthermore, we are also guided by the YHS Global 2-year EHS Management Plan which started in 2017 and sets out to achieve year-on-year improvements in Total Recordable Injury Rate and Lost Time Injury Rate.

ANNUAL INCIDENTS STATISTICS*



* Reportable incidents with more than three days of medical leave

Through various programs that will take place up to end 2018, we will be levelling up our staff's EHS competencies through capability building such as specialised EHS certifications; in-sourcing safety consultancy services to provide more customised EHS solutions for our factories; and establishing safety teams at the country level who will strengthen the safety network and ensure robustness of safety processes and systems.

These programs commenced in the fourth quarter of 2017 for Singapore and Malaysia, and will be subsequently rolled out to the rest of the Group by 2018.

On a day-to-day basis, we ensure strict compliance with our EHS policies across all our geographies by our employees as well as our contractors.

A safety committee represented by various functions has been set up to monitor performance. This committee meets on a monthly basis to discuss any violation.

As part of our efforts to ensuring a safe workplace, a proactive chemical health risk assessment was conducted in all the factories in Malaysia to assess and mitigate exposure to any hazardous chemicals at our factory. This will be rolled out for the Singapore factory in 2018.

For handling fire and emergency risks, we have also established a Certified Emergency Response Team which is equipped with personal protective equipment and undergoes regular training from independent fire consultants. This is complemented by providing first aid boxes to different departments and conducting automated external defibrillator training for appointed first aiders.

Material Topic(s)		Target(s)
Occupational Health and Safety		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	• Zero work-related injuries and illnesses • Organise regular health and wellness activities

SUSTAINABILITY REPORT

CARING FOR OUR CONSUMERS

PRODUCT, HEALTH AND SAFETY

We appreciate the complexities in the food and beverage value chain and the risk of quality mishaps that could potentially occur during the sourcing, manufacturing or delivery of our products.

DELIVERING QUALITY AND SAFE PRODUCTS

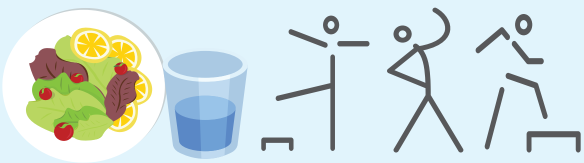
With this in mind, we are committed to ensuring the quality and safety of our products. We also understand changing consumer demands towards healthier options and the potential health issues associated with products with excessive sugar content. As such, health and wellness considerations are included in our product development process.

We were among the pioneers in offering drinks with lower sugar content and are constantly reformulating our products to further lower the sugar level and to increase our offerings in the health and wellness categories.

We work closely with regulators in Singapore and Malaysia to support the nationwide drive and provide feedback on proposed policy changes to encourage healthier consumption.

While the health and wellness agenda may be at different maturity and priority in different countries, we provide our customers the same access to healthier product options in the markets we serve.

HEALTHY LIFESTYLE



In Singapore, YHS has partnered with Health Promotion Board to kick start the “my healthy plate” education talk in schools to educate the children to adopt healthy eating and drinking habits.

200

schools in Malaysia each year

In Malaysia, we conduct outreach programmes in schools to impart to students on the importance of having balanced diets and how to take care of their digestive systems.

In Singapore, since the initiation of the Healthier Choice Symbol (“HCS”) program in 2001, YHS has pro-actively partnered with the Health Promotion Board (“HPB”) to develop products with lower sugar content. Currently, more than 50% of our products in Singapore is accredited with HCS and 99% of our range is below the 12% sugar level.

We are now reformulating to reduce sugar in these products with above 12% sugar level. We, together with six other industry leaders, have committed to a maximum sugar content of 12% for all of our drinks sold in Singapore by the year 2020. YHS is constantly innovating and making breakthroughs in research and development to ensure that lower sugar products still maintain similar levels of tastes so that our consumers continue to have an enjoyable drinking experience.

HCS ACCREDITATION

> 50%

of products is accredited with HCS in Singapore in 2017

SUGAR LEVEL

99%

of our range of products in Singapore is

<12% sugar level

Over the last decade, we have made progress in not just reducing sugar in our beverages, but also increased our marketing efforts to promote the healthier choice beverages.

We have partnered with HPB in Singapore to kick start the “my healthy plate” education talk in schools to educate the children to start healthy eating habits in the early stage and also encourage them to adopt an active lifestyle.

Besides the current product range with HCS, we have also prioritised health benefits in the innovation and development of new products.

SUSTAINABILITY REPORT

In recent years, we have launched a series of healthier choice drinks like Oceanic Drink made with Australian sea salt and real fruit juice, as well as Juscool Drink, a lightly carbonated drink made with assorted real fruit juices.

In Malaysia, the Ministry of Health is also stepping up to emphasise on health and wellness. It launched the Healthier Choice Logo ("HCL") in April 2017 and we were among the first batch of companies to receive HCL certification for Yeo's Green Tea, Chicken Curry and Beef Curry.

HCL ACCREDITATION

STRINGENT CONTROLS ON PROCUREMENT AND MANUFACTURING

We do not compromise on the quality of ingredients that go into our products. We purchase our key ingredients from responsible suppliers who take the necessary precautions in supplying us high quality and safe-for-consumption ingredients. Where possible, we are also keen to support local suppliers by sourcing locally. We purchase our sugar and packaging materials from local companies in Singapore and Malaysia.

On all our purchases, we will conduct batch samplings to ensure that they meet the local regulatory food safety standards.

Across all our factories, stringent quality control is also enforced in the manufacturing process. Over the years, we have continuously improved our processes and held ourselves to the highest standards of food production.

We are a member of the Singapore Food Manufacturers' Association and have voluntarily adopted the best practices as required by the Good Manufacturing Practices ("GMP") certification for the food manufacturing industry. The GMP certification scheme verifies and certifies that the basic manufacturing practices and prerequisites necessary for the implementation of an effective Hazard Analysis and Critical Control Points ("HACCP") food safety program are being followed. We undertake the HACCP certification on an annual basis.

Separately, we also provide the necessary training and enforce quality control to maintain the Halal certifications in all our factories. There are different Halal certification agencies and authorities in different countries and it is important to meet their specific requirements and understand the acceptance of these certifications in different markets.

In 2015, we reached a milestone in our food safety journey when the Agri-food and Veterinary Authority of Singapore ("AVA") awarded us the AVA Food Safety Excellence Platinum Award for achieving 20 consecutive years of 'A' grades. This is the highest award that AVA confers to food companies for achieving consistently high standards of food safety. We have continued to receive Certificates of Commendation for our 21st and 22nd consecutive years of 'A' grades achieved in 2016 and 2017 respectively.

ACCREDITATIONS

- HACCP
- Halal Certification
- AVA Food Excellence Platinum
- AVA Certificate of Commendation

With our constant focus on product quality and safety, the Group has zero product recall in 2017.

PRODUCT RECALL

0%
product recalls
in the Group for 2017

Material Topic(s)		Target(s)
Product Quality and Safety		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Zero incident of product trade recall due to safety issues for YHS's manufactured products

SUSTAINABILITY REPORT

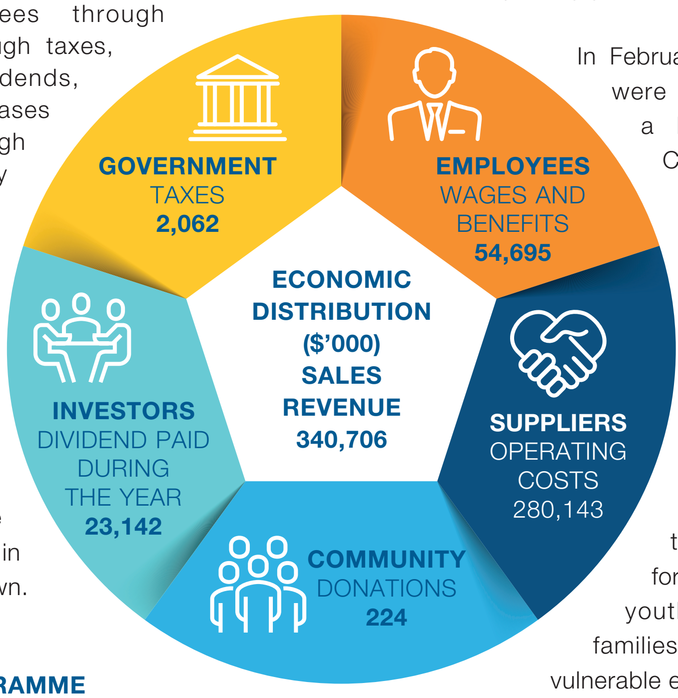
LEADING OUR MARKETPLACE

ECONOMIC PERFORMANCE

With the economic value created and distributed by our business, we impact a number of stakeholders including our employees through wages, government through taxes, investors through dividends, suppliers through purchases and communities through corporate responsibility initiatives.

We strive to improve our economic performance and play a larger role in the development and well-being of our stakeholders.

Our economic value generated and distributed in 2017 (in S$'000) is as shown.



CORPORATE SOCIAL RESPONSIBILITY PROGRAMME

A share of our economic value generated is distributed to the communities that we operate in. YHS has been actively involved in corporate social responsibility ("CSR") efforts since its inception.

We encourage all our employees to participate in at least one of the CSR events organised by or supported by the Group every year.

In February 2017 in Singapore, we were delighted to be named a Platinum partner to the Community Chest Charity in the Park 2017, jointly organised by Community Chest and Resorts World Sentosa.

The event aimed to provide inclusivity in our local community. We donated 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.

Two hundred of our staff volunteered in the event where we distributed more than 4,000 bottles of our Juscool range of products to the participants. In January 2018, we participated in the same event with the same enthusiasm.

$200,000
cash donated

VOLUNTEERS

>500
hours spent by staff as volunteers in Community Chest Charity in the Park 2017

>4,000
bottles of our Juscool range of products donated

SUSTAINABILITY REPORT

In Malaysia, we also run various CSR programmes. Since 2009, we have been supporting World Vision in helping children and families in six different countries overcome poverty by improving access to healthcare, nutritious food, clean water, food security and economic opportunity.

Since 2010, we also launched a school outreach programme to share with students in 200 schools each year the importance of having balanced diets, and taught them how to take care of their digestive system.

Since 2014, we have been running a Ramadan Fasting Camp in which we encourage our staff to experience one day of fasting in solidarity with our Muslim brothers and sisters. On the same day, we also visit orphanages, help to clean and decorate the home in preparation for Hari Raya festival, and spend time with the children who live in the home.

We are proud to say that CSR programmes have continued to be a key element of our business efforts in Malaysia, and our staff all look forward to these events every year. In 2017 alone, our staff spent more than 400 hours volunteering in these 3 events.

VOLUNTEERS

>400

hours spent by staff as volunteers in community activities in Malaysia

We will continue to do our part for the communities we operate in and serve, and will explore new and exciting ways to benefit the community in the next few years.

For our economic performance for FY2017, please refer to the Financial Statements in our Annual Report.

Material Topic(s)		Target(s)
Economic Performance		
201-1	Direct economic value generated and distributed	Commit 1,000 hours per year to volunteerism, advocacy, education and community campaigns

SUSTAINABILITY REPORT

CORPORATE GOVERNANCE

In order for a business to operate as a responsible corporate entity with a focus on sustainability, its corporate governance and control environment needs to be strong. YHS has been disclosing our corporate governance efforts in our Report on Corporate Governance for more than 10 years and continuously seek to improve transparency and robustness of our governance and controls.

OUR APPROACH

In line with our core value of Integrity, we have a zero tolerance policy for corruption and fraud. This policy applies not only to corrupt business practices, but also extends to fraudulent financial reporting, and henceforth, sustainability reporting as well.

The Group has in place a sound system of risk management and internal controls to safeguard the shareholders' interests and the Group's assets. The Board maintains the primary responsibility for the governance of risk, while the Audit & Risk Committee oversees and ensures that such systems have been appropriately designed, implemented and closely monitored for its adequacy and effectiveness.

The Group 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.

We were placed in the top 15% of the Singapore Governance & Transparency Index ("SGTI") 2017. The SGTI – a collaboration between CPA Australia; NUS Business School's Centre for Governance, Institutions and Organisations; and Singapore Institute of Directors – is the leading index for assessing corporate governance practices of Singapore-listed companies.

For more information on the Group's corporate governance framework and policies, please refer to the Report on Corporate Governance included in the FY2017 Annual Report.

SUSTAINABILITY REPORT

SUSTAINABILITY TARGETS

Material Topic(s)		Target(s)
Water Management		
303-1	Water withdrawal by source	Reduce by 20% from water recovery and recycling programs by 2020 in Singapore, and an additional 10% when these programs are fully operationalised
303-3	Water recycled and reused	Recycle at least 50% of collected wastewater generated by 2020 in Singapore
Effluents and Waste		
306-2	Water by type and disposal method	Develop a framework for measuring the types of waste generated from our operations to progressively cover all factories in the Group by 2020
Occupational Health and Safety		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	• Zero work-related injuries and illnesses • Organise regular health and wellness activities
Product Quality and Safety		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Zero incident of product trade recall due to safety issues for YHS's manufactured products
Economic Performance		
201-1	Direct economic value generated and distributed	Commit 1,000 hours per year to volunteerism, advocacy, education and community campaigns

Non-material Topic(s)		Target(s)
Training and Education		
404-1	Average hours of training per year per employee	• Assess individual training needs of employees and develop training plan for FY2018 • Identify talent and support their development through specialised training programs in FY2018 • Provide funding for employees to undertake relevant external training courses
404-3	Percentage of employees receiving regular performance and career development reviews	• Integrate individual performance reviews with the organisation requirements

SUSTAINABILITY REPORT

GRI CONTENT INDEX

Disclosure Number		Reference
General disclosures		
102-1	Name of the organization	Yeo Hiap Seng Limited
102-2	Activities, brands, products, and services	FS Note 1 – General information FS Note 34 – Segment information FS Note 38 – Listing of significant companies in the Group
102-3	Location of headquarters	3 Senoko Way, Singapore 758057
102-4	Location of operations	FS Note 1 – General information FS Note 34 – Segment information FS Note 38 – Listing of significant companies in the Group
102-5	Ownership and legal form	AR – Corporate Information, Statistics of Shareholdings FS Note 1 – General information FS Note 32 – Immediate and ultimate holding company
102-6	Markets served	AR – Financial Highlights FS Note 34 – Segment information
102-7	Scale of the organization	FS Note 31 – Financial risk management, Capital risk FS Note 34 – Segment information FS Note 38 – Listing of significant companies in the Group
102-8	Information on staff and other workers	SR – Caring for our people
102-9	Supply chain	SR – Caring for our consumers
102-10	Significant changes to the organization and its supply chain	No significant changes
102-11	Precautionary principle or approach	SR – Protecting our environment
102-12	External initiatives	SR – Protecting our environment, Caring for our people, Caring for our consumers, Leading our marketplace
102-13	Membership of associations	SR – Caring for our people, Caring for our consumers
102-14	Statement from senior decision-maker	AR – Chairman’s Statement
102-16	Values, principles, standards, and norms of behaviour	SR – Building a sustainable future

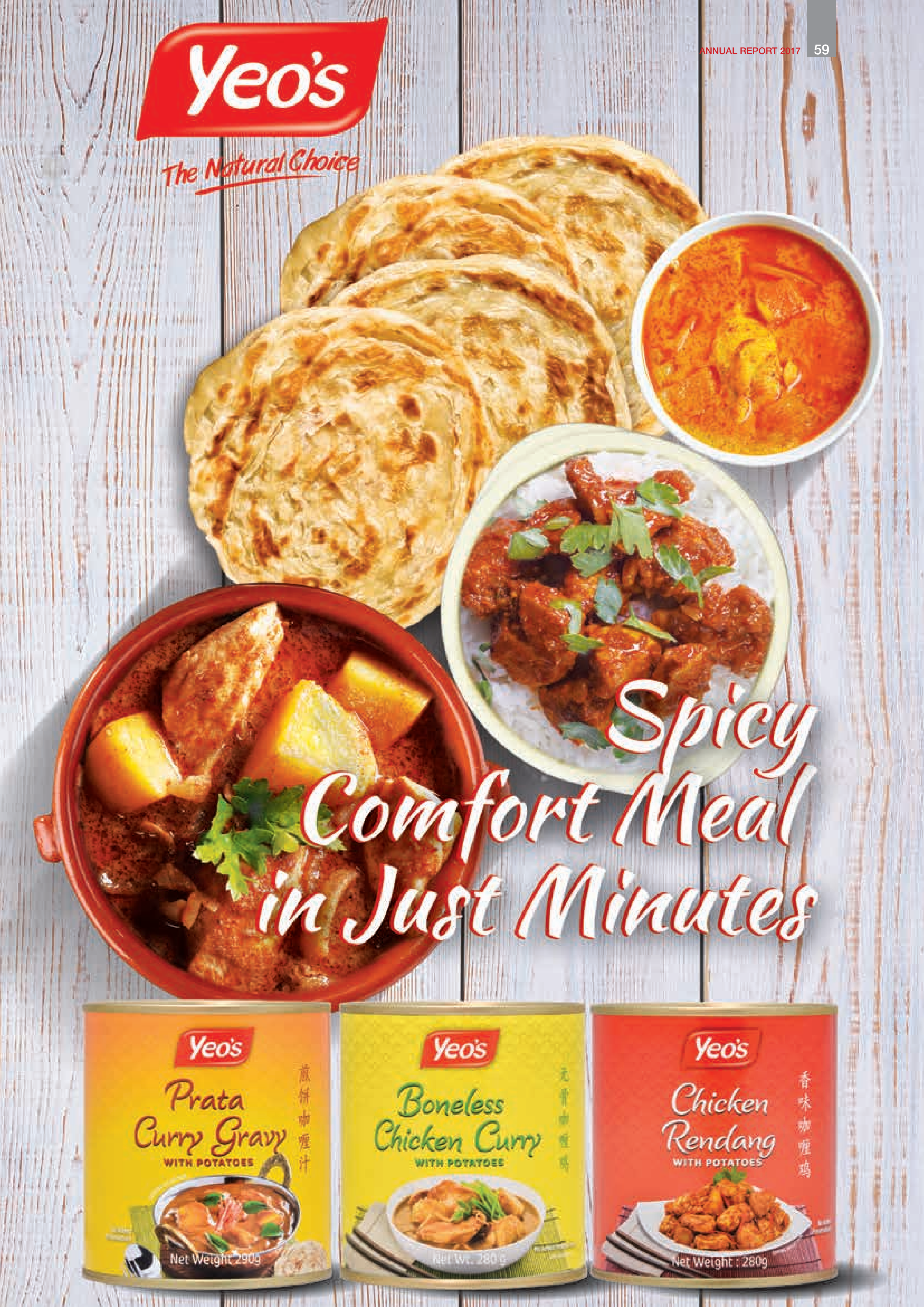
SUSTAINABILITY REPORT

Disclosure Number		Reference
General disclosures		
102-18	Governance structure	SR – Building a sustainable future
102-40	List of stakeholder groups	SR – Building a sustainable future
102-41	Collective bargaining agreements	SR – Caring for our people
102-42	Identifying and selecting stakeholders	SR – Building a sustainable future
102-43	Approach to stakeholder engagement	SR – Building a sustainable future
102-44	Key topics and concerns raised	SR – Building a sustainable future
102-45	Entities included in the consolidated financial statements	FS Note 38 – Listing of significant companies in the Group
102-46	Defining report content and topic boundaries	SR – Building a sustainable future
102-47	List of material topics	SR – Our materiality topics
102-48	Restatements of information	N/A (inaugural report)
102-49	Changes in reporting	N/A (inaugural report)
102-50	Reporting period	Financial year ended 31 December 2017
102-51	Date of most recent report	N/A (inaugural report)
102-52	Reporting cycle	Annually
102-53	Contact point for questions regarding the report	sustainability@yeos.com
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in reference to the GRI Standards
102-55	GRI content index	As presented
102-56	External assurance	No assurance obtained

SUSTAINABILITY REPORT

Specific Standard Disclosures		
Water		
103-1/2/3	Management approach	SR – Protecting our environment
303-1	Water withdrawal by source	SR – Protecting our environment
303-3	Water recycled and reused	SR – Protecting our environment
Effluents and waste		
103-1/2/3	Management approach	SR – Protecting our environment
306-2	Waste by type and disposal method	SR – Protecting our environment
Occupational health and safety		
103-1/2/3	Management approach	SR – Caring for our people
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	SR – Caring for our people
Training and education		
404-1	Average hours of training per year per staff	SR – Caring for our people
404-3	Percentage of staff receiving regular performance and career development reviews	SR – Caring for our people
Customer health and safety		
103-1/2/3	Management approach	SR – Caring for our consumers
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	SR – Caring for our consumers
Economic Performance		
103-1/2/3	Management approach	SR – Leading our marketplace
201-1	Direct economic value generated and distributed	SR – Leading our marketplace

AR: Annual Report 2017
FS: Financial Statements 2017
SR: Sustainability Report 2017


Yeo's
The Natural Choice
Spicy Comfort Meal in Just Minutes
Yeo's
Prata Curry Gravy
WITH POTATOES
煎饼咖喱汁
Net Weight 290g
Yeo's
Boneless Chicken Curry
WITH POTATOES
无骨咖喱鸡
Net Wt. 280 g
Yeo's
Chicken Rendang
WITH POTATOES
香味咖喱鸡
Net Weight : 280g

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the balance sheet of the Company as at 31 December 2017.

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 71 to 148 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 2017 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
Chin Yoke Choong
Tan Chin Nam
Dato' Mohamed Nizam bin Abdul Razak
Dato' N. Sadasivan a/l N.N. Pillay
Luo Dan
Fong Chun Man Kenneth (Appointed on 1 July 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' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 31.12.2017	At 1.1.2017
Yeo Hiap Seng Limited		
(Number of ordinary shares)		
Melvin Teo Tzai Win	1,106,346	367,811

(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 31.12.2017	At 1.1.2017
Melvin Teo Tzai Win	207,857	946,392

(c) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2018 were the same as those as at 31 December 2017.

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 Dr. Tan Chin Nam, Mr. S. Chandra Das and Ms. Luo Dan.

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Share incentive plan (continued)

YHS Share Incentive Plan (continued)

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.

Grants of awards were made pursuant to the Plan in 2017. 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	**2017**	2016
Beginning of financial year	**2,311,395**	2,353,355
Granted during the year	**–**	1,772,571
Shares issued during the year	**(1,690,869)**	(1,814,531)
Forfeited during the year	**(95,001)**	–
End of financial year	**525,525**	2,311,395
Weighted average fair value per award based on market price per share at grant date	**$1.32**	$1.50
Weighted average remaining contractual life (days)	**161**	254

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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
Dato' Mohamed Nizam bin Abdul Razak

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 2017 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.

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Independent auditors

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

On behalf of the directors

MELVIN TEO TZAI WIN	KOH BOON HWEE
Director	Director

23 February 2018

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 2017, 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 71 to 148.

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 ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the 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 2.5 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 $54.1 million, which represents 7.3% of the Group's total assets as at 31 December 2017. The net fair value gains on investment properties amounted to $9.9 million for the year ended 31 December 2017.

The Group engaged external valuers to value its properties located in Malaysia, 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.

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 professional bodies for valuers. The valuation methodologies used are in line with generally accepted market practices and the key assumptions used are within the range of market data. The disclosures in the financial statements are appropriate.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YEO HIAP SENG LIMITED

Valuation of Inventories

Refer to note 2.18 and note 13 to the financial statements

The key audit matter

Inventories represent 7.2% of the Group's total assets as at 31 December 2017. Cost of inventories may not be recoverable if those inventories are damaged, expired or obsolete; or if their selling prices have declined significantly such that net realisable value is below their carrying amount.

The write-down of inventories to net realisable value is based on the age of these inventories, prevailing market conditions in the consumer food and beverage industry and historical provisioning experience which require management judgement.

How the matter was addressed in our audit

We assessed management's basis of write-down and performed the following audit procedures, amongst others:

- Tested the amount of obsolete or expired finished goods recorded to actual write-off incurred in the past;
- Assessed whether the inventory write-down made at reporting date was consistent with the Group's provisioning policy;
- Tested the inventory ageing reports which age the products by expiration date;
- Tested the process which determines the date of expiration for the finished goods produced;
- Checked the adequacy of the write-down made according to the finished goods' expiry dates; and
- Tested the net realisable value of finished goods by comparing the costs to selling prices after the year-end or to the latest selling price available.

Our findings:

We found the carrying amount and write-down of inventories to be reasonable.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon. We have obtained all other information prior to the date of this auditors' report except for the Statistics 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 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YEO HIAP SENG LIMITED

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF YEO HIAP SENG LIMITED

- 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 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
23 February 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Revenue	4	**340,706**	410,032
Cost of sales		**(231,625)**	(254,454)
Gross profit		**109,081**	155,578
Other income	5	**5,332**	5,486
Other gains and losses	6		
– Other gains		**162,089**	15,989
– Other losses		**(2,924)**	(54)
Expenses			
– Marketing and distribution		**(86,076)**	(108,867)
– Administrative		**(32,632)**	(33,060)
Share of profit of associated companies and a joint venture		**363**	503
Profit before income tax		**155,233**	35,575
Income tax expense	9	**(1,488)**	(6,613)
Net profit attributable to equity holders of the Company		**153,745**	28,962
Other comprehensive (losses)/income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value gains		**2,604**	57,293
– Reclassification	6	**(138,350)**	–
Cash flow hedges			
– Fair value (losses)/gains		**(826)**	93
– Reclassification		**220**	173
Currency translation differences arising from consolidation			
– (Losses)/Gains		**(10,176)**	2,924
– Reclassification		**(7,721)**	–
		(154,249)	60,483
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit plans	25	**(71)**	–
Other comprehensive (losses)/income, net of tax	9	**(154,320)**	60,483
Total comprehensive (losses)/income attributable to equity holders of the Company		**(575)**	89,445
Earnings per share attributable to equity holders of the Company (expressed in cents per share)			
– Basic	10	**26.57**	5.02
– Diluted	10	**26.51**	5.01

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

BALANCE SHEETS
AS AT 31 DECEMBER 2017

	Note	The Group		The Company	
		2017	2016	**2017**	2016
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**294,843**	92,224	**21,517**	23,654
Trade and other receivables	12	**75,266**	79,712	**94,257**	99,354
Inventories	13	**53,457**	58,006	**–**	–
Current income tax recoverable	9	**1,952**	1,197	**–**	–
Other financial assets	14	**–**	166,670	**–**	–
Non-current assets classified as held-for-sale	15	**1,038**	–	**–**	–
		426,556	397,809	**115,774**	123,008
Non-current assets					
Other financial assets	14	**9,494**	100	**9,239**	100
Loans to subsidiaries	16	**–**	–	**14,052**	22,563
Investments in associated companies	17	**4,977**	5,502	**–**	–
Investment in a joint venture	18	**746**	–*	**–**	–
Investments in subsidiaries	19	**–**	–	**317,758**	442,875
Investment properties	20	**54,081**	128,986	**69,000**	69,000
Property, plant and equipment	21	**245,442**	242,835	**3,084**	3,029
Intangible assets	22	**–**	–	**–**	–
Deferred income tax assets	23	**1,122**	1,628	**–**	–
		315,862	379,051	**413,133**	537,567
Total assets		**742,418**	776,860	**528,907**	660,575
LIABILITIES					
Current liabilities					
Trade and other payables	24	**71,036**	79,650	**47,718**	161,022
Current income tax liabilities	9	**1,021**	1,895	**137**	37
		72,057	81,545	**47,855**	161,059
Non-current liabilities					
Provisions for other liabilities and charges	25	**2,561**	2,399	**–**	–
Deferred income tax liabilities	23	**11,307**	13,561	**696**	395
Other non-current liabilities		**–**	37	**–**	–
		13,868	15,997	**696**	395
Total liabilities		**85,925**	97,542	**48,551**	161,454
NET ASSETS		**656,493**	679,318	**480,356**	499,121
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	26	**227,563**	224,916	**227,563**	224,916
Capital reserve	27	**6,066**	6,066	**–**	–
Other reserves	28	**(100,926)**	67,773	**558**	2,313
Retained profits		**523,790**	380,563	**252,235**	271,892
Total equity		**656,493**	679,318	**480,356**	499,121

*: 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 2017

	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
2017											
Beginning of financial year		**224,916**	**6,066**	**18,857**	**135,746**	**(51,629)**	**(37,780)**	**2,313**	**266**	**380,563**	**679,318**
Profit for the year		–	–	–	–	–	–	–	–	153,745	153,745
Other comprehensive losses for the year		–	–	–	(135,746)	(17,897)	–	–	(606)	(71)	(154,320)
Transfer to retained profits on realisation		–	–	(12,160)	–	–	(1,019)	–	–	13,179	–
Total comprehensive losses for the year		**–**	**–**	**(12,160)**	**(135,746)**	**(17,897)**	**(1,019)**	**–**	**(606)**	**166,853**	**(575)**
Employee share-based compensation scheme											
– Value of employee services		–	–	–	–	–	–	892	–	–	892
– Issue of new shares	26	2,647	–	–	–	–	–	(2,647)	–	–	–
Dividends paid	29	–	–	–	–	–	–	–	–	(23,142)	(23,142)
Disposal of a subsidiary	11	–	–	–	–	–	484	–	–	(484)	–
Total transactions with owners, recognised directly in equity		**2,647**	**–**	**–**	**–**	**–**	**484**	**(1,755)**	**–**	**(23,626)**	**(22,250)**
End of financial year		**227,563**	**6,066**	**6,697**	**–**	**(69,526)**	**(38,315)**	**558**	**(340)**	**523,790**	**656,493**

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 CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	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
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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	The Group	
	2017	2016
	$'000	$'000
Cash flows from operating activities		
Net profit	**153,745**	28,962
Adjustments for:		
– Income tax expense	**1,488**	6,613
– Depreciation of property, plant and equipment	**14,162**	13,160
– Dividend income from available-for-sale financial assets	**–**	(2,865)
– Share-based payment expense	**892**	3,149
– Unrealised currency translation differences	**(280)**	2,105
– Property, plant and equipment written-off	**56**	36
– Fair value gains on investment properties – net	**(9,895)**	(14,811)
– Gain on disposal of property, plant and equipment	**(13)**	(405)
– Investment property written-off	**–**	13
– Gain on disposal of an investment property	**(125)**	–
– (Write-back of impairment)/Impairment loss on available-for-sale financial assets	**(25)**	5
– Fair value gains on available-for-sale financial assets reclassified from other comprehensive income on disposal	**(138,350)**	–
– Fair value losses on financial assets designated as fair value through profit or loss at initial recognition	**867**	–
– Gain on disposal and liquidation of subsidiaries – net	**(13,332)**	–
– Interest income	**(1,875)**	(487)
– Provision for retirement benefits	**147**	294
– Share of profit of associated companies and a joint venture	**(363)**	(503)
	7,099	35,266
Change in working capital:		
– Trade and other receivables	**5,912**	(2,669)
– Inventories	**4,439**	10,348
– Trade and other payables	**(8,401)**	(3,314)
Cash generated from operations	**9,049**	39,631
Income tax paid	**(2,500)**	(2,514)
Retirement benefits paid	**(95)**	(71)
Net cash provided by operating activities	**6,454**	37,046

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	The Group 2017 $'000	The Group 2016 $'000
Cash flows from investing activities			
Dividends received from available-for-sale financial assets		**–**	2,865
Additions to investment in a joint venture		**(791)**	–*
Proceeds from disposal of property, plant and equipment		**30**	1,055
Proceeds from disposal of an investment property		**3,399**	–
Proceeds from disposal of available-for-sale financial assets		**169,274**	–
Proceeds from disposal of subsidiaries, net of cash disposed of		**78,538**	–
Purchases of property, plant and equipment		**(21,366)**	(44,782)
Deposits paid for property, plant and equipment		**–**	(5,303)
Additions to available-for-sale financial assets		**(20)**	–
Additions to financial assets, at fair value through profit or loss		**(10,216)**	–
Interest received		**1,875**	487
Net cash provided by/(used in) investing activities		**220,723**	(45,678)
Cash flows from financing activity			
Dividends paid		**(23,142)**	(11,520)
Net cash used in financing activity		**(23,142)**	(11,520)
Net increase/(decrease) in cash and cash equivalents		**204,035**	(20,152)
Cash and cash equivalents at beginning of financial year		**92,224**	112,121
Effects of currency translation on cash and cash equivalents		**(1,416)**	255
Cash and cash equivalents at end of financial year	11	**294,843**	92,224

*: Amount is less than $1,000.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 38.

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 2017

On 1 January 2017, 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.

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, beverage and other 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(b) Rendering of services – warehousing and logistics services

Revenue from warehousing and logistics services is recognised when the services are rendered.

(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.

2.3 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date 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 unless the transaction provides evidence of 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.

As at 31 December 2017 and 31 December 2016, there is no non-controlling interests in the subsidiaries of the Group.

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(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 at the acquisition date.

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.

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 2.6 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 2.7 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(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.

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

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(c) *Associated companies and joint ventures* (continued)

(ii) *Equity method of accounting* (continued)

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.

Please refer to Note 2.7 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 are 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(a) *Measurement* (continued)

(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 2.8 for the accounting policy on borrowing costs.

(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 and losses”.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

2.5 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.

2.6 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 net 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 represents 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.

2.7 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

2.8 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.

2.9 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.

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.

2. Significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

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

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.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables, financial assets at fair value through profit or loss 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) Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance are evaluated on a fair value basis in accordance with the Group's investment strategy. They are presented as non-current assets unless management expects to realise the assets within 12 months after the balance sheet date.

(iii) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(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 except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) *Subsequent measurement*

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

Interest and dividend income on available-for-sale financial assets and financial assets at fair value through profit or loss, and changes in fair values of financial assets at fair value through profit or loss 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(e) Impairment (continued)

(i) Loans and receivables (continued)

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 2.10(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.

2.11 Non-current assets classified as held-for-sale

Non-current assets are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

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.

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. Significant accounting policies (continued)

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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

2.17 Leases (continued)

(b) *Operating leases* (continued)

(ii) *When the Group is the lessor*

Leases of investment properties and other assets 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.

2.19 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

2. Significant accounting policies (continued)

2.19 Income taxes (continued)

(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.

2.21 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 labour laws or collective bargaining agreements.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

2.21 Employee compensation (continued)

(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 options are exercised or 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.

(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 accrue 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. Significant accounting policies (continued)

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.

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 and losses".

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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting used by the Chief Executive Officer to make strategic decisions, allocate resources and assess performance.

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, other assumptions and the carrying amounts at the reporting dates are disclosed in Note 20.

Valuation of inventories

The Group carries out periodic reviews on inventory obsolescence and any decline in the net realisable value below cost will be recorded against inventory balance. Management considers future demand, expected selling prices and ageing analysis of the inventories as part of its inventory obsolescence assessment process to arrive at their best estimate of the net realisable value of inventories. Such evaluation process requires significant judgment and may affect the carrying amount of inventories at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. Revenue

	The Group	
	2017	2016
	$'000	$'000
Sale of consumer food and beverage products	**332,448**	407,152
Sale of other products	**4,244**	–
Fees from warehousing and logistics services	**3,999**	–
Dividend income from available-for-sale financial assets	**–**	2,865
Royalty fees	**15**	15
	340,706	410,032

5. Other income

	The Group	
	2017	2016
	$'000	$'000
Interest income	**1,875**	487
Rental income	**3,457**	4,999
	5,332	5,486

6. Other gains and losses

	Note	The Group	
		2017	2016
		$'000	$'000
Other gains			
Fair value gains on available-for-sale financial assets reclassified from other comprehensive income on disposal	28(b)(ii)	**138,350**	–
Gain on liquidation of subsidiaries – net	28(b)(iii)	**5,371**	–
Gain on disposal of subsidiaries	11	**7,961**	–
Fair value gains on investment properties – net	20	**9,895**	14,811
Gain on disposal of property, plant and equipment		**13**	405
Currency translation gain – net		**–**	289
Gain on disposal of an investment property		**125**	–
Write-back of impairment on available-for-sale financial assets		**25**	–
Other miscellaneous income		**349**	484
		162,089	15,989
Other losses			
Fair value losses on financial assets designated as fair value through profit or loss at initial recognition		**(867)**	–
Currency translation loss – net		**(2,001)**	–
Investment property written-off	20	**–**	(13)
Property, plant and equipment written-off		**(56)**	(36)
Impairment loss on available-for-sale financial assets		**–**	(5)
		(2,924)	(54)
		159,165	15,935

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7. Expenses by nature

	Note	The Group	
		2017	2016
		$'000	$'000
Fees on audit services paid/payable to			
– Auditors of the Company		**297**	273
– Other auditors*		**348**	357
Fees on non-audit services paid/payable to			
– Auditors of the Company		**7**	74
– Other auditors*		**13**	13
Depreciation of property, plant and equipment	21	**14,162**	13,160
Write-down of inventories – net	13	**3,060**	2,904
Impairment of trade receivables	31(b)(ii)	**23**	44
Employee compensation	8	**54,695**	64,162
Cost of raw materials and trading goods recognised as expenses (included in cost of sales)		**182,945**	203,563
Advertising and promotion expenses		**22,176**	33,814
Transportation expense		**15,948**	21,362
Rental expense on operating leases		**5,916**	7,091
Utilities expense		**11,300**	13,074
Repairs and maintenance expenses		**7,546**	10,591

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

8. Employee compensation

	Note	The Group	
		2017	2016
		$'000	$'000
Wages and salaries		**44,425**	50,310
Employer's contribution to defined contribution plans including Central Provident Fund		**4,543**	4,967
Share-based payment expense	28(b)(v)	**892**	3,149
Retirement benefits costs	25	**147**	294
Other short-term employee benefits		**4,688**	5,442
		54,695	64,162

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. Income taxes

(a) Income tax expense

	The Group	
	2017	2016
	$'000	$'000
Tax expense attributable to profit is made up of:		
Current income tax		
– Singapore	**(240)**	1,415
– Foreign	**1,058**	2,256
	818	3,671
Deferred income tax	**247**	3,337
	1,065	7,008
Under/(Over) provision in prior financial years		
– Current income tax	**135**	(482)
– Deferred income tax	**288**	87
	1,488	6,613

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	
	2017	2016
	$'000	$'000
Profit before income tax	**155,233**	35,575
Share of profit of associated companies and a joint venture, net of tax	**(363)**	(503)
Profit before income tax and share of profit of associated companies and a joint venture	**154,870**	35,072
Tax calculated at tax rate of 17% (2016: 17%)	**26,328**	5,962
Effects of:		
– Change in foreign tax rate	**(523)**	–
– Different tax rates in other countries	**1,310**	1,501
– Income not subject to tax	**(28,421)**	(2,884)
– Expenses not deductible for tax purposes	**1,947**	2,117
– Tax incentives	**(168)**	(280)
– Utilisation of previously unrecognised tax benefits	**(119)**	(210)
– Deferred income tax assets not recognised/derecognised	**711**	802
– Under/(Over) provision in prior financial years – net	**423**	(395)
Tax charge	**1,488**	6,613

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. **Income taxes** (continued)

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

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**698**	16	**37**	179
Currency translation differences	**(40)**	7	**–**	–
Income tax paid	**(2,500)**	(2,514)	**(76)**	(174)
Tax expense	**818**	3,671	**182**	26
Disposal of subsidiaries	**(42)**	–	**–**	–
Under/(Over) provision in prior financial years	**135**	(482)	**(6)**	6
End of financial year	**(931)**	698	**137**	37
Representing:				
Current income tax recoverable	**(1,952)**	(1,197)	**–**	–
Current income tax liabilities	**1,021**	1,895	**137**	37
	(931)	698	**137**	37

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

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

		2017			2016	
	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	**2,604**	**–**	**2,604**	57,293	–	57,293
– Reclassification	**(138,350)**	**–**	**(138,350)**	–	–	–
Cash flow hedges						
– Fair value (losses)/gains	**(1,027)**	**201**	**(826)**	120	(27)	93
– Reclassification	**280**	**(60)**	**220**	201	(28)	173
Currency translation differences arising from consolidation						
– (Losses)/Gains	**(10,176)**	**–**	**(10,176)**	2,924	–	2,924
– Reclassification	**(7,721)**	**–**	**(7,721)**	–	–	–
Remeasurements of defined benefit plans	**(71)**	**–**	**(71)**	–	–	–
Other comprehensive (losses)/income	**(154,461)**	**141**	**(154,320)**	60,538	(55)	60,483

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. 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	
	2017	2016
Net profit attributable to equity holders of the Company ($'000)	**153,745**	28,962
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**578,661**	576,936
Basic earnings per share (cents per share)	**26.57**	5.02

(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.

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 2017, 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	
	2017	2016
Net profit attributable to equity holders of the Company ($'000)	**153,745**	28,962
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**578,661**	576,936
Adjustment for share awards ('000)	**1,213**	1,623
	579,874	578,559
Diluted earnings per share (cents per share)	**26.51**	5.01

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. Cash and cash equivalents

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**49,398**	58,701	**5,008**	5,368
Fixed deposits with financial institutions	**245,445**	33,523	**16,509**	18,286
	294,843	92,224	**21,517**	23,654

Disposal of subsidiaries

In 2017, the Group disposed of its entire interests in Yeo Hiap Seng (Shanghai) Co., Ltd and Ranko Way Limited for a total cash consideration of $79,090,000. The effects of the disposals on the cash flows of the Group were:

	The Group
	2017
	$'000
Carrying amounts of assets and liabilities disposed of	
Cash and cash equivalents	**552**
Trade and other receivables	**30**
Investment properties	**75,877**
Property, plant and equipment	**3**
Total assets	**76,462**
Trade and other payables	**(800)**
Current income tax liabilities	**(42)**
Deferred income tax liabilities	**(2,141)**
Total liabilities	**(2,983)**
Net assets disposed of	**73,479**

The aggregate cash inflows arising from the disposal of these subsidiaries were:

	The Group
	2017
	$'000
Net assets disposed of (as above)	**73,479**
Reclassification of currency translation reserve	**(2,350)**
	71,129
Gain on disposals	**7,961**
Cash proceeds from disposals	**79,090**
Less: Cash and cash equivalents in subsidiaries disposed of	**(552)**
Net cash inflow on disposals	**78,538**
Reclassification of general reserve to retained profits on disposal of a subsidiary	**484**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. Trade and other receivables

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade receivables				
– Non-related parties	**64,636**	64,960	**–**	–
– Related parties	**19**	30	**–**	–
	64,655	64,990	**–**	–
Less: Allowance for impairment of trade receivables				
– Non-related parties	**(186)**	(476)	**–**	–
Trade receivables – net	**64,469**	64,514	**–**	–
Other receivables				
– Non-related parties	**7,340**	7,107	**689**	94
– Subsidiaries	**–**	–	**94,731**	100,359
– Associated companies	**6,457**	6,457	**6,457**	6,457
– A related party	**38**	38	**38**	38
	13,835	13,602	**101,915**	106,948
Less: Allowance for impairment of other receivables				
– Subsidiaries	**–**	–	**(1,289)**	(1,287)
– Associated companies	**(6,457)**	(6,457)	**(6,457)**	(6,457)
Other receivables – net	**7,378**	7,145	**94,169**	99,204
Staff loans	**18**	154	**–**	–
Deposits	**1,312**	1,392	**70**	70
Prepayments	**2,089**	6,507	**18**	80
	75,266	79,712	**94,257**	99,354

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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. Inventories

	The Group	
	2017	2016
	$'000	$'000
Raw materials	**18,864**	15,881
Work-in-progress	**1,326**	926
Finished/Trading goods	**33,267**	41,199
	53,457	58,006

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $228,681,000 (2016: $254,454,000).

During the financial year, the Group wrote down inventories of $3,060,000 (2016: $2,904,000).

14. Other financial assets

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Current				
Available-for-sale financial assets	**–**	166,670	**–**	–
Non-current				
Available-for-sale financial assets	**145**	100	**145**	100
Financial assets designated at fair value through profit or loss	**9,349**	–	**9,094**	–
	9,494	100	**9,239**	100

Other financial assets are analysed as follows:

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Listed equity securities – Singapore	**255**	166,670	**–**	–
Listed equity securities – Hong Kong	**9,094**	–	**9,094**	–
Unlisted investments	**145**	100	**145**	100
	9,494	166,770	**9,239**	100

As at 31 December 2016, $166,670,000 of the Group's available-for-sale financial assets was reclassified to current assets and held for sale as this represented the investments in the ordinary shares of Super Group Ltd ("SGL") which the Group expected to realise within twelve months after the balance sheet date as it had undertaken to accept a voluntary conditional general offer from Sapphire Investments B.V. in respect of all the 130,211,296 SGL shares held by the Group. The sale of SGL shares was completed in 2017, the cash consideration of $169,274,000 was received in March 2017 and the Group recognised a gain of $138,350,000 in respect of the disposal.

15. Non-current assets classified as held-for-sale

In 2017, the Group has entered into agreements to sell two investment properties in Malaysia. Accordingly, these properties are reclassified from investment properties to non-current assets classified as held-for-sale. These transactions are expected to be completed in 2018.

In accordance with FRS 105, these investment properties classified as held-for-sale are carried at their carrying amounts prior to reclassifications, which is the lower of carrying amount and fair value less costs to sell. The carrying amounts of these investment properties are measured at fair value based on Level 3 valuation techniques, namely depreciated replacement cost method and adjusted sales comparison method.

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. Loans to subsidiaries are unsecured, interest-free, repayable on demand but are not expected to be repaid within the next twelve months.

	The Company	
	2017	2016
	$'000	$'000
Loans to subsidiaries	**14,960**	25,336
Less: Allowance for impairment	**(908)**	(2,773)
	14,052	22,563

Movements in allowance for impairment are as follows:

	The Company	
	2017	2016
	$'000	$'000
Beginning of financial year	**2,773**	2,879
(Write back of impairment)/Impairment charge	**(1,865)**	694
Loans written-off	**–**	(800)
End of financial year	**908**	2,773

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

17. Investments in associated companies

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Equity investments at cost			**199**	199
Less: Allowance for impairment			**(199)**	(199)
			–	–
Beginning of financial year	**5,502**	5,170		
Currency translation differences	**(41)**	(171)		
Share of profit, net of tax	**439**	503		
Less: Dividend receivable	**(923)**	–		
End of financial year	**4,977**	5,502		

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	
	2017	2016
	$'000	$'000
– Assets	**67,633**	50,855
– Liabilities	**84,365**	64,539
– Revenue	**196,544**	186,450
– Net profit and total comprehensive income	**1,587**	2,313

The Group has not recognised its share of losses of associated companies amounting to $2,000 (2016: $1,000) 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 $1,857,000 (2016: $1,867,000) 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 38.

18. Investment in a joint venture

	The Group	
	2017	2016
	$'000	$'000
Beginning of financial year	**–***	–
Additions	**791**	–*
Currency translation differences	**31**	–
Share of loss, net of tax	**(76)**	–
End of financial year	**746**	–*

*: Amount is less than $1,000.

18. Investment in a joint venture (continued)

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	
	2017	2016
	$'000	$'000
– Assets	**2,015**	–*
– Liabilities	**524**	–*
– Revenue	**651**	–
– Net loss and total comprehensive loss	**(152)**	–

*: 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	
	2017	2016
	$'000	$'000
Unquoted equity investments at cost less impairment	**317,758**	442,875
Beginning of financial year	**442,875**	442,875
Capital reduction of a subsidiary	**(125,117)**	–
End of financial year	**317,758**	442,875

The capital reduction pertains to the Company's redemption of preference shares in an inactive subsidiary through the settlement of amount due to the subsidiary.

Details of significant subsidiaries are included in Note 38.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20. Investment properties

	Note	The Group		The Company	
		2017	2016	**2017**	2016
		$'000	$'000	**$'000**	$'000
Beginning of financial year		**128,986**	113,519	**69,000**	72,500
Currency translation differences		**(4,611)**	669	**–**	–
Additions		**–**	–	**571**	818
Disposals		**(79,151)**	–	**–**	–
Written-off	6	**–**	(13)	**(458)**	–
Net fair value gains/(losses) recognised in profit or loss, under "other gains and losses"	6	**9,895**	14,811	**(113)**	(4,318)
Reclassified to non-current assets classified as held-for-sale	15	**(1,038)**	–	**–**	–
End of financial year		**54,081**	128,986	**69,000**	69,000

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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Rental income	**3,263**	4,957	**3,154**	3,240
Direct operating expenses arising from:				
– investment properties that generate rental income	**(887)**	(1,190)	**(2,985)**	(3,098)
– investment properties that do not generate rental income	**(217)**	(273)	**(823)**	(930)

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).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20. Investment properties (continued)

Details of investment properties of the Group are follows:

Location	Description and existing use	Approximate land area (in sq. metres)	Tenure	Carrying amount 2017 $'000	2016 $'000
United States of America					
745 Epperson Drive City of Industry, California 91748	Office and warehouse	3,408	Freehold	**7,046**	7,452
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	**–**[(1)]	64,460
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	**–**[(1)]	16,024
286 & 288 Chigangxi Road; Haizhu District, Guangzhou Guangdong Province	Office and warehouse	30,873	Leasehold expiring in year 2040	**9,638**	9,760
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	**5,748**	4,760
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	**19,114**	8,718
Lot No. 2987 & 2988, Jalan Bidor, Teluk Intan, Bidor, Perak, Malaysia	Industrial land	396,875	Leasehold expiring in year 2094	**–**[(2)]	3,293
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	**–**[(3)]	565

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2017 $'000	2016 $'000
Malaysia (continued)					
40 1/4 Milepost, Jalan Air Itam – Johor Bahru, Simpang Renggam, Johor, Malaysia	Farming land	420,209	Interest in perpetuity	**8,799**	9,929
Lot No. 30, Jalan Upper Lanang, Sibu, Sarawak, Malaysia	Office and warehouse	6,107	Leasehold expiring in year 2029	**664**	651
Lot 4183, Jalan Kuching, Taman Tunku Industrial Area, Miri, Sarawak, Malaysia	Office and warehouse	8,858	Leasehold expiring in year 2054	**1,203**	1,146
Lot 71, Sedco Industrial Estate, Phase 2, Jalan Kolombong, Kota Kinabalu, Sabah, Malaysia	Office and warehouse	5,235	Leasehold expiring in year 2034	**1,869**	1,776
Lot 1632, Jalan Kidurong, Kidurong Light Industrial Estate, Bintulu, Sarawak, Malaysia	Industrial land	5,582	Leasehold expiring in year 2058	**–**[(3)]	452
				54,081	128,986

Legend:

(1) Subsidiaries holding these properties were disposed in 2017.

(2) Disposed in 2017.

(3) Reclassified to non-current assets classified as held-for-sale in 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20. Investment properties (continued)

Fair value hierarchy

Description	Fair value measurements using significant unobservable inputs (Level 3) 2017 $'000	2016 $'000
Recurring fair value measurements		
The Group		
Investment properties:		
– Office and warehouse – United States of America	**7,046**	7,452
– Offices and warehouses – Hong Kong	**–**	64,460
– Offices and warehouses – The People's Republic of China	**9,638**	25,784
– Apartments – The People's Republic of China	**5,748**	4,760
– Offices and warehouses – Malaysia	**3,736**	4,138
– Industrial and farming land – Malaysia	**27,913**	22,392
	54,081	128,986
The Company		
Investment properties:		
– Office, factory and warehouses – Singapore	**69,000**	69,000

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 2017 and 2016.

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 2017 $'000	Fair value 2016 $'000	Valuation technique
The Group			
Office and warehouse – United States of America	**7,046**	7,452	Adjusted sales comparison approach
Offices and warehouses – Hong Kong	**–**	64,460	Income capitalisation approach
Offices and warehouses – The People's Republic of China	**9,638**	25,784	Adjusted sales comparison approach, income capitalisation approach and depreciated replacement cost method
Apartments – The People's Republic of China	**5,748**	4,760	Income capitalisation approach
Offices and warehouses – Malaysia	**3,736**	4,138	Depreciated replacement cost method
Industrial and farming land – Malaysia	**27,913**	22,392	Adjusted sales comparison approach

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20. Investment properties (continued)

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

Description	Fair value		Valuation technique
	2017	2016	
	$'000	$'000	
The Company			
Office, factory and warehouses – Singapore	**69,000**	69,000	Adjusted sales comparison approach

There was no change to the valuation technique used to determine the fair value of each investment property.

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 and Company'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 and Company's property. An increase in transacted prices per square metre would increase the valuation.

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 $67 (2016: $111) per square metre. Capitalisation rate, estimated at 3.0% to 9.0% (2016: 3.0% to 9.0%), is the rate of return on the property considering market conditions on the valuation date and the profile of the property. An increase in estimated market rental rate per square metre would increase the valuation while an increase in capitalisation rate would lower the valuation.

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. An increase in construction cost or estimated cost to complete per square metre would increase the valuation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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							
2017							
Cost							
Beginning of financial year	46,529	137,900	153,739	9,931	3,409	45,888	397,396
Currency translation differences	(1,954)	125	1,711	22	(5)	(2,674)	(2,775)
Additions	95	4,629	5,903	699	257	9,783	21,366
Disposals/Written-off	–	–	(3,467)	(58)	(92)	(458)	(4,075)
Reclassification/Transfer	–	23,308	4,375	1,222	–	(28,905)	–
End of financial year	44,670	165,962	162,261	11,816	3,569	23,634	411,912
Accumulated depreciation							
Beginning of financial year	6,129	33,089	79,998	7,422	2,051	–	128,689
Currency translation differences	(108)	322	1,008	27	(6)	–	1,243
Disposals/Written-off	–	–	(2,618)	(56)	(89)	–	(2,763)
Depreciation charge (Note 7)	545	3,039	8,971	1,204	403	–	14,162
End of financial year	6,566	36,450	87,359	8,597	2,359	–	141,331
Cost less accumulated depreciation at end of financial year	38,104	129,512	74,902	3,219	1,210	23,634	270,581
Accumulated impairment losses							
Beginning of financial year	88	21,465	4,319	–	–	–	25,872
Currency translation differences	1	29	15	–	–	–	45
Disposals/Written-off	–	–	(778)	–	–	–	(778)
End of financial year	89	21,494	3,556	–	–	–	25,139
Net book value at end of financial year	**38,015**	**108,018**	**71,346**	**3,219**	**1,210**	**23,634**	**245,442**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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							
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/Written-off	–	(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/Written-off	–	(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/Written-off	–	–	(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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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				
2017				
Cost				
Beginning of financial year	3,806	83	41	3,930
Additions	529	–	–	529
End of financial year	4,335	83	41	4,459
Accumulated depreciation				
Beginning of financial year	550	81	–	631
Depreciation charge	472	2	–	474
End of financial year	1,022	83	–	1,105
Cost less accumulated depreciation at end of financial year	3,313	–	41	3,354
Accumulated impairment losses				
Beginning and end of financial year	270	–	–	270
Net book value at end of financial year	**3,043**	**–**	**41**	**3,084**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21. Property, plant and equipment (continued)

	Plant and machinery, furniture and fittings	Computer equipment and software costs	Construction-in-progress	Total
	$'000	$'000	$'000	$'000
The Company				
2016				
Cost				
Beginning of financial year	1,811	106	–	1,917
Additions	1,050	1	1,452	2,503
Disposals/Written-off	(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/Written-off	(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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2017 $'000	Carrying amount 2016 $'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	**47,532**	47,365
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	**32,078**	7,117
Indonesia					
Suryacipta City of Industry, Jalan Surya Utama, Kav I-65D1-D10 Karawang, Jawa Barat 41363, Indonesia	Industrial land for factory use	146,809	30 years lease perpetually renewable at a nominal cost	**24,676**	26,651
United States of America					
755 Epperson Drive City of Industry, California 91748	Office and warehouse	4,068	Freehold	**526**	644
The People's Republic of China					
1 Southwest Street, Sanshui District, Foshan, Guangdong	Factory and trading depot	25,308	Leasehold expiring in year 2063	**8,689**	8,941

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2017 $'000	Carrying amount 2016 $'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	**122**	126
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	**1,184**	1,112
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	**1,775**	1,967
No. 121 & 191, Jalan Utas, Shah Alam, Selangor, Malaysia	Factory and trading depot	39,775	Leasehold expiring in year 2074 and 2073 respectively	**7,928**	7,750
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	**1,782**	1,970
Lot 2050, Jalan Bintawa, Pending Industrial Estate, Kuching, Sarawak, Malaysia	Factory and trading depot	13,804	Leasehold expiring in year 2027	**50**	54

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2017 $'000	2016 $'000
Malaysia (continued)					
Lot No. 1347 & 1348 Jalan Swasta, Pending Industrial Estate, Kuching, Sarawak, Malaysia	Industrial building and land	29,368	Leasehold expiring in year 2027	**445**	501
PLO 247, Jalan Gangsa, Pasir Gudang Industrial Estate, Johor, Malaysia	Industrial building and land	24,232	Leasehold expiring in year 2050	**4,982**	5,107
Lot 764, Mukim Bukit Raja, Shah Tempat Padang Jawa, Daerah Petaling, Malaysia	Office and warehouse	17,630	Freehold	**11,031**	11,047
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	**3,233**	3,306
				146,033	123,658

22. Intangible assets

Goodwill arising on consolidation

	The Group 2017 $'000	2016 $'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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Deferred income tax assets	**(1,122)**	(1,628)	**–**	–
Deferred income tax liabilities	**11,307**	13,561	**696**	395
	10,185	11,933	**696**	395

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			
2017			
Beginning of financial year	**9,452**	**4,935**	**14,387**
Currency translation differences	**143**	**(163)**	**(20)**
Disposal of subsidiaries	**(1,378)**	**(763)**	**(2,141)**
Effect of change in foreign tax rate	**–**	**(602)**	**(602)**
Charged to profit or loss	**1,739**	**685**	**2,424**
Credited to other comprehensive income	**–**	**(141)**	**(141)**
End of financial year	**9,956**	**3,951**	**13,907**
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. Deferred income taxes (continued)

Deferred income tax assets

	Unutilised capital allowances and tax losses	Provisions	Total
	$'000	$'000	$'000
The Group			
2017			
Beginning of financial year	**(1,442)**	**(1,012)**	**(2,454)**
Currency translation differences	**48**	**(29)**	**19**
Effect of change in foreign tax rate	**79**	**–**	**79**
Credited to profit or loss	**(1,065)**	**(301)**	**(1,366)**
End of financial year	**(2,380)**	**(1,342)**	**(3,722)**
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)

In 2017, the USA government has announced the reduction of corporate tax rate from 39.8% to 29.8% for taxable years 2018 to 2025. Consequently, deferred income tax assets and liabilities are measured using 29.8% tax rate for the USA 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 $14,279,000 (2016: $14,886,000) and unrecognised capital allowances of $790,000 (2016: $778,000) 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. $10,408,000 tax losses will expire between 2018 and 2022 (2016: $10,186,000 tax losses will expire between 2018 and 2028) and $3,871,000 (2016: $4,700,000) tax losses do not have expiry date.

Deferred income tax liabilities of $4,015,000 (2016: $4,630,000) 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 $13,384,000 (2016: $15,433,000) at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. Deferred income taxes (continued)

Deferred income tax liabilities

	Accelerated tax depreciation $'000
The Company	
2017	
Beginning of financial year	**395**
Charged to profit or loss	**301**
End of financial year	**696**
2016	
Beginning of financial year	354
Charged to profit or loss	41
End of financial year	395

24. Trade and other payables

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade payables				
– Non-related parties	**27,228**	27,596	**–**	–
– Related parties	**127**	–	**–**	–
	27,355	27,596	**–**	–
Other payables				
– Non-related parties	**12,313**	12,898	**369**	213
– Subsidiaries	**–**	–	**45,175**	158,923
	12,313	12,898	**45,544**	159,136
Accruals for operating expenses	**31,368**	39,156	**2,174**	1,886
	71,036	79,650	**47,718**	161,022

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

25. Provisions for other liabilities and charges

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

	The Group	
	2017	2016
	$'000	$'000
Present value of unfunded obligations/Liabilities recognised in the balance sheet	**2,561**	2,399

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

As of 31 December 2017, the provision for retirement benefits consists of non-contributory unfunded retirement benefits scheme for employees in Malaysia and Indonesia who are eligible under labour laws or collective bargaining agreements.

Movements in provision for retirement benefits are as follows:

	The Group	
	2017	2016
	$'000	$'000
Beginning of financial year	**2,399**	2,200
Currency translation differences	**39**	(24)
Charged/(Credited) to profit or loss:		
– Current service cost	**186**	187
– Past service credit and gains and loss on settlement	**(151)**	–
– Interest cost	**112**	107
	147	294
(Credited)/Charged to other comprehensive (losses)/income:		
Actuarial (gain)/loss arising from remeasurements:		
– Financial assumptions	**(50)**	–
– Experience adjustment	**121**	–
	71	–
Benefits paid	**(95)**	(71)
End of financial year	**2,561**	2,399

The significant actuarial assumptions used were as follows:

	The Group	
	2017	2016
	%	%
Discount rate	**6**	7
Salary growth rate	**5**	7

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

25. Provisions for other liabilities and charges (continued)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	The Group (Decrease)/Increase in defined benefit obligations	
	2017 **$'000**	2016 $'000
Discount rate		
– Increase by 1%	**(174)**	(163)
– Decrease by 1%	**198**	186
Salary growth rate		
– Increase by 1%	**209**	195
– Decrease by 1%	**(185)**	(174)

The weighted average duration of the defined benefit obligation is 10 years (2016: 11 years) and expected maturity analysis of undiscounted retirement benefits is as follows:

	The Group	
	2017 **$'000**	2016 $'000
Less than one year	**309**	109
Between one and five years	**1,032**	1,127
More than five years	**3,795**	1,082
	5,136	2,318

26. Share capital

	Number of ordinary shares for issued share capital '000	Amount of share capital $'000
2017		
Beginning of financial year	**577,702**	**224,916**
Shares issued	**1,691**	**2,647**
End of financial year	**579,393**	**227,563**
2016		
Beginning of financial year	575,887	221,990
Shares issued	1,815	2,926
End of financial year	577,702	224,916

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

26. Share capital (continued)

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 on 26 April 2010.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

26. Share capital (continued)

YHS Share Incentive Plan (continued)

Grants of awards were made pursuant to the Plan in 2017. 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	**2017**	2016
Beginning of financial year	**2,311,395**	2,353,355
Granted during the year	**–**	1,772,571
Shares issued during the year	**(1,690,869)**	(1,814,531)
Forfeited during the year	**(95,001)**	–
End of financial year	**525,525**	2,311,395
Weighted average fair value per award based on market price per share at grant date	**$1.32**	$1.50
Weighted average remaining contractual life (days)	**161**	254

No share option has been granted under the Plan.

27. Capital reserve

	The Group	
	2017	2016
	$'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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Property revaluation reserve	**6,697**	18,857	**–**	–
Fair value reserve	**–**	135,746	**–**	–
Foreign currency translation reserve	**(69,526)**	(51,629)	**–**	–
General reserve	**(38,315)**	(37,780)	**–**	–
Share-based payment reserve	**558**	2,313	**558**	2,313
Hedging reserve	**(340)**	266	**–**	–
	(100,926)	67,773	**558**	2,313

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28. Other reserves (continued)

(b) Movements:

	The Group		The Company	
	2017 **$'000**	2016 $'000	**2017** **$'000**	2016 $'000
(i) *Property revaluation reserve*				
Beginning of financial year	**18,857**	18,881	**–**	–
Transfer to retained profits on realisation	**(12,160)**	(24)	**–**	–
End of financial year	**6,697**	18,857	**–**	–
(ii) *Fair value reserve*				
Beginning of financial year	**135,746**	78,453	**–**	–
Fair value gains on available-for-sale financial assets	**2,604**	57,293	**–**	–
Reclassification to profit or loss	**(138,350)**	–	**–**	–
End of financial year	**–**	135,746	**–**	–
(iii) Foreign currency translation reserve				
Beginning of financial year	**(51,629)**	(54,553)	**–**	–
Net currency translation differences of financial statements of foreign subsidiaries, associated companies and a joint venture	**(10,176)**	2,924	**–**	–
Reclassification to profit or loss:				
– Disposal of subsidiaries	**(2,350)**	–	**–**	–
– Liquidation of subsidiaries	**(5,371)**	–	**–**	–
End of financial year	**(69,526)**	(51,629)	**–**	–
(iv) *General reserve*				
Beginning of financial year	**(37,780)**	(37,765)	**–**	–
Transfer to retained profits on realisation	**(1,019)**	(15)	**–**	–
Disposal of a subsidiary	**484**	–	**–**	–
End of financial year	**(38,315)**	(37,780)	**–**	–
(v) *Share-based payment reserve*				
Beginning of financial year	**2,313**	2,090	**2,313**	2,090
Employee share-based compensation scheme				
– Value of employee services (Note 8)	**892**	3,149	**892**	3,149
– Issue of new shares	**(2,647)**	(2,926)	**(2,647)**	(2,926)
End of financial year	**558**	2,313	**558**	2,313
(vi) *Hedging reserve*				
Beginning of financial year	**266**	–	**–**	–
Fair value (losses)/gains	**(1,027)**	120	**–**	–
Tax on fair value losses/(gains)	**201**	(27)	**–**	–
	(826)	93	**–**	–
Reclassification to inventories	**280**	201	**–**	–
Tax on reclassification adjustments	**(60)**	(28)	**–**	–
	220	173	**–**	–
End of financial year	**(340)**	266	**–**	–

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. Dividends

	The Group	
	2017	2016
	$'000	$'000
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of 2 cents (2016: 2 cents) per share, tax exempt (1-tier)	**11,554**	11,520
Special dividend paid in respect of current financial year of 2 cents (2016: nil) per share, tax exempt (1-tier)	**11,588**	–
	23,142	11,520

The directors have proposed a final dividend of 2 cents per ordinary share, tax exempt (1-tier) amounting to $11,588,000 for approval by shareholders at the forthcoming annual general meeting to be convened for the financial year ended 31 December 2017.

These financial statements do not reflect the proposed final dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2018.

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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Not later than one year	**3,174**	3,217	**662**	779
Between one and five years	**5,582**	6,282	**2,648**	3,157
Later than five years	**827**	4,933	**827**	4,933
	9,583	14,432	**4,137**	8,869

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Not later than one year	**2,704**	3,643	**123**	122
Between one and five years	**1,541**	4,691	**–**	48
	4,245	8,334	**123**	170

(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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Capital commitments in respect of purchase and construction of property, plant and equipment approved and contracted for	**5,765**	12,594	**–**	768

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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, Cambodia, Indonesia 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 non-related 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	EUR	Other^^	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2017									
Financial assets									
Cash and cash equivalents	195,495	27,193	63,709	2,062	5,721	663	–	–	294,843
Trade and other receivables^	17,386	14,103	781	246	33,454	6,750	13	444	73,177
Intra-group balances	198,974	73,025	477	8,841	41,344	10,145	–	–	332,806
	411,855	114,321	64,967	11,149	80,519	17,558	13	444	700,826
Financial liabilities									
Intra-group balances	(198,974)	(73,025)	(477)	(8,841)	(41,344)	(10,145)	–	–	(332,806)
Other financial liabilities	(21,309)	(8,662)	(693)	(4,253)	(33,018)	(2,350)	(334)	(417)	(71,036)
	(220,283)	(81,687)	(1,170)	(13,094)	(74,362)	(12,495)	(334)	(417)	(403,842)
Net financial assets/ (liabilities)	191,572	32,634	63,797	(1,945)	6,157	5,063	(321)	27	296,984
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	(183,056)	(11,045)	(1,437)	1,513	(6,248)	(5,063)	–	(411)	
Less: Net financial assets designated as hedges for highly probable forecast transactions in foreign currencies	(6,000)	(6,074)	–	–	–	–	–	–	
Currency exposure	**2,516**	**15,515**	**62,360**	**(432)**	**(91)**	**–**	**(321)**	**(384)**	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. **Financial risk management** (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

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

	SGD equivalent								
	SGD	USD	HKD	RMB	RM	IDR	EUR	Other^^	Total
	$'000	$'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)	(5,562)	(913)	(4,112)	(41,493)	(4,039)	(60)	(147)	(79,687)
	(291,728)	(88,383)	(3,049)	(15,471)	(92,323)	(7,601)	(60)	(168)	(498,783)
Net financial assets/ (liabilities)	32,691	44,155	3,015	(627)	(1,362)	7,609	(60)	321	85,742
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	14,419	(8)	–	(114)	1	(60)	(148)	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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
	$'000	$'000
At 31 December 2017		
Financial assets		
Other receivables^	1	391
Financial liabilities		
Other financial liabilities	(15)	(396)
Currency exposure	**(14)**	**(5)**
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)
Currency exposure	8,501	1,453

Legend:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

If the USD, RMB and HKD had changed against the SGD by 2% (2016: 2%), 2% (2016: 2%) and 2% (2016: 1%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position that are exposed to currency risk would have been as follows:

	Increase/(Decrease)	
	2017	2016
	Net profit	Net profit
	$'000	$'000
The Group		
USD against SGD		
– strengthened	**258**	234
– weakened	**(258)**	(234)
HKD against SGD		
– strengthened	**1,035**	–*
– weakened	**(1,035)**	–*
The Company		
USD against SGD		
– strengthened	**–***	141
– weakened	**–***	(141)
RMB against SGD		
– strengthened	**–***	24
– weakened	**–***	(24)

The currency risk analysis for RMB, RM, IDR and EUR 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.

*: Amount is less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to securities price risk arising from other financial assets listed in Singapore and Hong Kong (2016: other financial assets listed in Singapore).

If prices of the Group's securities listed in Singapore and Hong Kong had changed by 7.8% (2016: 1.6%) and 2.7% (2016: not applicable) respectively with all other variables including tax rate being held constant, the effects on net profit and other comprehensive (losses)/income would have been:

	Increase/(Decrease)		**Increase/(Decrease)**	
	2017	2016	**2017**	2016
	Net profit	Net profit	**Other comprehensive (losses)/income**	Other comprehensive (losses)/income
	$'000	$'000	**$'000**	$'000
The Group				
Listed in Singapore				
– increased by	**20**	–	**–**	2,604
– decreased by	**(20)**	–	**–**	(2,604)
Listed in Hong Kong				
– increased by	**250**	–	**–**	–
– decreased by	**(250)**	–	**–**	–
The Company				
Listed in Hong Kong				
– increased by	**250**	–	**–**	–
– decreased by	**(250)**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. Financial risk management (continued)

(a) Market risk (continued)

(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, USD and HKD interest rates had increased/decreased by 0.38% (2016: 0.01%), 0.08% (2016: 0.04%) and 0.09% (2016: not applicable) with other variables including tax rate being held constant, the effects on net profit would have been as follows:

	Increase/(Decrease)	
	2017	2016
	Net profit	Net profit
	$'000	$'000
The Group		
SGD interest rate		
– strengthened	**551**	2
– weakened	**(551)**	(2)
USD interest rate		
– strengthened	**6**	4
– weakened	**(6)**	(4)
HKD interest rate		
– strengthened	**46**	–
– weakened	**(46)**	–
The Company		
SGD interest rate		
– strengthened	**52**	2
– weakened	**(52)**	(2)

There is no outstanding borrowing in 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 and cash deposits 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	
	2017	2016
	$'000	$'000
By geographical areas		
Singapore	**11,442**	10,689
Malaysia	**30,748**	29,783
Indochina	**7,613**	10,078
China and Hong Kong	**762**	552
North America	**2,515**	2,870
Indonesia	**6,439**	6,802
Europe	**1,917**	2,742
Other countries	**3,033**	998
Trade receivables – net (Note 12)	**64,469**	64,514
Less: Amounts covered by bankers' guarantees and cash deposits	**(16,935)**	(20,781)
Maximum exposure to credit risk for trade receivables	**47,534**	43,733
By types of customers		
Consumer food and beverage products		
Related parties	**19**	30
Non-related parties:		
– Supermarkets, minimart chains, provision shops and gas stations	**14,992**	19,926
– Hotels, bars/pubs, restaurants, food courts and coffee shops	**3,331**	3,007
– Wholesalers and distributors	**43,843**	39,525
– Vending sales	**296**	243
– Other	**1,988**	1,783
	64,469	64,514

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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	
	2017	2016
	$'000	$'000
New customers with less than six months experience	**2,003**	5,877
Existing customers with no defaults in the past	**37,520**	38,397
	39,523	44,274

(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 12).

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

	The Group	
	2017	2016
	$'000	$'000
Past due less than three months	**22,834**	18,145
Past due three to six months	**1,437**	1,707
Past due over six months	**675**	388
	24,946	20,240

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	
	2017	2016
	$'000	$'000
Trade receivables overdue and impaired	**186**	476
Less: Allowance for impairment	**(186)**	(476)
	–	–
Beginning of financial year	**476**	606
Currency translation differences	**(3)**	(11)
Allowance made (Note 7)	**23**	44
Allowance utilised	**(310)**	(163)
End of financial year	**186**	476

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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	Total $'000
The Group			
At 31 December 2017			
Trade and other payables	**(71,036)**	**–**	**(71,036)**
At 31 December 2016			
Trade and other payables	(79,650)	–	(79,650)
Other non-current liabilities	–	(37)	(37)
	(79,650)	(37)	(79,687)

	Less than one year 2017 $'000	Less than one year 2016 $'000
The Company		
Other payables	**(47,718)**	(161,022)

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. Financial risk management (continued)

(d) Capital risk (continued)

The gearing ratios as at 31 December 2017 and 31 December 2016 were as follows:

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Net debt	**–**	–	**26,201**	137,368
Total equity	**656,493**	679,318	**480,356**	499,121
Total capital employed	**656,493**	679,318	**506,557**	636,489
Gearing ratio	**Nil**	Nil	**5%**	22%

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).

	Level 1	Level 2	Total
	$'000	$'000	$'000
The Group			
2017			
Assets			
Financial assets at fair value through profit or loss	**9,349**	**–**	**9,349**
Available-for-sale financial assets	**–**	**145**	**145**
2016			
Assets			
Available-for-sale financial assets	166,670	100	166,770

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. Financial risk management (continued)

(e) Fair value measurements (continued)

	Level 1 $'000	Level 2 $'000	Total $'000
The Company			
2017			
Assets			
Financial assets at fair value through profit or loss	**9,094**	**–**	**9,094**
Available-for-sale financial assets	**–**	**145**	**145**
2016			
Assets			
Available-for-sale financial assets	–	100	100

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.

These were no transfers between Level 1 and 2 during the years ended 31 December 2017 and 2016.

(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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Loans and receivables	**368,020**	165,429	**129,808**	145,491
Financial liabilities at amortised cost	**71,036**	79,687	**47,718**	161,022

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	
	2017	2016
	$'000	$'000
Amount billed by Far East Orchard Limited Group:		
– Purchases of services	**(2)**	(2)
– Rental expense	**(31)**	(31)
Amount billed to/(by) other related parties:		
– Sales of goods and services	**70**	94
– Purchases of goods	**(560)**	–
Amount billed to/(by) TM Foods Sdn. Bhd.:		
– Sales of goods and services	**21**	25
– Purchases of goods	**(2,865)**	(2,345)
Amount billed to/(by) Healthy Yum Beverage Sdn. Bhd.:		
– Sales of goods and services	**530**	–
– Purchases of goods	**(631)**	–
Amount billed to/(by) Sino Land Company Limited Group:		
– Sales of goods and services	**8**	12
– Purchases of services	**–**	(5)
– Rental expense	**(106)**	(95)

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

Sino Land Company Limited is a shareholder of the Company.

TM Foods Sdn. Bhd. is an associated company of the Group.

Healthy Yum Beverage Sdn. Bhd. is a joint venture of the Group.

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 2017, arising from sales/purchases of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 24 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

33. Related party transactions (continued)

(b) Key management personnel compensation

The key management personnel compensation is as follows:

	The Group	
	2017	2016
	$'000	$'000
Wages and salaries	**4,512**	5,398
Employer's contribution to defined contribution plans including Central Provident Fund	**139**	173
Other short-term employee benefits	**285**	326
Share-based payment expense	**658**	2,091
	5,594	7,988

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 two main business segments:

- Consumer food and beverage products
- Others

The consumer food and beverages products segment is the main business of the Group which is principally in the business of manufacture, sale and distribution of beverages and food products. Revenue of the segment is primarily derived from sales of beverages and food products and also includes sales of non-food items we carry on our distribution network as well as service fees from extending our warehousing and logistics services to non-related parties. While the consumer food and beverage products segment operates across various markets and the operating results of these markets are regularly reviewed alongside overall segment results, the CEO assesses performance and makes decisions about resources to be allocated on an overall segment basis.

Others segment of the Group mainly comprise investment property holding, equity investment holding and property development.

Revenue from major products, services and others are disclosed in Note 4.

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, other financial 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. Segment information (continued)

The segment information provided to the CEO for the reportable segments is as follows:

	Consumer food and beverage products $'000	Others $'000	Elimination $'000	The Group $'000
Year ended 31 December 2017				
Revenue				
– External sales	340,691	15	–	340,706
– Inter-segment sales	–	5,258	(5,258)	–
	340,691	5,273	(5,258)	340,706
(Loss)/Profit from operation	(6,633)	161,545	(42)	154,870
Share of profit of associated companies and a joint venture	363	–	–	363
Segment (loss)/profit and profit before income tax	(6,270)	161,545	(42)	155,233
Income tax expense				(1,488)
Net profit				**153,745**
Segment assets	487,548	364,588	(118,515)	733,621
Associated companies and a joint venture	5,723	–	–	5,723
Unallocated assets				3,074
Consolidated total assets				**742,418**
Segment liabilities	182,538	11,617	(120,558)	73,597
Unallocated liabilities				12,328
Consolidated total liabilities				**85,925**
Other segment items				
Additions to property, plant and equipment	21,309	57	–	**21,366**
Fair value gains on available-for-sale financial assets reclassified from other comprehensive income on disposal	–	(138,350)	–	**(138,350)**
Fair value losses on financial assets designated as fair value through profit or loss at initial recognition	–	867	–	**867**
Gain on disposal and liquidation of subsidiaries – net	–	(13,332)	–	**(13,332)**
Additions to investment in a joint venture	791	–	–	**791**
Interest income	(531)	(1,386)	42	**(1,875)**
Depreciation	14,161	1	–	**14,162**
Fair value gains on investment properties – net	–	(9,895)	–	**(9,895)**
Property, plant and equipment written-off	5	51	–	**56**
Currency translation loss/(gain) – net	2,049	(48)	–	**2,001**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. Segment information (continued)

The segment information provided to the CEO for the reportable segments is as follows: (continued)

	Consumer food and beverage products $'000	Others $'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 from operation	13,562	21,510	–	35,072
Share of profit of associated companies and a joint venture	503	–	–	503
Segment profit and profit before income tax	14,065	21,510	–	35,575
Income tax expense				(6,613)
Net profit				**28,962**
Segment assets	449,122	445,313	(125,902)	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	16,779	(130,538)	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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 and food; and provision of vending services.

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

- Cambodia – the operations in this area are principally marketing, 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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Singapore	**88,194**	115,167	**76,623**	78,012
Malaysia	**149,163**	169,991	**112,178**	109,308
Cambodia	**19,964**	43,033	**55,774**	46,438
Other countries	**83,385**	81,841	**60,671**	143,565
	340,706	410,032	**305,246**	377,323

35. **Subsequent event**

During the financial year, a dispute arose between the Group and the distributor of the Group's beverage products in Cambodia (the "Distributor"). Subsequent to the year end, the Group and the Distributor entered into a settlement deed to effect a full and final settlement of any and all claims between them arising out of or in connection with the distribution of the Group's beverage products in Cambodia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36. Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards

Applicable to 2018 financial statements

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the IFRS as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ended 31 March 2018 in April 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 First-time Adoption of IFRS. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The estimated impact arising from the adoption of SFRS(I) on the Group's financial statements are set out as follows:

(a) Application of SFRS(I) equivalent of IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 31 December 2018), subject to the mandatory exceptions and optional exemptions under IFRS 1. The Group plans to elect relevant optional exemptions and the exemption resulting in significant adjustments to the Group's financial statements prepared under SFRS is as follows:

(i) Cumulative translation differences

The Group plans to elect to set the cumulative foreign currency translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017. As a result, foreign currency translation reserve and retained profits as at 1 January 2017 and 31 December 2017 will be reduced/increased by $51,629,000 respectively.

(b) Adoption of SFRS(I) equivalent of IFRS 9

The Group plans to elect to apply the short-term exemption under IFRS 1 to adopt SFRS(I) equivalent of IFRS 9 on 1 January 2018. Accordingly, requirements of SFRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 31 December 2017.

(i) Classification and measurement

The Group has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) equivalent of IFRS 9. The adjustment to the Group's balance sheet line items as a result of management's assessment is a reclassification of unlisted investment amounting to $145,000 from available-for-sale to fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36. Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards (continued)

Applicable to 2018 financial statements (continued)

(b) Adoption of SFRS(I) equivalent of IFRS 9 (continued)

(ii) Impairment of financial assets

The following financial assets will be subject to the expected credit loss impairment model under SFRS(I) equivalent of IFRS 9:

– cash and cash equivalents,
– trade and other receivables, and
– loans to subsidiaries.

The application of the expected credit loss impairment model does not have a significant impact on the Group and the Company.

(c) Adoption of SFRS(I) equivalent of IFRS 15

In accordance with the requirements of IFRS 1, the Group will adopt SFRS(I) equivalent of IFRS 15 retrospectively. There is no adjustment arising from the adoption of IFRS 15 as the Group is already compliant with the principles in IFRS 15.

(d) Summary of provisional financial impact

The line items on the Group's financial statements that may be adjusted with significant impact arising from the adoption of SFRS(I) as described above are summarised below:

	As at 31 Dec 2017 reported under SFRS $'000	(Provisional) As at 1 Jan 2018 reported under SFRS(I) $'000	As at 1 Jan 2017 reported under SFRS $'000	(Provisional) As at 1 Jan 2017 reported under SFRS(I) $'000
Assets				
Financial assets at fair value through profit or loss	9,349	9,494	–	100
Available-for-sale financial assets	145	–	166,770	166,670
Equity				
Foreign currency translation reserve	(69,526)	(17,897)	(51,629)	–
Retained profits	523,790	472,161	380,563	328,934

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36. Full convergence with International Financial Reporting Standards ("IFRS") and adoption of new standards (continued)

Applicable to 2019 financial statements

SFRS(I) 16 *Leases*

SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

SFRS(I) 16 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, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

When effective, SFRS(I) 16 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*.

Potential impact on the financial statements

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 $9,583,000 (Note 30(a)). However, the Group is in the process of evaluating 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 SFRS(I) 16.

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 2018.

37. 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 23 February 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38. Listing of significant companies in the Group

Name of company/ Country of incorporation	Principal activities	Country of business	Equity holding 2017 %	2016 %
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, warehousing and logistics 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)	Property holding	The People's Republic of China	**–**[4]	100
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)	Property holding	Hong Kong	**–**[4]	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38. Listing of significant companies in the Group (continued)

Name of company/ Country of incorporation	Principal activities	Country of business	Equity holding 2017 %	2016 %
Significant subsidiaries held by subsidiaries (continued)				
Bestcan Food Technological Industrial Sdn Bhd (Malaysia)[(2)]	Production of instant noodles	Malaysia	**100**	100
Yeo Hiap Seng (Sarawak) Sdn Bhd (Malaysia)[(2)]	Dormant and property holding	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
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

(4) Subsidiaries were disposed in 2017 (Note 11).

STATISTICS OF SHAREHOLDINGS

AS AT 8 MARCH 2018

Issued and Fully Paid-up Capital	:	$227,562,835.54
No. of Shares Issued	:	579,392,516
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share
Treasury Shares and Subsidiary Holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 – 99	512	8.97	13,604	0.00
100 – 1,000	1,680	29.45	898,319	0.16
1,001 – 10,000	2,902	50.87	10,218,896	1.76
10,001 – 1,000,000	596	10.45	25,511,971	4.40
1,000,001 and above	15	0.26	542,749,726	93.68
Total	**5,705**	**100.00**	**579,392,516**	**100.00**

TWENTY LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shares	% of Shares
Far East Organisation Pte Ltd	309,973,933	53.50
Far East Spring Pte Ltd	63,888,889	11.03
Transurban Properties Pte Ltd	56,342,854	9.72
Citibank Nominees Singapore Pte Ltd	30,806,005	5.32
Sino Land Company Limited	24,661,978	4.26
OCBC Securities Private Ltd	16,050,747	2.77
DBS Nominees Pte Ltd	12,286,676	2.12
HSBC (Singapore) Nominees Pte Ltd	8,238,674	1.42
Bank of East Asia Nominees Pte Ltd	6,811,498	1.18
Raffles Nominees (Pte) Ltd	4,009,537	0.69
Morph Investments Ltd	3,361,100	0.58
Estate of Khoo Teck Puat, Deceased	2,521,556	0.44
Daiwa (Malaya) Private Limited	1,486,652	0.26
United Overseas Bank Nominees Pte Ltd	1,203,281	0.21
Teo Tzai Win Melvin	1,106,346	0.19
OCBC Nominees Singapore Pte Ltd	956,753	0.16
Maybank Kim Eng Securities Pte Ltd	670,509	0.11
CGS-CIMB Securities (Singapore) Pte Ltd	607,645	0.10
Chong Yean Fong	600,000	0.10
UOB Kay Hian Pte Ltd	571,731	0.10
Total	**546,156,364**	**94.26**

STATISTICS OF SHAREHOLDINGS
AS AT 8 MARCH 2018

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	53.50	–	–
2. Far East Spring Pte. Ltd. ("FES")	63,888,889	11.03	–	–
3. Transurban Properties Pte. Ltd. ("TPPL")	56,342,854	9.72	–	–
4. Philip Ng Chee Tat ("PN")(1)	–	–	454,867,654	78.51
5. The Estate of Mr. Ng Teng Fong (Deceased) (the "Estate")(2)	–	–	390,978,765	67.48
6. Ng Chee Siong ("RN")(3)	–	–	390,978,765	67.48
7. Madam Tan Kim Choo @ Teng Kim Chow ("Madam Tan")(4)	–	–	373,862,822	64.53
8. Glory Realty Co. Private Ltd. ("Glory")(5)	–	–	56,342,854	9.72

Notes:

(1) PN, in his capacity as a beneficiary of the Estate, is deemed to have an interest in shares in the Company in which the Estate is deemed to have an interest and, through his interest in FES, is deemed to be interested FES' shareholding in the Company.

(2) The Estate's deemed interest in shares in the Company include its interests through FEO, Glory and Sino Land Company Limited.

(3) RN, in his capacity as a beneficiary of the Estate, is deemed to have an interest in shares in the Company in which the Estate is deemed to have an interest.

(4) Madam Tan's deemed interest in shares in the Company arises through her interests in FEO and FES.

(5) Glory, through its interest in TPPL, is deemed to have an interest in TPPL's shareholding in the Company.

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on information available to the Company as at 8 March 2018, approximately 21.30% of the issued ordinary shares of the Company is held in the hands of 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-second Annual General Meeting of the Company will be held at The Auditorium, Yeo Hiap Seng Limited, 3 Senoko Way, Singapore 758057 on Friday, 27 April 2018, at 4.00 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 2017 and the report of the Auditors. **Ordinary Resolution 1**

2. To declare a final tax exempt dividend of $0.02 per ordinary share for the financial year ended 31 December 2017. (2016: $0.02) **Ordinary Resolution 2**

3. To approve the payment of $1,035,164 as Directors' fees for the financial year ended 31 December 2017. (2016: $1,066,000) **Ordinary Resolution 3**

4. (i) To re-elect the following Directors:

   (a) Mr. S. Chandra Das; **Ordinary Resolution 4**
   (b) Dr. Tan Chin Nam; and **Ordinary Resolution 5**
   (c) Dato' Mohamed Nizam bin Abdul Razak, **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 Mr. Fong Chun Man Kenneth, 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,

NOTICE OF ANNUAL GENERAL MEETING

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 and subsidiary holdings (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 and subsidiary holdings (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 and subsidiary holdings, shall be calculated based on the total number of issued shares, excluding treasury shares and subsidiary holdings, 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,

and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution 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

NOTICE OF ANNUAL GENERAL MEETING

(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 treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST)) 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

NOTICE OF ANNUAL GENERAL MEETING

"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 of the Company, excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited), 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, 5 April 2018

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.

NOTICE OF 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 11 May 2018 for the purposes of determining shareholders' entitlements to the proposed 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 10 May 2018 will be registered before shareholders' entitlements to the 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 10 May 2018 will rank for the proposed final dividend.

Subject to shareholders' approval at the Sixty-second Annual General Meeting to be held on 27 April 2018, the payment of the final dividend of $0.02 cents per Share will be made on 18 May 2018.

Additional information relating to items of Ordinary and Special Business:

Ordinary Resolution 4 – Subject to his re-election, Mr. S. Chandra Das, who is an Independent and Non-executive Director, will continue to serve as Deputy Chairman of the Board, Lead Independent Director, chairman of the Nominating Committee and a member of the Audit and Risk Committee and Remuneration Committee.

Ordinary Resolution 5 – Subject to his re-election, Dr. Tan Chin Nam, who is an Independent and Non-executive Director, will continue to serve as chairman of the Remuneration Committee and a member of the Nominating Committee.

Ordinary Resolution 6 – Subject to his re-election, Dato' Mohamed Nizam bin Abdul Razak, who is an Independent and Non-executive Director, will continue to serve as a member of the Audit & Risk Committee.

Ordinary Resolution 7 – Mr. Fong Chun Man Kenneth, who was appointed as a Director on 1 July 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 his re-election, Mr. Fong Chun Man Kenneth, who is a Non-independent and Non-executive Director, will continue to serve as a member of the Board.

NOTICE OF ANNUAL GENERAL MEETING

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 2017 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 and subsidiary holdings), 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 and subsidiary holdings) 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. As at 8 March 2018, the Company did not have treasury shares or subsidiary holdings.

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 57,939,251 shares on 8 March 2018 representing approximately 10% of the issued shares (excluding treasury shares and subsidiary holdings) 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 2017 and certain assumptions, are set out in Paragraph 2.7 of the Company's Letter to Shareholders dated 5 April 2018.

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 of the Company, excluding treasury shares and subsidiary holdings, 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.

The Company's Annual Report 2017 and Letter to Shareholders dated 5 April 2018 may be accessed at http://www.yeos.com.sg/about-us/financial-statements/.

Yeo Hiap Seng Limited will provide a complimentary shuttle bus service from Sembawang MRT Station for shareholders attending its Sixty-second Annual General Meeting ("62nd AGM") on Friday, 27 April 2018.

The shuttle bus will be parked at the bus stop of Sembawang MRT Station. Please look out for this sign "YHS 62nd AGM" on the bus. The pick-up times will be at 3.00 p.m. and 3.30 p.m. Return trips will be from 5.15 p.m. to 5.30 p.m. after the 62nd AGM.

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 5 April 2018.

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)*				

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-second Annual General Meeting of the Company to be held at The Auditorium, Yeo Hiap Seng Limited, 3 Senoko Way, Singapore 758057 on Friday, 27 April 2018 at 4.00 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 final dividend		
Ordinary Resolution 3	Approval of Directors' fees		
Ordinary Resolution 4	Re-election of Mr. S. Chandra Das as Director		
Ordinary Resolution 5	Re-election of Dr. Tan Chin Nam as Director		
Ordinary Resolution 6	Re-election of Dato' Mohamed Nizam bin Abdul Razak as Director		
Ordinary Resolution 7	Re-election of Mr. Fong Chun Man Kenneth 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 ________________ 2018.

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 paid by addressee. For posting in Singapore only.

BUSINESS REPLY SERVICE
PERMIT NO. 09180

THE COMPANY SECRETARY
YEO HIAP SENG LIMITED
3 SENOKO WAY
SINGAPORE 758057

Fold along this line (1)

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 <u>and</u> 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 or its duly authorised officer.

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.

This page has been intentionally left blank

This page has been intentionally left blank

YEO HIAP SENG LIMITED
(Company Registration No.: 195500138Z)

3 Senoko Way, Singapore 758057
Tel: +65 6752 2122 Fax: +65 6752 3122
www.yeos.com.sg