YEO HIAP SENG LIMITED

ANNUAL REPORT 2015

Refreshing Look Enduring Tastes

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CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of our Board of Directors, I am pleased to present to you our annual report for the financial year ended 31 December 2015 ("FY2015").

FINANCIAL OVERVIEW

We achieved a year-on-year growth in FY2015, registering 1.4% and 27.2% increase in both revenue and net profits to $443.5 million and $36.8 million respectively. This was despite intense competition, regional currency volatilities, higher raw material prices and a challenging business environment on the back of a regional economic slowdown that dampened consumer and business sentiment. We expect competition will continue to be keen in the food and beverage business, with upward pressure on costs and price competition. In 2016, we will continue to manage the Group's businesses cautiously.

BRAND RECOGNITION

We are proud to be awarded the Overall Winner of the Singapore Prestige Brand Award in the Heritage Brand Category, an award that has been jointly organised by the Association of Small and Medium Enterprises and Lianhe Zaobao since 2002. This being our inaugural award participation, it marked a prominent milestone in the Group's branding journey and served as credible third party validation and recognition of our employees' efforts over the years in building up the Yeo's brand.

In December 2015, we won the prestigious Singapore Productivity Award by the Singapore Business Federation. The award was in recognition and an affirmation of our efforts towards raising productivity. More importantly, it served as strong encouragement to our employees to continue to look for newer ways to re-invent ourselves and to further improve our efficiency and productivity. We were also awarded the Food Excellence Safety Platinum Award from Agri-Food and Veterinary Authority of Singapore for achieving Grade "A" status for excellence in food hygiene, sanitation and processing for 20 consecutive years since 1995. These and other awards boost consumer confidence in the quality, safety and reliability of our products. Other accolades for the year included the Golden Jubilee Business Awards by Singapore Business Federation and the Premium Platinum National Award by Malaysian Occupational Safety and Health Professional's Association.

Brand recognition is one of the key drivers for food and beverage players to remain at the forefront of this industry. It also influences consumers' choice. Therefore, it is important that we continuously engage in brand building activities, reinforcing the Yeo's brand in consumers' minds and further solidifying Yeo's position as a well-loved and renowned household brand in many countries.

INVESTING FOR FUTURE GROWTH

Over the next three years, the Group is investing in new plants for future growth and upgrading its existing equipment to achieve better efficiency as well as lower operating costs.

In order to tap the growing potential in Cambodia and expand our sales there, we are building a factory in the Phnom Penh Special Economic Zone, an area with one of the highest number of investors amongst 34 approved special economic zones in Cambodia. The factory will have a gross floor area of approximately 40,529 square metres, with completion expected by end 2016.

As our existing factory in Johor Bahru, Malaysia has been fully utilised, we are planning to build a new factory to cater to the emerging demand in the local and export markets. The new factory will also include a finished goods warehouse which will significantly reduce shuttling cost for inventory movement between the factory and existing warehouses.

We have started on a systemic overhaul of the Group's production facilities. This entails a progressive replacement of critical machinery, equipment and parts that will enhance the Group's overall production resilience and lower risks of major breakdowns and interruptions. It will also extend the useful lives of our operating lines.

We believe that a conducive and innovative workplace can support better organizational communication and enhance employees' productivity, reduce absenteeism and increase retention rates, thereby improving long-term business performance. We started to provide a canteen to our Singapore employees in 2015 and will complete the renovation of our Singapore office in 2016 in order to provide our employees with a conducive and pleasant work environment.

CORPORATE RESPONSIBILITY

In line with the Group's objective to promote environment responsibility and healthy lifestyles, we sponsored a number of environmentally friendly and charitable events that inculcate caring, eco-friendly and healthy living for the community. For example, in the H-TWO-O Champions League that aimed to encourage sports participation for special kids, and the Borneo Post Run 2015, Yeo's products were provided to all participants to promote healthy living. Other event sponsorship included the 30-hour Famine by World Vision to create awareness of global hunger and poverty; and inter-schools mural making competition that encouraged recycling among young students.

When Malaysia was shrouded in thick haze during September and October 2015 – with many people suffering from cough, fever, running nose and dry throat due to the polluted air – the Group distributed 10,000 packets of free chrysanthemum drinks to the public at several high-traffic spots including LRT stations, markets, university and hospitals. This was to help the public alleviate throat itchiness and served as a reminder to the public to take good care of their health amidst the haze.

During the Ramadhan month, the Group launched a campaign involving many Malaysians including the country's celebrities, working together to raise funds to contribute to the welfare of the underprivileged. Money raised was channelled to orphanages, children's homes and centres for the aged.

The Group has grown in tandem with Singapore's development. As a home-grown brand with a strong heritage, we supported and participated in many of the SG50 celebration events including the Promising SME 500 2015 for the Jubilee 50 Enterprise, Spring Singapore for the Singapore Miracle Economic Exhibition, the Singapore Heritage Board Exhibition and the filming for Suria Jalan Jalan that featuring our long serving employees on their SG50 employment journey in Singapore.

MOVING AHEAD

In our next phase of growth, we have developed a three-pronged strategy. The first is to refresh our brand and develop new products to cater to the evolving needs of the consumer. We will continue to reinvent ourselves to stay ahead within a competitive industry.

Secondly, we will expand our food segment by introducing new products as well as venture into the food service market to develop new revenue streams for the Group. Finally, we will forge partnerships with agency brands to provide our consumers with complementary products. These agency partnerships will leverage on our manufacturing capabilities, distribution network and sales strength.

ACKNOWLEDGEMENT AND APPRECIATION

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. Thanks also to our management and employees for their commitment and dedication – they are the cornerstone of the Group's success. Last but not least, I would also like to extend my heartfelt gratitude to our Board members for their wise counsel and contribution to the Group.

KOH BOON HWEE
Chairman

CEO'S STATEMENT
AND OPERATIONS REVIEW

DEAR SHAREHOLDERS,

On behalf of the Board and management team, I would like to share with you our operating results for the financial year 2015 ("FY2015").

FINANCIAL REVIEW & BUSINESS OUTLOOK

Revenue increased by 1.4% or $5.9 million to $443.5 million in FY2015 as compared to $437.6 million in the previous financial year despite the overall challenging business and economic environments.

Gross profit increased by 8.2% or $13.4 million to $177.1 million largely due to higher revenue, improvement in gross margin and lower inventory written off. Net profit increased by 27.2% or $7.9 million as other gains increased alongside gross profit, although these were partially offset by higher marketing and distribution, administrative, and income tax expenses.

Higher marketing and distribution expenses of $1.6 million was incurred in FY2015 resulting from increased selling and distribution activities in correlation to higher sales. Administrative expenses increased to $32.9 million in FY2015 on the back of higher depreciation expenses resulting from new or renovated buildings, technology and employee costs.

The Group's balance sheet remained healthy with cash and cash equivalents of $112.1 million and no borrowings as at 31 December 2015.

BRAND BUILDING

In order to reinforce Yeo's market position in the Asian Drinks segment and to rejuvenate Yeo's brand image, a branding campaign was launched in the second half of 2015. Through branding efforts in past years, the Yeo's brand has grown to be well-accepted by the middle-aged and older generation. It is therefore opportune for us to broaden our brand appeal to extend to the larger population, in particular the younger generation. While retaining our product visual elements and identity, the new refreshed packaging – with its cleaner and sleeker look – embodies modern contemporary elements, making it more endearing to the younger generation. A series of marketing activities created awareness of our new packaging, with visibility across SMRT in-train windows, SMRT Bendy buses, newspapers and social media channels such as Facebook and Youtube. There is also a Yeo's cup song television commercial with the new packaging aired on Mediacorp Channel 8, U, 5 in Singapore, Astro in Malaysia as well as at popular malls and in the central business district.

In 2015, major campaigns rolled out in Malaysia, one of our core markets, starting with Chinese New Year "Fatt Choy Ang Pow" activities to drive off-take. This was a 360-degree advertising campaign that encompassed TV, radio and social media. During the Ramadhan month, we launched "Beramal Bersama Bintang" with celebrity campaign ambassadors like Akim, Atikah, Nad Zainal, Ajak Shiro, AG and Heliza Helmi. This was followed by "I Love Malaysia" campaign in conjunction with Malaysia's National Day celebrations that included consumer promotions and free concerts throughout the country.

The Group has also been consistently investing in brand building in other markets where we have good presence such as Indochina, Indonesia, China, Hong Kong, United States, Australia and Europe.

RAISING PRODUCTIVITY

Innovation has always been a key priority. In order to stay ahead of competition, we continued to explore ways to raise our productivity, innovate and provide value-add to our customers. In this regard, we have upgraded and expanded our Singapore retort canning line that produces non-carbonated Asian flavored drinks.

We have integrated a new Manufacturing Execution System, which is based on SIMATIC PCS 7 Manufacturing Operation Open Platform concept in the automated plant for centralised monitoring and control of the central processing area. Following the upgrade, the retort canning line now has the capability to produce 500 cans per minute. In collaboration with the system integrator, we reduced our software cost by 70%. This system has also resulted in lower manpower cost, with fewer machine operators needed. Through automation, product quality and consistency have improved, while problem tracking response time has reduced from four hours to thirty minutes. Each process sequence now starts automatically according to the recipe management system with the implementation of the Batch Management System. We plan to adopt the same system in our other plants as well as Quality Management System and Energy Management System, where possible.

GROWTH STRATEGIES

As the Group begins a new year, we plan to execute the following growth strategies.

Firstly, we will continue our brand rejuvenation campaign which started last year and also introduce a range of new products. The new refreshed packaging of Yeo's beverages include Chrysanthemum Tea, Soy Bean Milk, Winter Melon Drink, Lychee Drink, Sugar Cane, Iced Tea Lemon and Jasmine Green Tea. Thus far, market acceptance of the new packaging has been encouraging. The successful launch will enable us to tap onto the younger population.

We have and will continue to introduce new products to cater to varied consumer tastes. Some of these products include Hawthorn Juice Drink, Tamarind Juice Drink, Bandung Milk Drink, Oceanic Fruit Drink, and so on. This is in line with our commitment to bring happiness to customers with quality, innovative and premium products.

Secondly, as increased industry competition poses rising challenges, we need to diversify our revenue streams. We plan to build up our business resilience by placing greater emphasis on our food segment with food products extension, and penetrating new food service channels. A series of marketing activities will be initiated to create greater awareness of these food products, some of which we have been selling for some years already.

Lastly, we will continue to work on expanding our range of agency brands and to carry a greater number of complementary products through our distribution network. This will enable us to better serve our customers through a more complete product offering.

CONCLUSION

In light of the challenging business and economic environments, with regional currency volatilities and escalating raw material prices and operating costs, we will remain prudent and focus on building our brand and expanding our product portfolio whilst maintaining profitability. Leveraging on our experienced Board of Directors and management team, established brand name, quality products and good distribution network, we will continue to work hard and manage the Group's businesses cautiously in 2016.

MELVIN TEO
Group Chief Executive Officer

Refresh, Revitalize, Rejuvenate

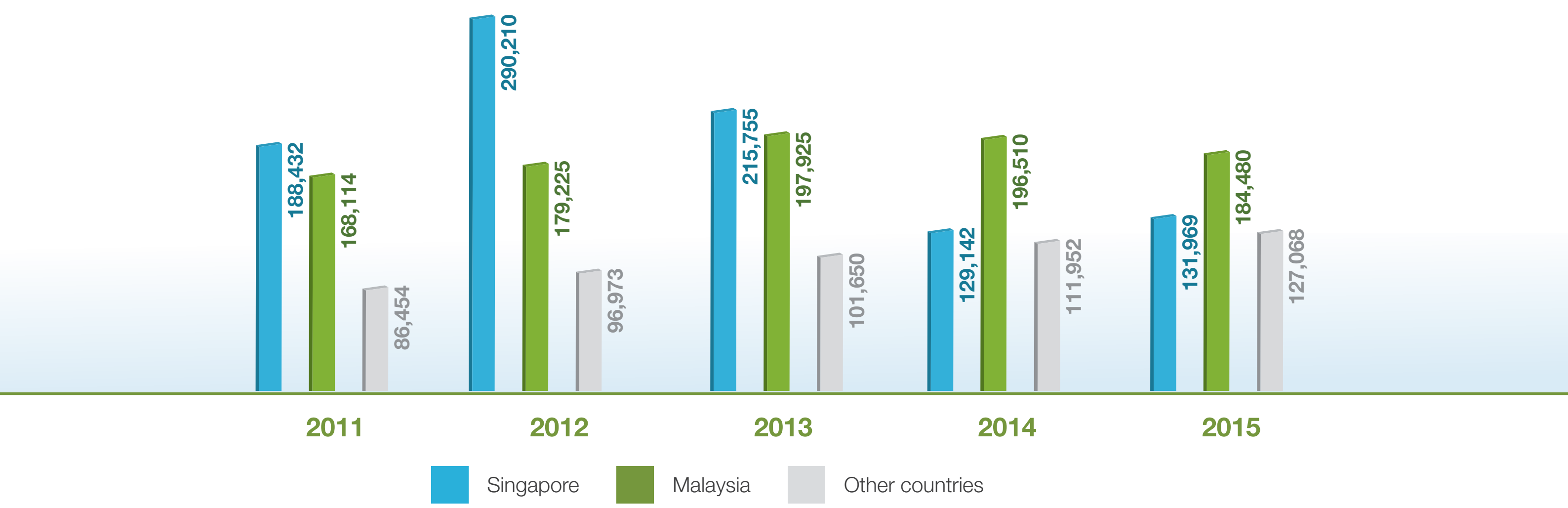
FINANCIAL HIGHLIGHTS

FIVE-YEAR STATISTICAL RECORD OF THE GROUP

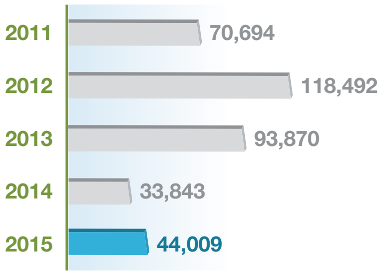
Unit: S$'000	2011	2012	2013	2014	2015
TURNOVER BY GEOGRAPHICAL SEGMENTS					
Singapore	188,432	290,210	215,755	129,142	131,969
Malaysia	168,114	179,225	197,925	196,510	184,480
Other countries	86,454	96,973	101,650	111,952	127,068
TOTAL GROUP TURNOVER	443,000	566,408	515,330	437,604	443,517
Pre-tax profit	70,694	118,492	93,870	33,843	44,009
Net tangible assets*	443,075	660,750	736,464	627,160	598,244

* Figures do not include interests of minority shareholders

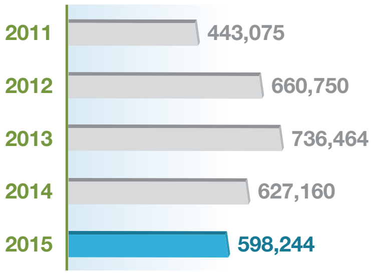
TURNOVER BY GEOGRAPHICAL SEGMENTS



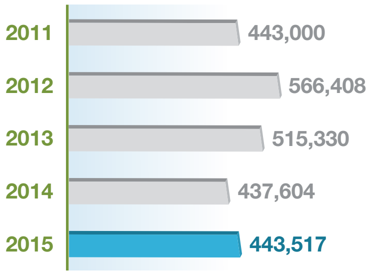
PRE-TAX PROFIT



NET TANGIBLE ASSETS



GROUP TURNOVER




LOVE
the
Feel-Good
Flavours
Yeo's
Hawthorn
山楂汁
Juice Drink
Made from Real Fruits
Net 300 mL
Yeo's
Tamarind
Juice Drink
Net 300 mL
Made from Real Fruit
The Natural Choice
Yeo's
Bandung
Rose Milk Drink
玫瑰露加奶
No Added Preservatives
Net 300 mL
The Natural Choice

MR. KOH BOON HWEE, 65

Chairman

- Chairman of Executive Committee

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

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

Mr. Koh was the Chairman of the Singapore Telecom Group (SingTel) and its predecessor organisations from 1986 to 2001, Chairman of Singapore Airlines Limited from July 2001 to December 2005, Chairman of DBS Group and DBS Bank from January 2006 to April 2010. He also served on the Board of MediaRing Ltd from April 1998 to October 2009 and Board of Temasek Holdings (Private) Limited from November 1996 to September 2010.

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, 76

Deputy Chairman, Lead Independent Director

- Chairman of Nominating Committee
- Member of Audit & Risk Committee
- Member of Remuneration Committee
- Member of Executive 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 24 April 2015.

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

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

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

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

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

PROFILE OF
THE BOARD OF DIRECTORS & MANAGEMENT

MR. MELVIN TEO TZAI WIN, 45

Executive Director & Group Chief Executive Officer

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

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

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

MR. WEE KHENG JIN, 61

Non-independent, Non-executive Director

- Member of Executive Committee

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

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

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

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

MR. CHIN YOKE CHOONG, 64
Independent, Non-executive Director

- Chairman of Audit & Risk Committee

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

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

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

DATO' MOHAMED NIZAM BIN ABDUL RAZAK, 57
Independent, Non-executive Director

- Member of Nominating Committee

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

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

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

PROFILE OF
THE BOARD OF DIRECTORS & MANAGEMENT

MR. NGIAM TONG DOW, 78

Independent, Non-executive Director

- Chairman of Remuneration Committee
- Member of Nominating Committee

Mr. Ngiam Tong Dow has served as an Independent, Non-executive Director on the YHS Board from 18 February 2002. He was re-appointed as a Director of the Company on 24 April 2015.

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

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

DATO' N. SADASIVAN A/L N.N. PILLAY, 76

Independent, Non-executive Director

- 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 24 April 2015.

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

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

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

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

ENCIK RAZMAN HAFIDZ BIN ABU ZARIM, 60

Independent, Non-executive Director

- Member of Remuneration Committee

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

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

In 1989, Encik Razman returned to Malaysia as an Audit Partner of Price Waterhouse ("PW") and later became Partner-in-Charge of PW's Management Consulting Practice. In 1994, he established Norush Sdn Bhd, an investment holding and business advisory firm where he remains as Chairman. Encik Razman was independent and non-executive director of Yeo Hiap Seng (Malaysia) Berhad since 2005 until its privatisation on 11 January 2013.

Encik Razman sits on the boards of several public companies in Malaysia namely Panasonic Manufacturing Malaysia Berhad, Tune Protect Group Berhad (formerly known as Tune Ins Holdings Berhad), Hartalega Holdings Berhad and Linde Malaysia Holdings Berhad.

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

DR. TAN CHIN NAM, 65

Independent, Non-executive Director

- Member of Audit & Risk Committee

Dr. Tan Chin Nam was appointed Independent, Non-executive Director on YHS Board on 11 January 2008. He was last re-elected as a Director of the Company on 25 April 2014.

Dr Tan is the Chairman of Temasek Management Services Pte Ltd and Global Fusion Capital Pte Ltd. His other appointments include serving as Senior Adviser to the Salim Group, Litmus Group Pte Ltd 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.

PROFILE OF
THE BOARD OF DIRECTORS & MANAGEMENT

MR. YAP NG SENG, 59

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, 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 maintaining high standards of corporate governance in order to protect and enhance long-term shareholder value. This Report describes the corporate governance practices and activities for the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2015 with specific references to the principles of the Code of Corporate Governance 2012 (the "Code") and deviation from any guideline of the Code is explained.

BOARD MATTERS

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.

Principal Duties of the Board

The Company subscribes to the principle 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 responsibilities 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 of internal controls (including financial, operational and compliance) and the risk management framework;

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

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

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

vii. assuming responsibility for corporate governance.

Board Approval

Board approval is required for 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.

REPORT ON
CORPORATE GOVERNANCE

Delegation by the Board

The Board is accountable to shareholders while management is accountable to the Board. Each Director is expected to act in good faith and in the best interests of the Company at all times in the exercise of his duties and powers. These functions 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. During the financial year under review, the Audit Committee was renamed to Audit & Risk Committee. This better reflects the current duties and functions of this Board committee which include assisting the Board to oversee risk management of the Company and its subsidiaries. The "Corporate Information" section of the Annual Report sets out the composition of the Board of Directors and Board committees. Further details of the scope and functions of the various committees are provided in the later part of this Report.

Board Meetings 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 participation at Board meetings is allowed under the Constitution of the Company ("Constitution"). *Ad hoc* Board meetings 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, Audit & Risk Committee ("ARC"), Nominating Committee ("NC") and Remuneration Committee ("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												
Tjong Yik Min	M	2	2	-	-	-	-	-	-	-	-	-
Melvin Teo Tzai Win	M	4	4	-	-	-	-	-	-	-	-	-
Non-executive Director												
Koh Boon Hwee	C	4	4	-	-	-	-	-	-	-	-	-
S. Chandra Das	DC	4	4	M	4	4	C	1	1	M	2	2
Wee Kheng Jin	M	4	4	-	-	-	-	-	-	-	-	-
Chang See Hiang	M	2	1	-	-	-	M	1	-	-	-	-
Chin Yoke Choong	M	4	4	M	4	4	-	-	-	-	-	-
Dato' Mohamed Nizam bin Abdul Razak	M	4	4	-	-	-	M	1	1	-	-	-
Ngiam Tong Dow	M	4	4	C	4	4	M	1	1	-	-	-
Dato' N. Sadasivan a/l N.N. Pillay	M	4	3	-	-	-	-	-	-	M	2	1
Razman Hafidz bin Abu Zarim	M	4	4	M	4	4	-	-	-	-	-	-
Tan Chin Nam	M	4	4	-	-	-	-	-	-	C	2	2

Annotations:

A : Position held as at 31 December 2015 either as Chairman (C), Deputy Chairman (DC) or Member (M)

B : Number of meetings held during the financial year from 1 January 2015 to 31 December 2015

C : Number of meetings attended during the financial year/period from 1 January 2015 to 31 December 2015 (or date of retirement, where applicable)

Board Orientation and Training

A formal letter of appointment is provided to a new Director upon his appointment, setting out the Director's duties and obligations. Newly appointed Directors are briefed on the Group's businesses and governance practices by the 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 programme 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.

During the financial year under review, apart from the external training programmes attended by the respective Directors of their own accord, the Company also organised in-house seminars on a regular basis to keep Directors abreast with the developments in the market place and to assist them in the discharge of their roles as Directors.

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 2015, the Board comprises ten members, of whom seven are independent and three are non-independent. Except for the Group CEO, all other directors are non-executive. A description of the background of each Director is provided in the "Profile of the Board of Directors & Management" section of the Annual Report.

The Board has adopted the definition in the Code of what constitutes an independent Director in its review of the independence of each Director. The provisions of the Code require the Board to review annually (and as and when circumstances require) the independence of the independent Directors, and 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 Board has, upon the recommendation of the NC, reviewed and affirmed the independence of the following independent Directors, each of whom has served less than nine years as independent Directors:

i. Dato' Mohamed Nizam bin Abdul Razak[2] ;
ii. Dato' N. Sadasivan a/l N.N. Pillay[2];
iii. Encik Razman Hafidz bin Abu Zarim[2]; and
iv. Dr. Tan Chin Nam[2].

(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.

(2) Independent Director since date of appointment to the Board.

REPORT ON CORPORATE GOVERNANCE

The Board has rigorously reviewed the independence of Mr. S. Chandra Das, Mr. Chin Yoke Choong and Mr. Ngiam Tong Dow, each of whom has served as independent Directors for more than nine years. 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 Board has determined that Mr. S. Chandra Das, Mr. Chin Yoke Choong and Mr. Ngiam Tong Dow are independent as they have continued to demonstrate independence in character and judgement in the discharge of their responsibilities as Directors and that there are no relationships or circumstances which affect or are likely to affect their judgement and ability to discharge their responsibilities as independent Directors.

Board Size and Composition

The size and composition of the Board are reviewed annually by the NC, which seeks to ensure that the size of the Board is conducive to effective discussion and decision making, and that the Board has an appropriate number of independent Directors. During the financial year, Mr. Tjong Yik Min and Mr. Chang See Hiang retired from office, and Mr. Melvin Teo Tzai Win joined the Board and was appointed Group CEO. The background and qualifications of Mr. Melvin Teo are set out in the "Profile of the Board of Directors & Management" section of this Annual Report.

Taking into account the size and geographical spread of the Group's businesses, the Board considers the current Board size as appropriate. The current Board comprises members who as a group provide core competencies necessary to meet the Group's needs. These competences include accounting and finance, banking, business acumen, industry knowledge and management experience.

Meeting of Directors without Management

As and when warranted, the Board sets aside time to meet without the presence of the executive Director and management at Board meetings. 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.

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 the management and the Company Secretary, sets the agenda for Board meetings and ensures that Board members are provided with adequate and timely information. As a general rule, Board papers are sent to Directors at least three days in advance in order for Directors to be adequately prepared for the meeting. Key management staff who have prepared the papers, or who can provide additional insights into the matters to be discussed are invited to present the paper during the Board meetings.

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

The Board is of the view that the Company has effective independent non-executive Directors to provide balance within the workings of the Board and oversight for minority shareholders' interests. In addition, Mr. S. Chandra Das acts as the lead independent non-executive Director. Mr. Das is Chairman of the NC. Shareholders with concerns may contact him 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. The lead independent Director will lead meetings of the independent Directors without the presence of the Chairman and non-independent Directors as and when warranted.

Board Membership

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

Continuous Board Renewal

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

NC Composition & Role

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

The principal roles of the NC are:

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

ii. evaluating the performance of the Board and the contribution of each Director;

iii. re-nominating Directors and determining the independence of Directors;

iv. reviewing training and professional development programs for the Board; and

v. identifying candidates and reviewing all nominations for the appointment or re-appointment of members of the Board of Directors and the members of the various Board committees for the purpose of proposing such nominations to the Board for its approval.

At each AGM, one third of the Directors, including the 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.

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 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.

The NC is satisfied that all Directors on the Board are seasoned professionals with extensive management, financial, accounting, banking, investment and commercial backgrounds, who are capable of acting responsibly and are able to properly serve on the Board and any of the Board committees to which such Directors are appointed despite competing commitments and demands on their time. The Board has accordingly not set a maximum number of other company directorships which a Director may concurrently hold.

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

The NC has put in place a formal Board evaluation process. Directors were requested to complete evaluation questionnaires which assess the effectiveness of the Board and the Chairman of the Board. The questionnaire included 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. The results of the performance evaluation are presented first to the Chairman and then to the Board. The Board would act on the results 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.

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.

Complete, Adequate and Timely Information

Board members are provided with management information including country performance, budgets, 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.

Company Secretary

Board members have separate and independent access to the Company's senior management and the Company Secretary, and *vice versa*. 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. Where queries made by the Directors are channelled through the Company Secretary, the Company Secretary ensures that such queries are answered promptly by management. The appointment and removal of the Company Secretary is a Board reserved matter.

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

The RC comprises three independent non-executive Directors, namely, Dr. Tan Chin Nam (Chairman of RC), Mr. S. Chandra Das and Dato' N. Sadasivan a/l N.N. Pillay. 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. If the RC requires external professional advice, such professionals would 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.

The RC's principal functions include:

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 CEO's remuneration packages; and

iv. approving share incentives and share ownership for staff.

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

Level and Mix of Remuneration

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

The 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 for staff based on a tiered bonus pool which is determined by the achievement of certain key financial and operational performance indicators that have been approved by the RC and the Board at the beginning of the year;

ii. a medium-term performance bonus plan for key management personnel based on a tiered bonus pool that is pegged to the growth rate in the 3-year weighted moving average of a key financial performance indicator; and

iii. a long-term share-based incentive plan (the YHS Share Incentive Plan) as part of the continuing efforts to reward, retain and motivate key management personnel through equity participation. This plan is administered by the RC. Further information on the YHS Share Incentive Plan can be found in the Directors' Statement in the Annual Report.

The CEO will evaluate *inter alia* the extent to which the above indicators have been achieved based on the Company's performance, the staff's performance as well as the criticality of the function or position, and recommend for the approval of the RC and the Board, the bonus pool quantum for distribution and the share awards to be granted. Share awards released during the financial year under review were reflective of satisfying the conditions set for awards at the time of grant.

Executive Director's Remuneration

The Board has only one executive Director, namely the Group CEO. He does not receive Director's fees.

In setting 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. In addition, the Group CEO has sign-on cash and share awards incentives, subject to certain conditions.

Non-executive Directors' Remuneration

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

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

Fee Structure	Financial Year 2015 $
Chairman (Flat Fee)	350,000
Deputy Chairman & Lead Independent Director (1)	120,000
Non-executive Directors – Basic Fee	55,000
Audit & Risk Committee – Chairman	40,000
Audit & Risk Committee – Member	20,000
Other Committee – Chairman	20,000
Other Committee – Member	12,000
Attendance Fee – Singapore (2)	1,000
Attendance Fee – Overseas (2)	2,000

Annotations:

(1) Inclusive of $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.

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.

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

Non-executive Directors	Directors' Fees [1] $
Koh Boon Hwee	350,000
S. Chandra Das [2]	200,000
Wee Kheng Jin	44,000
Chang See Hiang [3]	50,000
Chin Yoke Choong	64,000
Dato' Mohamed Nizam bin Abdul Razak	49,000
Ngiam Tong Dow	90,000
Dato' N. Sadasivan a/l N.N. Pillay	49,000
Encik Razman Hafidz bin Abu Zarim	63,000
Tan Chin Nam	54,000

Annotations:

(1) Non-executive Directors' fees as shown are on a paid basis, and relates to services rendered in respect of the previous financial year ended 31 December 2014.

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

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

Executive Directors	Total Gross Remuneration $	Fixed Salary [1] %	Variable Bonus [2] %	Benefit-in-kind & Others [3] %
Tjong Yik Min	1,039,240 [4]	46.8	26.2	27.0
Melvin Teo Tzai Win	1,652,417 [5]	41.2	48.4	10.4

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 year ended 31 December 2015.

(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 equalization, car benefits, children's education, club membership and housing rental, where applicable.

(4) This figure includes the award of a Sentosa Golf Club Membership (the "Club Membership") to Mr. Tjong Yik Min upon his retirement on 30 April 2015 as a token of appreciation for his long service in YHS amounting to $230,000. As at 30 April 2015, the fair value of the Club Membership is $230,000 while the original cost is $103,300.

(5) This figure excludes the cash incentive of $800,000 paid to Mr. Melvin Teo Tzai Win in January 2015 and the value of 1,592,032 YHS shares in an award granted to Mr. Teo under the YHS Share Incentive Plan, both of which are part of his sign-on terms with YHS, in order to compensate him for the loss suffered upon the lapsing of share incentives granted during his previous employment amongst other things. Subject to certain conditions, the 1,592,032 awards will vest over three years, with one-third of the total awards vesting in June annually. The first tranche equivalent to 530,677 shares were vested in June 2015. Based on the closing price of the YHS shares on the Singapore Exchange Securities Trading Limited on 31 December 2015 of $1.34 per share, the 530,677 shares vested in June 2015 have a value of approximately $711,107.

REPORT ON
CORPORATE GOVERNANCE

During the financial year, a Group Management Committee ("GMC") comprising key management personnel was formed to assist the Group CEO to manage the businesses 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 GMC members as at 31 December 2015 are as follows:

Key Management Personnel	Designation	Remuneration Band $	Fixed Salary (1) %	Variable Bonus (2) %	Benefits-in-kind & Others (3) %	Long-term Incentives (4) %
Yap Ng Seng	Deputy Chief Executive Officer	1,000,000 to 1,249,999	71.1	20.2	8.7	Nil
Sueann Lim	Executive Vice President, Research & Development, Quality Assurance	750,000 to 1,000,000	47.3	15.1	8.6	29.0
Joanne Lim	Group Vice President, Corporate Affairs and Company Secretary	500,000 to 749,999	40.4	14.1	7.6	37.9
Ong Chay Seng	Group Vice President, Malaysia & Indonesia	250,000 to 499,999	47.2	16.3	9.5	27.0
Ronnie Chung	Senior Vice President, Indochina, South & East Asia, Africa & Pacific Islands	500,000 to 749,999	40.5	16.1	5.8	37.6
Cyndi Pei	First Vice President, Group Finance and Group Financial Controller	250,000 to 499,999	52.9	12.3	8.2	26.6

The aggregate remuneration paid/payable to the above GMC members in the financial year under review was $4,218,550.

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 year ended 31 December 2015.

(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 equalization, car benefits, children's education, club membership and housing rental, where applicable.

(4) Long-term incentives refers to awards of shares in YHS. The share-based remuneration is the fair value of the awards based on the market price per share at grant date and recognized over the vesting period.

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.

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

ACCOUNTABILITY AND AUDIT

Accountability

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

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

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.

During the financial year under review, the Company has procured undertakings from all its Directors and executive officers required under Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Ltd ("SGX-ST").

Risk Management and Internal Controls

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

The Board is primarily responsible for the governance of risk.

The Company's internal auditor reviews the implementation of the policies and procedures adopted and reports its 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 its attention during the conduct of its normal audit procedures, which are designed primarily to enable it to express its opinion on the financial statements. Any material internal control weaknesses, identified during its audit and its recommendations, are reported to the ARC.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management and various Board Committees, the Board, with the concurrence of the ARC, is of the opinion that the Group's internal controls and risk management systems were adequate and effective as at 31 December 2015 to address financial, operational, compliance and information technology risks, which the Group considers relevant and material to its operations. The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, misstatement, poor judgement in decision-making, human error, losses, fraud or other irregularities.

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

The main operational risks 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 over-stocking and potential write-offs should there be a sudden change in market condition. The management constantly monitors production, inventory holding and sales to reduce the risk of over-stocking;

iii. risk of ineffective advertising & promotion and selling expenses being incurred which do not generate the expected sales and profits. The management constantly monitors major advertising & 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. risk of disruptions to supplies, brand equity and cash flow arising from the set-up, rationalisation and relocation of factories within the Group. The Group sets up dedicated task force to plan, monitor and track the implementation of all such projects. Where necessary, the Group will engage third-party professional advisors to support project team members;

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. disruptions to business due to failure of MIS system. The Group has an off-site recovery centre, a MIS recovery plan and manual back-up procedures;

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

ix. risk of financial loss to the Group as a result of management taking excessive risks or embarking on short-term programmes that may have negative impact in the long-term. The Group has compensation scheme that contains both financial and operational KPIs in order to encourage and reward performance without undue risks. The scheme also provides both short-term and medium-term bonus to encourage the management to balance the short-term initiatives with medium-term plans; and

x. as the Group expands overseas, there will be country risks. All such ventures are tabled before the Board for deliberation and decision, taking into consideration the risk and rewards of the venture, and the risk appetite of the Group as a whole.

For the financial year under review, the Group CEO and the Group Financial Controller have provided assurance to the Board that the financial records have been properly maintained, the financial statements give a true and fair view of the Group's operation and finances and the Group's risk management and internal control systems are effective.

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.

Composition of the ARC

The ARC comprises four non-executive Directors, namely, Mr. Ngiam Tong Dow (Chairman of ARC), Mr. S. Chandra Das, Mr. Chin Yoke Choong and Encik Razman Hafidz bin Abu Zarim. All four members are independent Directors. 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.

Authority and Duties 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 its cost effectiveness, and their remuneration and engagement terms;

vii. assisting the Board in the oversight of risk management including reviewing and recommending to the Board on an annual basis the type and level of business risks that YHS should undertake to achieve its business objectives, the appropriate framework and policies for managing risks that are consistent with YHS's risk appetite, recommendation on a set of risk tolerance levels for YHS'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 SGX-ST Listing Manual;

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 the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore and Singapore Exchange Limited, 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 reviewing the annual financial statements, the ARC discussed with the external auditors the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements as well as key audit matters which in their judgement were of high significance. 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 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 Company.

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

The ARC reviews the independence and objectivity of the external auditors through discussions with them as well as an annual review of the volume and nature of non-audit services provided by the external auditors. The ARC is satisfied with the independence and objectivity of the external auditors.

The fees paid to the Group's external auditors are as disclosed in the table below:

External Auditor's Fees for FY2015	$'000	% of Total Fees
Audit Fees	637	68
Non-audit Fees	296	32
Total Fees	933	100

The Company has complied with SGX-ST 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 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.

Internal Audit

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

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 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.

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.

The Company strives for timeliness and transparency in its disclosures to shareholders and the public.

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.

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. Such inquiries are handled by management staff and/or the Group CEO with the assistance of an external investor relations firm. Information on the Company and its businesses is also made available on the Company's website: www.yeos.com.sg. The Company does not practise selective disclosure. 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.

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.

Shareholders are informed of shareholders' meetings through published notices and reports or circulars sent to all shareholders. Notice of the meeting is also advertised in a daily English language newspaper circulating generally in Singapore. The procedures for all shareholders' meetings provide shareholders the opportunity to air their views and ask questions relating to each resolution before putting the resolution to the vote. 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.

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

The Company Secretary prepares the minutes of shareholders' meetings which include substantial 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.

The Constitution allows a member of the Company to appoint up to two proxies to attend and vote in place of the member. The Company also allows investors, who hold shares through nominees to attend shareholders' meetings as observers without being constrained by the two-proxy rule. However, 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, notwithstanding the two-proxy limitation in the Constitution.

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.

For greater transparency in voting process, the Company will implement electronic poll voting at the forthcoming AGM and at all general meetings of shareholders in future. The voting results of all votes cast for or against each resolution will be made available at the meeting and subsequently be announced to the SGX-ST after the meeting.

CODE OF BUSINESS ETHICS

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

DEALINGS IN SECURITIES

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

MATERIAL CONTRACTS

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

INTERESTED PERSON TRANSACTIONS

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 2015 $'000	2014 $'000
Related parties privately held by the shareholders of the Company's ultimate holding company		
Sale of goods and services	94	119
Sino Land Company Limited Group, a shareholder of the Company		
Rental expense paid/payable	(189)	-

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Koh Boon Hwee
Chairman

Mr. S. Chandra Das
Deputy Chairman & Lead Independent Director

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

Mr. Wee Kheng Jin
Non-executive Director

Mr. Chin Yoke Choong
Independent & Non-executive Director

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

Mr. Ngiam Tong Dow
Independent & Non-executive Director

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

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

Dr. Tan Chin Nam
Independent & Non-executive Director

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

Dr. Tan Chin Nam
Member

NOMINATING COMMITTEE

Mr. S. Chandra Das
Chairman

Mr. Ngiam Tong Dow
Member

Dato' Mohamed Nizam bin Abdul Razak
Member

REMUNERATION COMMITTEE

Mr. Ngiam Tong Dow
Chairman

Mr. S. Chandra Das
Member

Encik Razman Hafidz bin Abu Zarim
Member

EXECUTIVE COMMITTEE

Mr. Koh Boon Hwee
Chairman

Mr. S. Chandra Das
Member

Mr. Wee Kheng Jin
Member

REGISTERED OFFICE

3 Senoko Way
Singapore 758057

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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 AUDITOR

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

Partner-in-charge:
Mr. Jeya Poh Wan Suppiah
Appointment: 2014

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DIRECTORS' STATEMENT

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the balance sheet of the Company as at 31 December 2015.

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 39 to 107 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 2015 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

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

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

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

	Holdings registered in name of director or nominee	
	At 31.12.2015	**At 1.1.2015**
Yeo Hiap Seng Limited		
(Number of ordinary shares)		
Melvin Teo Tzai Win	**530,667**	–

Directors' interests in shares or debentures (continued)

(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 31.12.2015	**At 1.1.2015**
Melvin Teo Tzai Win	**1,061,355**	–

(c) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2016 were the same as those as at 31 December 2015.

Share incentive plan

YHS Share Incentive Plan

The YHS Share Incentive Plan (the "Plan") was approved and adopted by the members of the Company at an Extraordinary General Meeting held on 26 April 2010. The Remuneration Committee has been designated as the committee ("Committee") responsible for the administration of the Plan. The Committee comprises Mr. S. Chandra Das, Dato' N. Sadasivan a/l N.N. Pillay and Dr. Tan Chin Nam.

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

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

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

Share incentive plan (continued)

YHS Share Incentive Plan (continued)

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 2015. 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	**2015**	2014
Beginning of financial year	**267,000**	476,000
Granted during the year	**3,416,000**	24,000
Shares issued during the year	**(1,326,000)**	(233,000)
Forfeited during the year	**(4,000)**	–
End of financial year	**2,353,000**	267,000
Weighted average fair value per award based on market price per share at grant date	**$1.73**	$2.54
Weighted average remaining contractual life (days)	**326**	218

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

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

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

Audit and Risk Committee

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

Ngiam Tong Dow (Chairman)
S. Chandra Das
Chin Yoke Choong
Razman Hafidz bin Abu Zarim

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 2015 and the Independent Auditors' Report thereon. The Audit and Risk Committee has full access to management, has discretion to invite any director or executive officer to attend its meetings and is given the resources required for it to discharge its functions.

Audit and Risk Committee (continued)

The Audit and Risk Committee has also reviewed the following:

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

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

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

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

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

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

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

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

Independent auditors

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

On behalf of the directors

MELVIN TEO TZAI WIN
Director

KOH BOON HWEE
Director

22 February 2016

INDEPENDENT AUDITORS' REPORT

To the members of Yeo Hiap Seng Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Yeo Hiap Seng Limited (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 107.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

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.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
22 February 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Revenue	4	**443,517**	437,604
Cost of sales		**(266,408)**	(273,905)
Gross profit		**177,109**	163,699
Other income	5	**6,656**	6,050
Other gains - net	6	**12,425**	6,746
Expenses			
- Marketing and distribution		**(119,867)**	(118,278)
- Administrative		**(32,901)**	(24,886)
- Finance	9	**(78)**	(30)
Share of profit of associated companies		**665**	542
Profit before income tax		**44,009**	33,843
Income tax expense	10	**(7,183)**	(4,892)
Net profit attributable to equity holders of the Company		**36,826**	28,951
Other comprehensive (losses)/income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value losses		**(39,213)**	(99,090)
- Reclassification		**(130)**	(1,978)
Currency translation (losses)/gains arising from consolidation		**(18,965)**	2,651
Other comprehensive losses, net of tax	10	**(58,308)**	(98,417)
Total comprehensive losses attributable to equity holders of the Company		**(21,482)**	(69,466)
Earnings per share attributable to equity holders of the Company (expressed in cents per share)			
- Basic	11	**6.40**	5.04
- Diluted	11	**6.39**	5.04

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

BALANCE SHEETS

As at 31 December 2015

	Note	The Group 2015 $'000	The Group 2014 $'000	The Company 2015 $'000	The Company 2014 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**112,121**	130,821	**57,860**	85,978
Trade and other receivables	13	**72,066**	67,991	**76,361**	60,933
Inventories	14	**68,629**	62,556	**–**	–
Current income tax recoverable	10	**982**	1,534	**–**	–
		253,798	262,902	**134,221**	146,911
Non-current assets					
Available-for-sale financial assets	15	**109,482**	148,971	**105**	530
Loans to subsidiaries	16	**–**	–	**23,046**	152,623
Investments in associated companies	17	**5,170**	5,157	**–**	–
Investments in subsidiaries	18	**–**	–	**442,875**	305,875
Investment properties	19	**113,519**	105,205	**72,500**	75,000
Property, plant and equipment	20	**211,457**	194,505	**1,093**	731
Intangible assets	21	**–**	–	**–**	–
Deferred income tax assets	22	**2,349**	2,651	**–**	–
		441,977	456,489	**539,619**	534,759
Total assets		**695,775**	719,391	**673,840**	681,670
LIABILITIES					
Current liabilities					
Trade and other payables	23	**83,378**	74,412	**162,950**	191,403
Current income tax liabilities	10	**998**	1,043	**179**	209
Borrowings	24	**–**	2,400	**–**	–
		84,376	77,855	**163,129**	191,612
Non-current liabilities					
Borrowings	24	**–**	4,600	**–**	–
Provisions for other liabilities and charges	25	**2,200**	2,494	**–**	–
Deferred income tax liabilities	22	**10,919**	7,248	**354**	88
Other non-current liabilities		**36**	34	**–**	–
		13,155	14,376	**354**	88
Total liabilities		**97,531**	92,231	**163,483**	191,700
NET ASSETS		**598,244**	627,160	**510,357**	489,970
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	26	**221,990**	219,593	**221,990**	219,593
Capital reserve	27	**6,066**	6,066	**–**	–
Other reserves	28	**7,106**	63,791	**2,090**	708
Retained profits		**363,082**	337,710	**286,277**	269,669
Total equity		**598,244**	627,160	**510,357**	489,970

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

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

An analysis of the movements in property revaluation reserve, fair value reserve, foreign currency translation reserve, general reserve and share-based payment 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 2015

		Attributable to equity holders of the Company								
	Note	Share capital $'000	Capital reserve $'000	Property revaluation reserve $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	General reserve $'000	Share-based payment reserve $'000	Retained profits $'000	Total equity $'000
2014										
Beginning of financial year		**219,188**	**6,066**	**18,919**	**218,374**	**(38,239)**	**(37,250)**	**454**	**348,952**	**736,464**
Employee share-based compensation scheme										
- Value of employee services		–	–	–	–	–	–	379	–	379
- Issue of new shares	26	405	–	–	–	–	–	(405)	–	–
Dividends paid	29	–	–	–	–	–	–	–	(40,217)	(40,217)
Transfer to retained profits on realisation		–	–	(14)	–	–	(10)	–	24	–
Total comprehensive losses for the year		–	–	–	(100,578)	2,651	(490)	–	28,951	(69,466)
End of financial year		**219,593**	**6,066**	**18,905**	**117,796**	**(35,588)**	**(37,750)**	**428**	**337,710**	**627,160**

An analysis of the movements in property revaluation reserve, fair value reserve, foreign currency translation reserve, general reserve and share-based payment 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 2015

	The Group	
	2015	2014
	$'000	$'000
Cash flows from operating activities		
Net profit	**36,826**	28,951
Adjustments for:		
- Income tax expense	**7,183**	4,892
- Depreciation of property, plant and equipment	**12,409**	11,181
- Dividend income from available-for-sale financial assets	**(4,037)**	(5,867)
- Share-based payment expense and other employee benefits	**4,290**	379
- Unrealised currency translation differences	**(1,116)**	982
- Property, plant and equipment written-off	**357**	672
- Fair value gains on investment properties - net	**(8,785)**	(5,346)
- Gain on disposal of property, plant and equipment	**(3)**	(259)
- Investment property written-off	**–**	174
- Impairment loss/(Write-back of impairment) on available-for-sale financial assets	**45**	(30)
- Fair value gains on available-for-sale financial assets reclassified from other comprehensive income on disposal	**(130)**	(1,978)
- Fair value gains on financial assets, at fair value through profit or loss	**–**	(45)
- Interest expense	**78**	30
- Interest income	**(658)**	(911)
- Provision for retirement benefits	**291**	265
- Impairment loss on property, plant and equipment	**–**	541
- Share of profit of associated companies	**(665)**	(542)
	46,085	33,089
Change in working capital:		
- Trade and other receivables	**(9,199)**	18,995
- Inventories	**(12,473)**	6,111
- Trade and other payables	**15,015**	(21,467)
Cash generated from operations	**39,428**	36,728
Income tax paid	**(2,308)**	(7,418)
Retirement benefits paid	**(223)**	(144)
Net cash provided by operating activities	**36,897**	29,166

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Note	The Group 2015 $'000	2014 $'000
Cash flows from investing activities			
Dividends received from available-for-sale financial assets		**4,037**	5,867
Dividends received from an associated company		**–**	751
Proceeds from disposal of property, plant and equipment		**83**	321
Proceeds from disposal of available-for-sale financial assets		**–**	2,340
Proceeds from disposal of financial assets, at fair value through profit or loss		**–**	3,900
Purchases of property, plant and equipment		**(41,708)**	(48,701)
Deposits paid for property, plant and equipment		**(96)**	–
Construction of investment properties		**–**	(2,242)
Purchases of financial assets, at fair value through profit or loss		**–**	(3,841)
Interest received		**658**	911
Net cash used in investing activities		**(37,026)**	(40,694)
Cash flows from financing activities			
Dividends paid		**(11,493)**	(40,217)
Interest paid		**(78)**	(30)
Repayments of borrowings		**(7,000)**	(7,036)
Net cash used in financing activities		**(18,571)**	(47,283)
Net decrease in cash and cash equivalents		**(18,700)**	(58,811)
Cash and cash equivalents at beginning of financial year		**130,821**	189,632
Cash and cash equivalents at end of financial year	12	**112,121**	130,821

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

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

1. General information

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

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

2. Significant accounting policies

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, 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 and beverage products

Revenue from sale of goods is recognised when the Group has delivered the products to the customers and the customers have accepted the products.

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(b) Revenue from sale of development properties

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

(c) Dividend income

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

(d) Royalty fees

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

(e) Interest income

Interest income is recognised using the effective interest method.

(f) Rental income

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

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

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

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

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.

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 2.7 for the accounting policy on goodwill.

(iii) Disposals

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

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

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

(b) Transactions with non-controlling interests

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

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(c) Associated companies

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

(i) Acquisitions

Investments in associated companies 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 represents the excess of the cost of acquisition of the associated company over the Group's share of fair value of the identifiable net assets of the associated company 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' 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. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interests in the associated company, 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.

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

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. 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 is lost, and its fair value and any proceeds on partial disposal is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associated companies in which significant influence is retained are recognised in profit or loss.

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

2. Significant accounting policies (continued)

2.4 Property, plant and equipment

(a) Measurement

(i) Land and buildings

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

(ii) Other property, plant and equipment

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

(iii) Components of costs

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

(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.

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(c) Subsequent expenditure

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

(d) Disposal

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

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

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

2.5 Development properties

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

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

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

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

2.6 Investment properties

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

2. Significant accounting policies (continued)

2.6 Investment properties (continued)

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.

2.7 Goodwill

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over (b) the fair value of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed.

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 and on acquisition of associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share 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 associated companies is included in the carrying amount of the investments.

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

2.8 Investments in subsidiaries and associated companies

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

2.9 Borrowing costs

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

2. Significant accounting policies (continued)

2.9 Borrowing costs (continued)

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

2.10 Impairment of non-financial assets

(a) Goodwill

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

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 and associated companies

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

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

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

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

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

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

2. Significant accounting policies (continued)

2.11 Financial assets

(a) Classification

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

(b) Recognition and derecognition

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

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

(c) Initial measurement

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

(d) Subsequent measurement

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

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

2. Significant accounting policies (continued)

2.11 Financial assets (continued)

(e) Impairment

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

(i) Loans and receivables

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

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

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

(ii) Available-for-sale financial assets

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

If any 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 as an expense. The impairment losses recognised as an expense on equity securities are not reversed through 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.

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

2.16 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.

2. Significant accounting policies (continued)

2.16 Leases (continued)

(b) Operating leases

(i) When the Group is the lessee

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

(ii) When the Group is the lessor

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

2.17 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. 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.

2.18 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 and associated companies, 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.

2. Significant accounting policies (continued)

2.18 Income taxes (continued)

Deferred income tax is measured:

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

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

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

2.19 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.

2.20 Employee compensation

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

(a) Defined contribution plans

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

(b) Defined benefit plan

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

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. 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.

2. Significant accounting policies (continued)

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

2. Significant accounting policies (continued)

2.21 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 - net".

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

2.22 Segment reporting

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

2.23 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.

2.24 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.

2.25 Dividends to Company's shareholders

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

3. Critical accounting estimates, assumptions and judgements

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

Fair value of investment properties

Investment properties are stated at fair value based on valuations performed by independent professional valuers. The fair values are based on highest-and-best-use basis and certain judgements are required over the valuation techniques and inputs used. The valuation techniques, key inputs and other assumptions are disclosed in Note 19.

At 31 December 2015, the fair value of investment properties amounts to $113,519,000 (2014: $105,205,000).

Classification of advertising and promotion expenses

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

4. Revenue

	The Group	
	2015	2014
	$'000	$'000
Sale of consumer food and beverage products	**439,426**	431,737
Dividend income from available-for-sale financial assets	**4,037**	5,867
Royalty fees	**54**	–
	443,517	437,604

5. Other income

	The Group	
	2015	2014
	$'000	$'000
Interest income	**658**	911
Rental income	**5,998**	5,139
	6,656	6,050

6. Other gains - net

	The Group	
	2015	2014
	$'000	$'000
Other gains		
Fair value gains on available-for-sale financial assets reclassified from other comprehensive income on disposal	**130**	1,978
Fair value gains on investment properties - net (Note 19)	**8,785**	5,346
Gain on disposal of property, plant and equipment	**3**	259
Write-back of impairment on available-for-sale financial assets (Note 15)	**–**	30
Fair value gains on financial assets, at fair value through profit or loss	**–**	45
Currency translation gain - net	**3,193**	–
Other miscellaneous income	**716**	836
	12,827	8,494

6. Other gains - net (continued)

	The Group	
	2015	2014
	$'000	$'000
Other losses		
Currency translation loss - net	**–**	(361)
Impairment loss on property, plant and equipment (Note 20)	**–**	(541)
Property, plant and equipment written-off	**(357)**	(672)
Impairment loss on available-for-sale financial assets (Note 15)	**(45)**	–
Investment property written off (Note 19)	**–**	(174)
	(402)	(1,748)
Other gains - net	**12,425**	6,746

7. Expenses by nature

	The Group	
	2015	2014
	$'000	$'000
Fees on audit services paid/payable to		
- Auditors of the Company	**273**	269
- Other auditors*	**364**	357
Fees on non-audit services paid/payable to		
- Auditors of the Company	**268**	2
- Other auditors*	**28**	12
Depreciation of property, plant and equipment (Note 20)	**12,409**	11,181
Write-down of inventories - net (Note 14)	**2,573**	5,806
Impairment of trade receivables (Note 31(b)(ii))	**315**	50
Employee compensation (Note 8)	**66,811**	52,193
Cost of raw materials and trading goods recognised as expenses (included in cost of sales)	**213,126**	219,124
Advertising and promotion expenses	**39,867**	42,317
Transportation expense	**23,824**	25,319
Rental expense on operating leases	**8,754**	9,826
Utilities expense	**14,575**	13,858
Repairs and maintenance expenses	**10,069**	10,530

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

8. Employee compensation

	The Group	
	2015	2014
	$'000	$'000
Wages and salaries	**51,617**	43,219
Employer's contribution to defined contribution plans including Central Provident Fund	**4,985**	4,111
Share-based payment expense (Note 28(b)(v))	**4,059**	379
Retirement benefits costs (Note 25)	**291**	265
Other short-term employee benefits	**5,859**	4,219
	66,811	52,193

9. Finance expenses

	The Group	
	2015	2014
	$'000	$'000
Interest expense on bank borrowings	**78**	30

10. Income taxes

(a) Income tax expense

	The Group	
	2015	2014
	$'000	$'000
Tax expense attributable to profit is made up of:		
Current income tax		
- Singapore	**591**	924
- Foreign	**2,918**	2,232
	3,509	3,156
Deferred income tax	**4,050**	1,736
	7,559	4,892
(Over)/Under provision in prior financial years		
- Current income tax	**(707)**	–
- Deferred income tax	**331**	–
	7,183	4,892

10. Income taxes (continued)

(a) Income tax expense (continued)

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

	The Group	
	2015	2014
	$'000	$'000
Profit before income tax	**44,009**	33,843
Share of profit of associated companies, net of tax	**(665)**	(542)
Profit before tax and share of profit of associated companies	**43,344**	33,301
Tax calculated at tax rate of 17% (2014: 17%)	**7,368**	5,661
Effects of:		
- Different tax rates in other countries	**2,400**	1,646
- Income not subject to tax	**(2,708)**	(2,712)
- Expenses not deductible for tax purposes	**2,113**	1,536
- Tax incentives	**(857)**	(101)
- Utilisation of previously unrecognised tax benefits	**(440)**	(1,510)
- Deferred income tax assets not recognised	**386**	372
- Recognition of previously unrecognised tax losses	**(703)**	–
- Over provision in prior financial years - net	**(376)**	–
Tax charge	**7,183**	4,892

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

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(491)**	3,779	**209**	238
Currency translation differences	**13**	(8)	**–**	–
Income tax paid	**(2,308)**	(7,418)	**(300)**	(500)
Tax expense	**3,509**	3,156	**262**	455
(Over)/Under provision in prior financial years	**(707)**	–	**8**	16
End of financial year	**16**	(491)	**179**	209
Representing:				
Current income tax recoverable	**(982)**	(1,534)	**–**	–
Current income tax liabilities	**998**	1,043	**179**	209
	16	(491)	**179**	209

10. Income taxes (continued)

(c) Income tax expense on other comprehensive losses

The tax charge relating to each component of other comprehensive losses is as follows:

The Group	2015 Before tax $'000	2015 Tax charge $'000	2015 After tax $'000	2014 Before tax $'000	2014 Tax charge $'000	2014 After tax $'000
Available-for-sale financial assets						
- Fair value losses	**(39,213)**	**–**	**(39,213)**	(99,090)	–	(99,090)
- Reclassification	**(130)**	**–**	**(130)**	(1,978)	–	(1,978)
Currency translation (losses)/gains arising from consolidation	**(18,965)**	**–**	**(18,965)**	2,651	–	2,651
Other comprehensive losses	**(58,308)**	**–**	**(58,308)**	(98,417)	–	(98,417)

11. Earnings per share

(a) Basic earnings per share

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

	The Group 2015	The Group 2014
Net profit attributable to equity holders of the Company ($'000)	**36,826**	28,951
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**575,339**	574,534
Basic earnings per share (cents per share)	**6.40**	5.04

(b) Diluted earnings per share

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

11. Earnings per share (continued)

(b) Diluted earnings per share (continued)

The assumed issue price of the shares under the share grant is the fair value of the shares at grant date for non-cash consideration in the form of services rendered by the grantees (mainly employees) to the Group over the vesting periods of one, two and three years in three equal tranches. It is assumed that the Group receives this consideration progressively from the grant date to the vesting date, over which it builds up a share-based payment reserve while recognising the additional employee compensation expense through an amortisation process. At 31 December 2015, 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	
	2015	2014
Net profit attributable to equity holders of the Company ($'000)	**36,826**	28,951
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**575,339**	574,534
Adjustment for share awards ('000)	**919**	206
	576,258	574,740
Diluted earnings per share (cents per share)	**6.39**	5.04

12. Cash and cash equivalents

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**39,954**	51,495	**2,570**	6,652
Fixed deposits with financial institutions	**72,167**	79,326	**55,290**	79,326
	112,121	130,821	**57,860**	85,978

13. Trade and other receivables - current

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Trade receivables				
- Non-related parties	**61,195**	58,969	**–**	–
- Related parties	**16**	32	**–**	–
	61,211	59,001	**–**	–
Less: Allowance for impairment of receivables - non-related parties	**(606)**	(701)	**–**	–
Trade receivables - net	**60,605**	58,300	**–**	–
Other receivables				
- Non-related parties	**8,554**	6,347	**234**	260
- Subsidiaries	**–**	–	**77,308**	61,829
- Associated companies	**6,457**	6,457	**6,457**	6,457
- A related party	**38**	38	**38**	38
	15,049	12,842	**84,037**	68,584
Less: Allowance for impairment of other receivables				
- Subsidiaries	**–**	–	**(1,287)**	(1,287)
- Associated companies	**(6,457)**	(6,457)	**(6,457)**	(6,457)
Other receivables - net	**8,592**	6,385	**76,293**	60,840
Staff loans	**300**	599	**–**	–
Deposits	**1,870**	1,528	**45**	50
Prepayments	**699**	1,179	**23**	43
	72,066	67,991	**76,361**	60,933

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

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

14. Inventories

	The Group	
	2015	2014
	$'000	$'000
Raw materials	**17,543**	17,419
Work-in-progress	**1,159**	899
Finished/Trading goods	**49,927**	44,238
	68,629	62,556

The cost of inventories recognised as an expense and included in "cost of sales" amounts to $266,408,000 (2014: $273,905,000).

During the financial year, the Group wrote down inventories of $2,573,000 (2014: $5,806,000).

15. Available-for-sale financial assets

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**148,971**	250,371	**530**	360
Fair value (losses)/gains recognised in other comprehensive (losses)/ income (Note 28(b)(ii))	**(39,213)**	(99,090)	**(150)**	140
Disposals	**(231)**	(2,340)	**(230)**	–
(Impairment loss)/Write-back of impairment (Note 6)	**(45)**	30	**(45)**	30
End of financial year	**109,482**	148,971	**105**	530

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

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Listed equity securities – Singapore	**109,377**	148,441	**–**	–
Unlisted investments	**105**	530	**105**	530
	109,482	148,971	**105**	530

16. Loans to subsidiaries

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

	The Company	
	2015	2014
	$'000	$'000
Loans to subsidiaries	**25,925**	155,502
Less: Allowance for impairment	**(2,879)**	(2,879)
	23,046	152,623

Movements in allowance for impairment are as follows:

	The Company	
	2015	2014
	$'000	$'000
Beginning of financial year	**2,879**	7,197
Loans written-off	**–**	(4,318)
End of financial year	**2,879**	2,879

On 8 September 2015, loans to a subsidiary, amounting to $138,000,000, were capitalised and the Company received 138,000,000 ordinary shares issued by the subsidiary (Note 18).

Loans to subsidiaries are unsecured, repayable on demand but are not expected to be repaid within the next twelve months. Except for loans to subsidiaries amounting to $10,965,000 (2014: $138,572,000) which bear effective interest rate at 2.51% (2014: 2.16%) per annum, loans to subsidiaries are interest-free.

17. Investments in associated companies

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Equity investments at cost			**199**	199
Less: Allowance for impairment			**(199)**	(199)
			–	–
Beginning of financial year	**5,157**	5,326		
Currency translation differences	**(198)**	40		
Share of profit, net of tax	**665**	542		
Less: Dividend received/receivable	**(454)**	(751)		
End of financial year	**5,170**	5,157		

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	
	2015	2014
	$'000	$'000
- Assets	**52,322**	48,326
- Liabilities	**66,974**	64,361
- Revenue	**211,188**	194,336
- Net profit	**2,552**	2,124

The Group has not recognised its share of losses of associated companies amounting to $2,000 (2014: $2,000) during the year because the Group's cumulative share of unrecognised losses exceeds its interest in the entities and the Group has no obligation in respect of those losses. The cumulative unrecognised losses with respect to the entities amount to $1,935,000 (2014: $2,027,000) at the balance sheet date.

Details of significant associated companies are included in Note 37.

18. Investments in subsidiaries

	The Company	
	2015	2014
	$'000	$'000
Unquoted equity investments at cost less impairment		
- Subsidiaries engaged in property development (Note 18(a))	**125,117**	126,117
- Other subsidiaries (Note 18(b))	**317,758**	179,758
	442,875	305,875

Details of significant subsidiaries are included in Note 37.

18. Investments in subsidiaries (continued)

(a) Subsidiaries engaged in property development

	The Company	
	2015	2014
	$'000	$'000
Equity investments at cost	**126,117**	127,117
Less: Allowance for impairment	**(1,000)**	(1,000)
	125,117	126,117

During the year, a dormant subsidiary with an equity investment of $1,000,000 was liquidated.

(b) Other subsidiaries

	The Company	
	2015	2014
	$'000	$'000
Equity investments at cost	**337,214**	199,214
Less: Allowance for impairment	**(19,456)**	(19,456)
	317,758	179,758

On 8 September 2015, the Company capitalised its loans to a subsidiary amounting to $138,000,000 (Note 16) and received 138,000,000 ordinary shares.

19. Investment properties

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**105,205**	99,727	**75,000**	63,631
Currency translation differences	**(471)**	2,494	**–**	–
Additions	**–**	2,242	**723**	10,140
Written off (Note 6)	**–**	(174)	**–**	–
Transfer to property, plant and equipment (Note 20)	**–**	(4,430)	**–**	–
Net fair value gains/(losses) recognised in profit or loss, under "other gains-net" (Note 6)	**8,785**	5,346	**(3,223)**	1,229
End of financial year	**113,519**	105,205	**72,500**	75,000

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

In 2014, leasehold land and building of a subsidiary with a total carrying amount of $4,430,000 was transferred to property, plant and equipment due to change in use of the property (Note 20).

19. Investment properties (continued)

The following amounts are recognised in profit or loss:

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Rental income	**5,815**	4,960	**2,511**	2,324
Direct operating expenses arising from:				
- investment properties that generate rental income	**(1,380)**	(1,319)	**(2,313)**	(2,161)
- investment properties that do not generate rental income	**(324)**	(300)	**(804)**	(472)

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 20).

Details of investment properties of the Group are as follows:

Location	Description and existing use	Approximate land area (in sq. metres)	Tenure	Carrying amount 2015 $'000	Carrying amount 2014 $'000
United States of America					
745 Epperson Drive City of Industry, California 91748	Office and warehouse	3,408	Freehold	**6,406**	5,341
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	**52,472**	47,688
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	**14,099**	13,370
242, 286, 288 Chigangxi Road; Alley 4, Guitiandong; and Unit 702, No. 186 Dunhe Road, Haizhu District, Guangzhou Guangdong Province	Office, warehouse and apartments	32,685	Leasehold expiring in year 2040 to 2068	**14,984**	11,361

19. Investment properties (continued)

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

Location	Description and existing use	Approximate land area (in sq. metres)	Tenure	Carrying amount 2015 $'000	2014 $'000
Malaysia					
Leong Sin Nam Farm, Jalan Ampang Tambun, Ampang Ipoh, Perak, Malaysia	Farming land	1,048,718	17 lots freehold, 3 lots leasehold expiring in year 2045	**7,664**	7,973
Lot No.2987 & 2988, Jalan Bidor, Teluk Intan, Bidor, Perak, Malaysia	Industrial land	396,875	Leasehold expiring in year 2094	**3,261**	3,601
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	**571**	597
40 1/4 Milepost, Jalan Air Itam – Johor Bahru, Simpang Renggam, Johor, Malaysia	Industrial land	420,209	Interest in perpetuity	**10,029**	11,657
Lot No.30, Jalan Upper Lanang, Sibu, Sarawak, Malaysia	Office and warehouse	6,107	Leasehold expiring in year 2029	**646**	736
Lot 4183, Jalan Kuching, Taman Tunku Industrial Area, Miri, Sarawak, Malaysia	Office and warehouse	8,858	Leasehold expiring in year 2054	**1,169**	1,327
Lot 71, Sedeo Industrial Estate, Phase 2, Jalan Kolombong, Kota Kinabalu, Sabah, Malaysia	Office and warehouse	5,235	Leasehold expiring in year 2034	**1,794**	1,137
Lot 1632, Jalan Kidurong, Kidurong Light Industrial Estate, Bintulu, Sarawak, Malaysia	Industrial land	5,582	Leasehold expiring in year 2058	**424**	417
				113,519	105,205

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.

19. Investment properties (continued)

Fair value hierarchy

Description	Fair value measurements using significant unobservable inputs (Level 3) 2015 $'000	2014 $'000
Recurring fair value measurements		
The Group		
Investment properties:		
- Office and warehouse - United States of America	**6,406**	5,341
- Office and warehouse - Hong Kong	**52,472**	47,688
- Offices, warehouses and apartments - The People's Republic of China	**29,083**	24,731
- Offices and warehouses - Malaysia	**4,180**	3,797
- Industrial and farming land - Malaysia	**21,378**	23,648
	113,519	105,205
The Company		
Investment properties:		
- Office, factory and warehouses - Singapore	**72,500**	75,000

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 2015 and 2014.

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 2015 $'000	Fair Value 2014 $'000	Valuation technique
The Group			
Office and warehouse - United States of America	**6,406**	5,341	Adjusted sales comparison approach
Office and warehouse - Hong Kong	**52,472**	47,688	Adjusted sales comparison approach
Offices, warehouses and apartments - The People's Republic of China	**29,083**	24,731	Income capitalisation approach and depreciated replacement cost method
Offices and warehouses - Malaysia	**4,180**	3,797	Depreciated replacement cost method
Industrial and farming land - Malaysia	**21,378**	23,648	Sales comparison approach

19. Investment properties (continued)

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

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

Description	Fair Value 2015 $'000	Fair Value 2014 $'000	Valuation technique
The Company			
Office, factory and warehouses - Singapore	**72,500**	75,000	Adjusted sales comparison approach

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

Adjusted sales comparison approach or sales comparison approach

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

Income capitalisation approach

Under this approach, the estimated net income on a fully leased property is capitalised over the remaining term of the lease from the valuation date at an appropriate investment yield. 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 $64 (2014: $59) per square metre. Capitalisation rate, estimated at 6.0% to 9.5% (2014: 6.0% to 9.5%), is the rate of return on the property considering market conditions on the valuation date and the profile of the property. The estimated market rental rate per square metre and capitalisation rate would have a direct and an inverse effect on the fair value of the property respectively.

Depreciated replacement cost method

The key unobservable inputs of this method are construction cost per square metre and where applicable, estimated cost to complete per square metre. Construction cost and estimated cost to complete are estimated by the valuer based on market construction rates for similar properties as at the date of valuation and/or the Group's recent construction contract costs. 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.

20. Property, plant and equipment

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

20. Property, plant and equipment (continued)

	Freehold land and buildings $'000	Leasehold land and buildings $'000	Plant and machinery, furniture and fittings $'000	Computer equipment and software costs $'000	Motor vehicles and trucks $'000	Construction-in-progress $'000	Total $'000
The Group							
2014							
Cost							
Beginning of financial year	21,241	107,671	143,546	9,709	3,306	20,324	305,797
Currency translation differences	(147)	(347)	(879)	(34)	26	(88)	(1,469)
Additions	14,845	8,191	7,549	558	364	17,194	48,701
Disposals	–	–	(8,709)	(486)	(412)	–	(9,607)
Transfer from investment properties (Note 19)	–	4,430	–	–	–	–	4,430
Reclassification/Transfer	98	13,081	4,108	30	–	(17,317)	–
End of financial year	36,037	133,026	145,615	9,777	3,284	20,113	347,852
Accumulated depreciation							
Beginning of financial year	4,770	28,546	79,284	7,603	1,660	–	121,863
Currency translation differences	44	(232)	(444)	(19)	12	–	(639)
Disposals	–	–	(5,520)	(480)	(412)	–	(6,412)
Depreciation charge (Note 7)	543	2,044	7,436	817	341	–	11,181
End of financial year	5,357	30,358	80,756	7,921	1,601	–	125,993
Cost less accumulated depreciation at end of financial year	30,680	102,668	64,859	1,856	1,683	20,113	221,859
Accumulated impairment losses							
Beginning of financial year	103	21,738	7,388	–	–	–	29,229
Currency translation differences	(1)	(25)	71	–	–	–	45
Impairment charge (Note 6)	–	–	541	–	–	–	541
Disposals	–	–	(2,461)	–	–	–	(2,461)
End of financial year	102	21,713	5,539	–	–	–	27,354
Net book value at end of financial year	30,578	80,955	59,320	1,856	1,683	20,113	194,505

20. Property, plant and equipment (continued)

	Plant and machinery, furniture and fittings $'000	Computer equipment and software costs $'000	Total $'000
The Company			
2015			
Cost			
Beginning of financial year	1,322	110	1,432
Additions	489	–	489
Disposals	–	(4)	(4)
End of financial year	1,811	106	1,917
Accumulated depreciation			
Beginning of financial year	327	104	431
Disposals	–	(4)	(4)
Depreciation charge	124	3	127
End of financial year	451	103	554
Cost less accumulated depreciation at end of financial year	1,360	3	1,363
Accumulated impairment losses			
Beginning and end of financial year	270	–	270
Net book value at end of financial year	**1,090**	**3**	**1,093**
2014			
Cost			
Beginning of financial year	1,263	105	1,368
Additions	59	5	64
End of financial year	1,322	110	1,432
Accumulated depreciation			
Beginning of financial year	234	101	335
Depreciation charge	93	3	96
End of financial year	327	104	431
Cost less accumulated depreciation at end of financial year	995	6	1,001
Accumulated impairment losses			
Beginning and end of financial year	270	–	270
Net book value at end of financial year	725	6	731

20. 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 2015 $'000	Carrying amount 2014 $'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	**47,507**	45,399
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	**6,984**	6,639
Indonesia					
111, 122, 123, 124, 125, 126, 129, 134, 135 & 137/MS (2014: 122, 123, 126, 129, 135 & 137/MS) Ciampel District, Karawang Regency, West Java Province	Industrial land for factory use	146,809	30 years lease perpetually renewable at a nominal cost	**25,560**	14,687
United States of America					
755 Epperson Drive City of Industry, California 91748	Office and warehouse	4,068	Freehold	**702**	730
The People's Republic of China					
1 Southwest Street, Sanshui District, Foshan, Guangdong	Factory and trading depot	25,308	Leasehold expiring in year 2063	**9,523**	7,716
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	**136**	168
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	**1,075**	627
Lot No.1427, Jalan Jelapang, Jelapang Industrial Area, Ipoh, Perak, Malaysia	Factory and trading depot	6,039	Leasehold expiring in year 2894		

20. 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 2015 $'000	2014 $'000
Malaysia (continued)					
No. 7 Jalan Tandang, Petaling Jaya, Selangor, Malaysia	Office, factory and trading depot	11,635	Leasehold expiring in year 2058	**1,064**	1,169
No.121 & 191, Jalan Utas, Shah Alam, Selangor, Malaysia	Factory and trading depot	39,775	Leasehold expiring in year 2074 and 2073 respectively	**7,235**	7,948
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	**2,147**	2,460
Lot 2050, Jalan Bintawa, Pending Industrial Estate, Kuching, Sarawak, Malaysia	Factory and trading depot	13,804	Leasehold expiring in year 2027	**59**	74
Lot No. 1347 & 1348 Jalan Swasta, Pending Industrial Estate, Kuching, Sarawak, Malaysia	Industrial building and land	29,368	Leasehold expiring in year 2027	**572**	742
PLO 247, Jalan Gangsa, Pasir Gudang Industrial Estate, Johor, Malaysia	Industrial building and land	24,232	Leasehold expiring in year 2050	**5,334**	6,234
Lot 764, Mukim Bukit Raja, Shah Tempat Padang Jawa, Daerah Petaling, Malaysia	Office and warehouse	17,630	Freehold	**10,762**	12,701
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	**3,489**	4,239[1]
				122,149	111,533

Legend:
(1) Transferred from investment properties during 2014

21. Intangible assets

Goodwill arising on consolidation

	The Group	
	2015	2014
	$'000	$'000
Cost		
Beginning and end of financial year	**5,361**	5,361
Accumulated impairment		
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.

22. 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	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Deferred income tax assets	**(2,349)**	(2,651)	**–**	–
Deferred income tax liabilities	**10,919**	7,248	**354**	88
	8,570	4,597	**354**	88

22. Deferred income taxes (continued)

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 $'000	Fair value gains-net $'000	Total $'000
The Group			
2015			
Beginning of financial year	**7,861**	**1,710**	**9,571**
Currency translation differences	**(798)**	**101**	**(697)**
Charged to profit or loss	**1,634**	**1,345**	**2,979**
End of financial year	**8,697**	**3,156**	**11,853**
2014			
Beginning of financial year	6,685	1,564	8,249
Currency translation differences	(32)	69	37
Charged to profit or loss	1,208	77	1,285
End of financial year	7,861	1,710	9,571

Deferred income tax assets

	Unutilised capital allowances and tax losses $'000	Provisions $'000	Total $'000
The Group			
2015			
Beginning of financial year	**(3,862)**	**(1,112)**	**(4,974)**
Currency translation differences	**120**	**169**	**289**
Charged/(Credited) to profit or loss	**1,556**	**(154)**	**1,402**
End of financial year	**(2,186)**	**(1,097)**	**(3,283)**
2014			
Beginning of financial year	(2,858)	(2,579)	(5,437)
Currency translation differences	8	4	12
(Credited)/Charged to profit or loss	(1,012)	1,463	451
End of financial year	(3,862)	(1,112)	(4,974)

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

22. Deferred income taxes (continued)

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 $13,672,000 (2014: $20,644,000) and unrecognised capital allowances of $1,047,000 (2014: $604,000) 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. $6,086,000 tax losses will expire between 2018 and 2020 (2014: $8,555,000 tax losses will expire between 2015 and 2019) and $7,586,000 (2014: $12,089,000) tax losses do not have expiry date.

Deferred income tax liabilities of $4,372,000 (2014: $4,061,000) 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 $14,572,000 (2014: $13,538,000) at the balance sheet date.

Deferred income tax liabilities

	Accelerated tax depreciation $'000
The Company	
2015	
Beginning of financial year	**88**
Charged to profit or loss	**266**
End of financial year	**354**
2014	
Beginning of financial year	3,283
Credited to profit or loss	(3,195)
End of financial year	88

23. Trade and other payables - current

	The Group		The Company	
	2015 **$'000**	2014 $'000	**2015** **$'000**	2014 $'000
Trade payables - Non-related parties	**27,159**	24,571	**–**	–
Other payables				
- Non-related parties	**13,492**	8,957	**719**	244
- Subsidiaries	**–**	–	**160,568**	187,492
	13,492	8,957	**161,287**	187,736
Accruals for operating expenses	**42,727**	40,884	**1,663**	3,667
	83,378	74,412	**162,950**	191,403

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

24. Borrowings - unsecured

	The Group	
	2015	2014
	$'000	$'000
Current bank borrowings	**–**	2,400
Non-current bank borrowings	**–**	4,600
Total borrowings	**–**	7,000

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	The Group	
	2015	2014
	$'000	$'000
6 months or less	**–**	1,200
6 to 12 months	**–**	1,200
1 to 5 years	**–**	4,600
	–	7,000

Fair value of non-current borrowings

The fair value of non-current bank borrowings is as follows:

	The Group	
	2015	2014
	$'000	$'000
Non-current bank borrowings	**–**	4,497

The fair value above is determined from cash flow analysis, discounted at market borrowing rate of an equivalent instrument at the balance sheet date which the Directors expect to be available to the Group at 1.64% per annum in 2014. The fair values are within Level 2 of the fair value hierarchy.

25. Provisions for other liabilities and charges

	The Group	
	2015	2014
	$'000	$'000
Provision for retirement benefits	**2,200**	2,494

Movements in provision for retirement benefits are as follows:

	The Group	
	2015	2014
	$'000	$'000
Beginning of financial year	**2,494**	2,411
Currency translation differences	**(362)**	(38)
Provision made (Note 8)	**291**	265
Provision utilised	**(223)**	(144)
End of financial year	**2,200**	2,494

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

	The Group	
	2015	2014
	$'000	$'000
Present value of unfunded obligations/liabilities recognised in the balance sheet	**2,200**	2,494

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

As of 31 December 2015, the provision for retirement benefits consists of non-contributory unfunded retirement benefits scheme for employees who are eligible under a collective bargaining agreement.

The current service and interest cost recognised in profit or loss in respect of the provision for retirement benefits amounted to $181,000 and $110,000 (2014: $151,000 and $114,000) respectively.

The principal actuarial assumptions used are discount rate at 5% (2014: 5%) per annum and expected rate of salary increases at 5% (2014: 5%) per annum.

The latest actuarial valuation of the plan was carried out at 4 December 2014 and the Directors are of the view that any changes in the principal actuarial assumptions applied in the valuation report at the reporting date are insignificant and therefore, the actuarial valuation will not differ materially from its carrying value.

26. Share capital

	Number of ordinary shares Issued share capital '000	Amount Share capital $'000
2015		
Beginning of the financial year	**574,561**	**219,593**
Shares issued	**1,326**	**2,397**
End of financial year	**575,887**	**221,990**
2014		
Beginning of the financial year	574,328	219,188
Shares issued	233	405
End of financial year	574,561	219,593

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

YHS Share Incentive Plan

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

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

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

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

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.

26. Share capital (continued)

YHS Share Incentive Plan (continued)

Grants of awards were made pursuant to the Plan in 2015. 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	**2015**	2014
Beginning of financial year	**267,000**	476,000
Granted during the year	**3,416,000**	24,000
Shares issued during the year	**(1,326,000)**	(233,000)
Forfeited during the year	**(4,000)**	–
End of financial year	**2,353,000**	267,000
Weighted average fair value per award based on market price per share at grant date	**$1.73**	$2.54
Weighted average remaining contractual life (days)	**326**	218

No share option has been granted under the Plan.

27. Capital reserve

Composition:

	The Group	
	2015	2014
	$'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**	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Property revaluation reserve	**18,881**	18,905	**–**	–
Fair value reserve	**78,453**	117,796	**–**	280
Foreign currency translation reserve	**(54,553)**	(35,588)	**–**	–
General reserve	**(37,765)**	(37,750)	**–**	–
Share-based payment reserve	**2,090**	428	**2,090**	428
	7,106	63,791	**2,090**	708

28. Other reserves (continued)

(b) Movements:

		The Group		The Company	
		2015	2014	**2015**	2014
		$'000	$'000	**$'000**	$'000
(i)	*Property revaluation reserve*				
	Beginning of financial year	**18,905**	18,919	**–**	–
	Transfer to retained profits on realisation	**(24)**	(14)	**–**	–
	End of financial year	**18,881**	18,905	**–**	–
(ii)	*Fair value reserve*				
	Beginning of financial year	**117,796**	218,374	**280**	140
	Fair value (losses)/gains on available-for-sale financial assets (Note 15)	**(39,213)**	(99,090)	**(150)**	140
	Reclassification to profit or loss	**(130)**	(1,488)	**(130)**	–
	End of financial year	**78,453**	117,796	**–**	280
(iii)	*Foreign currency translation reserve*				
	Beginning of financial year	**(35,588)**	(38,239)	**–**	–
	Net currency translation differences of financial statements of foreign subsidiaries and associated companies	**(18,965)**	2,651	**–**	–
	End of financial year	**(54,553)**	(35,588)	**–**	–
(iv)	*General reserve*				
	Beginning of financial year	**(37,750)**	(37,250)	**–**	–
	Reclassification to profit or loss	**–**	(490)	**–**	–
	Transfer to retained profits on realisation	**(15)**	(10)	**–**	–
	End of financial year	**(37,765)**	(37,750)	**–**	–
(v)	*Share-based payment reserve*				
	Beginning of financial year	**428**	454	**428**	454
	Employee share-based compensation scheme				
	- Value of employee services (Note 8)	**4,059**	379	**4,059**	379
	- Issue of new shares	**(2,397)**	(405)	**(2,397)**	(405)
	End of financial year	**2,090**	428	**2,090**	428

Other reserves are non-distributable.

29. Dividends

	The Group	
	2015	2014
	$'000	$'000
Ordinary dividends paid		
First and final dividend paid in respect of the previous financial year of 2 cents (2014: 2 cents) per share, tax exempt (1-tier)	**11,493**	11,491
One-time special dividend paid in 2014 in respect of the previous financial year of 5 cents per share, tax exempt (1-tier)	**–**	28,726
	11,493	40,217

The directors have proposed a first and final dividend of 2 cents per ordinary share, tax exempt (1-tier) amounting to $11,520,000 for approval by shareholders at the forthcoming annual general meeting to be convened for the financial year ended 31 December 2015.

These financial statements do not reflect these dividends, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2016.

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 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	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Not later than one year	**3,572**	4,706	**738**	700
Between one and five years	**6,769**	9,689	**2,993**	2,837
Later than five years	**4,676**	4,432	**4,676**	4,432
	15,017	18,827	**8,407**	7,969

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	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Not later than one year	**4,587**	5,693	**164**	168
Between one and five years	**6,832**	12,254	**126**	146
	11,419	17,947	**290**	314

(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	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Capital commitments in respect of purchase and construction of property, plant and equipment approved and contracted for	**36,738**	4,948	**289**	542

31. Financial risk management

Financial risk factors

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

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

31. Financial risk management (continued)

(a) Market risk

(i) *Currency risk*

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

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

Currently, the Group will try to manage its currency exposures by having natural hedges between its foreign currency receivables and payables.

The Group's currency exposures are as follows:

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

31. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	SGD equivalent							
	SGD	**USD**	**HKD**	**RMB**	**RM**	**IDR**	**Other^**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 31 December 2014								
Financial assets								
Cash and cash equivalents	101,665	18,067	3,107	1,480	3,767	2,695	40	130,821
Trade and other receivables*	17,903	6,375	590	423	31,458	9,082	981	66,812
Intra-group balances	430,879	36,781	6,411	15,760	184,144	29,187	22	703,184
	550,447	61,223	10,108	17,663	219,369	40,964	1,043	900,817
Financial liabilities								
Borrowings	(7,000)	–	–	–	–	–	–	(7,000)
Intra-group balances	(430,879)	(36,781)	(6,411)	(15,760)	(184,144)	(29,187)	(22)	(703,184)
Other financial liabilities	(22,255)	(1,991)	(805)	(4,044)	(39,922)	(4,150)	(1,245)	(74,412)
	(460,134)	(38,772)	(7,216)	(19,804)	(224,066)	(33,337)	(1,267)	(784,596)
Net financial assets/ (liabilities)	90,313	22,451	2,892	(2,141)	(4,697)	7,627	(224)	116,221
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(93,756)	(3,546)	(2,892)	2,133	4,496	(7,626)	(278)	
Currency exposure	**(3,443)**	**18,905**	**–**	**(8)**	**(201)**	**1**	**(502)**	

31. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Company's currency exposure is as follows:

	SGD equivalent		
	USD	**HKD**	**RMB**
	$'000	**$'000**	**$'000**
At 31 December 2015			
Financial assets			
Other receivables*	1,094	–	2,820
Loans to subsidiaries	7,165	–	–
	8,259	–	2,820
Financial liabilities			
Other financial liabilities	(816)	(295)	(138)
	(816)	(295)	(138)
Currency exposure	**7,443**	**(295)**	**2,682**
At 31 December 2014			
Financial assets			
Cash and cash equivalents	11	–	–
Other receivables*	909	–	1,800
Loans to subsidiaries	6,742	–	–
	7,662	–	1,800
Financial liabilities			
Other financial liabilities	(763)	(277)	–
	(763)	(277)	–
Currency exposure	6,899	(277)	1,800

Legend:

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

31. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

If the USD, RM, RMB and HKD had changed against the SGD by 3% (2014: 5%), 8% (2014: 1%), 1% (2014: 7.5%) and 1% (2014: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position would have been as follows:

	Increase/(Decrease)	
	2015	2014
	Profit after tax	Profit after tax
	$'000	$'000
The Group		
USD against SGD		
- strengthened	**927**	794
- weakened	**(927)**	(794)
RM against SGD		
- strengthened	**(11)**	(2)
- weakened	**11**	2
The Company		
USD against SGD		
- strengthened	**185**	286
- weakened	**(185)**	(286)
RMB against SGD		
- strengthened	**22**	112
- weakened	**(22)**	(112)
HKD against SGD		
- strengthened	**(2)**	(11)
- weakened	**2**	11

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

31. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to securities price risk arising from equity investments listed in Singapore which are classified as available-for-sale. The Group is not exposed to commodity price risk.

If prices of securities listed in Singapore had changed by 14% (2014: 7%) with all other variables including tax rate being held constant, the effects on other comprehensive income would have been:

	Increase/(Decrease)	
	2015	2014
	Other comprehensive income	Other comprehensive income
	$'000	$'000
The Group		
Listed in Singapore		
- increased by	**15,625**	10,391
- decreased by	**(15,625)**	(10,391)

(iii) Interest rate risk

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

The Group places cash in excess of operating requirements in fixed deposits with financial institutions. If SGD interest rate had increased/decreased by 0.06% (2014: 0.20%) with other variables including tax rate being held constant, the profit after tax would have been higher/lower by $28,000 (2014: $132,000) for the Group and the Company as a result of higher/lower interest income. USD interest rate is not expected to have a significant impact on the Group.

The Group obtains financing primarily through bank borrowings. The exposure of the Group to cash flow interest rate risks arises mainly from variable-rate borrowings. The Group's policy is to obtain the most favourable interest rates available.

There is no outstanding borrowing in 2015. In 2014, if SGD interest rate had increased/decreased by 0.20% with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by $11,000 for the Group as a result of higher/lower interest expense on these borrowings.

31. Financial risk management (continued)

(b) Credit risk

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

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

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

	The Group	
	2015	2014
	$'000	$'000
By geographical areas		
Singapore	**17,077**	15,634
Malaysia	**27,684**	27,823
China and Hong Kong	**946**	707
North America	**2,649**	2,066
Indonesia	**6,336**	6,405
Europe	**2,625**	1,340
Other countries	**3,288**	4,325
Trade receivables – net (Note 13)	**60,605**	58,300
Less: Amounts covered by bankers' guarantees	**(13,809)**	(14,930)
Maximum exposure to credit risk for trade receivables	**46,796**	43,370
By types of customers		
Consumer food and beverage products		
Related parties	**16**	32
Non-related parties:		
- Supermarkets, minimart chains, provision shops and gas stations	**17,680**	17,406
- Hotels, bars/pubs, restaurants, food courts and coffee shops	**4,831**	5,189
- Wholesalers and distributors	**36,164**	35,380
- Vending sales	**239**	227
- Other	**1,675**	66
	60,605	58,300

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	
	2015	2014
	$'000	$'000
New customers with less than six months experience	**1,210**	815
Existing customers with no defaults in the past	**40,306**	41,034
	41,516	41,849

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

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

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

	The Group	
	2015	2014
	$'000	$'000
Past due less than three months	**18,242**	15,746
Past due three to six months	**683**	621
Past due over six months	**164**	84
	19,089	16,451

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	
	2015	2014
	$'000	$'000
Trade receivables overdue and impaired	**606**	701
Less: Allowance for impairment	**(606)**	(701)
	–	–
Beginning of financial year	**701**	793
Currency translation differences	**(10)**	–
Allowance made (Note 7)	**315**	50
Allowance utilised	**(400)**	(142)
End of financial year	**606**	701

31. Financial risk management (continued)

(c) Liquidity risk

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

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

	Less than one year $'000	Between one and five years $'000	Over five years $'000	Total $'000
The Group				
At 31 December 2015				
Trade and other payables	**(83,378)**	**–**	**–**	**(83,378)**
Other non-current liabilities	**–**	**(36)**	**(2,200)**	**(2,236)**
	(83,378)	**(36)**	**(2,200)**	**(85,614)**
At 31 December 2014				
Trade and other payables	(74,412)	–	–	(74,412)
Borrowings	(2,496)	(4,682)	–	(7,178)
Other non-current liabilities	–	(34)	(2,494)	(2,528)
	(76,908)	(4,716)	(2,494)	(84,118)

	Less than one year $'000
The Company	
At 31 December 2015	
Other payables	**(162,950)**
At 31 December 2014	
Other payables	(191,403)

31. Financial risk management (continued)

(d) Capital risk

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

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

The gearing ratios as at 31 December 2015 and 31 December 2014 were as follows:

	The Group		The Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Net debt	**–**	–	**105,090**	105,425
Total equity	**598,244**	627,160	**510,357**	489,970
Total capital employed	**598,244**	627,160	**615,447**	595,395
Gearing ratio	**Nil**	Nil	**17%**	18%

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

(e) Fair value measurements

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

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

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

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

31. Financial risk management (continued)

(e) Fair value measurements (continued)

	Level 1 $'000	Level 2 $'000	Total $'000
The Group			
2015			
Assets			
Available-for-sale financial assets	**109,377**	**105**	**109,482**
2014			
Assets			
Available-for-sale financial assets	148,441	530	148,971
The Company			
2015			
Assets			
Available-for-sale financial assets	**–**	**105**	**105**
2014			
Assets			
Available-for-sale financial assets	–	530	530

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.

(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	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Loans and receivables	**183,488**	197,633	**157,244**	299,491
Financial liabilities at amortised cost	**85,614**	83,940	**162,950**	191,403

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	
	2015	2014
	$'000	$'000
Amount billed by Far East Orchard Limited Group:		
- Purchase of services	**(2)**	(10)
- Rental expense	**(23)**	(30)
Amount billed to/(by) other related parties:		
- Sales of goods and services	**94**	119
- Sales commission and marketing fees	**–**	(38)
Amount billed to/(by) Sino Land Company Limited Group:		
- Sales of goods and services	**17**	9
- Purchases of services	**(6)**	(12)
- Rental expense	**(189)**	–

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

Sino Land Company Limited is a shareholder of the Company.

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

Outstanding balances at 31 December 2015, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 13 and 23 respectively.

33. Related party transactions (continued)

(b) Key management personnel compensation

The key management personnel compensation is as follows:

	The Group	
	2015	2014
	$'000	$'000
Wages and salaries	**5,102**	2,969
Employer's contribution to defined contribution plans including Central Provident Fund	**161**	182
Other short-term employee benefits	**1,433**	143
Share-based payment expense	**2,798**	88
	9,494	3,382

Included in the above is total compensation to directors of the Company amounting to $5,275,000 (2014: $1,554,000).

34. Segment information

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

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

- Consumer food and beverage products
- Property development
- Other investments

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

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

34. Segment information (continued)

The segment information provided to the CEO for the reportable segments for the year ended 31 December 2015 is as follows:

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

34. Segment information (continued)

The segment information provided to the CEO for the reportable segments for the year ended 31 December 2015 is as follows: (continued)

	Consumer food and beverage products $'000	Property development $'000	Other investments $'000	Elimination $'000	The Group $'000
Year ended 31 December 2014					
Revenue					
- External sales	431,737	–	5,867	–	437,604
- Inter-segment sales	–	–	6,508	(6,508)	–
	431,737	–	12,375	(6,508)	437,604
Profit/(Loss) from operation	15,729	(243)	17,845	–	33,331
Share of profit of associated companies	542	–	–	–	542
Segment profit/(loss)	16,271	(243)	17,845	–	33,873
Finance expense					(30)
Profit before income tax					33,843
Income tax expense					(4,892)
Net profit					**28,951**
Segment assets	368,058	158,160	566,206	(382,375)	710,049
Associated companies	5,157	–	–	–	5,157
Unallocated assets					4,185
Consolidated total assets					**719,391**
Segment liabilities	283,885	4,168	168,737	(379,850)	76,940
Unallocated liabilities					15,291
Consolidated total liabilities					**92,231**
Other segment items					
Additions to property, plant and equipment	48,701	–	–	–	**48,701**
Interest income	(111)	–	(800)	–	**(911)**
Depreciation	11,172	–	9	–	**11,181**
Fair value gains on investment properties - net	–	–	(5,346)	–	**(5,346)**
Impairment loss on property, plant and equipment	541	–	–	–	**541**
Property, plant and equipment written-off	672	–	–	–	**672**
Currency translation loss/(gain) - net	809	–	(448)	–	**361**

34. Segment information (continued)

Geographical information

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

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

- Malaysia - the operations in this area are principally production, marketing and sale 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 and Malaysia, 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 properties, property, plant and equipment and intangible assets, are shown by the geographical area where the assets are located.

	Revenue		Non-current assets	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Singapore	**131,969**	129,142	**75,693**	76,031
Malaysia	**184,480**	196,510	**107,825**	116,008
Other countries	**127,068**	111,952	**146,628**	112,828
	443,517	437,604	**330,146**	304,867

35. New or revised accounting standards and interpretations

Below are the mandatory standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2016 or later periods and which the Group has not early adopted:

- *FRS 115 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)*

  The standard establishes a framework for determining when and how much revenue to recognise. The objective of the standard establishes principles to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

- *FRS 109 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)*

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

The Group is in the midst of assessing the impact on the financial statements for the above standards.

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

The Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on SGX will have to assess the impact of IFRS 1: *First-time adoption of IFRS when transitioning to the new reporting framework*. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

36. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Yeo Hiap Seng Limited on 22 February 2016.

37. Listing of significant companies in the Group

Name of company/ Country of incorporation	**Principal activities**	**Country of business**	**Equity holding 2015 %**	**Equity holding 2014 %**
Significant subsidiaries held by the Company				
YHS (Singapore) Pte Ltd (Singapore) [(1)]	Investment holding, manufacture, sale, distribution and export of beverages, sauces, canned food and provision of vending services	Singapore	**100**	100
YHS International Pte Ltd (Singapore) [(1)]	Distribution of food and beverages	Singapore	**100**	100
YHS Investment Pte Ltd (Singapore) [(1)]	Investment holding	Singapore	**100**	100
Yeo Hiap Seng (Shanghai) Co., Ltd (People's Republic of China) [(3)]	Property holding	The People's Republic of China	**100**	100
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

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

Name of company/ Country of incorporation	Principal activities	Country of business	Equity holding 2015 %	2014 %
Significant subsidiaries held by subsidiaries (continued)				
YHS (Cambodia) Food & Beverage Pte Ltd (Cambodia) (2)	Manufacture of food and beverages (currently under development)	Cambodia	**100**	100
YHS Hong Kong (2000) Pte Limited (Hong Kong) (2)	Distribution of beverages and canned food	Hong Kong	**100**	100
Ranko Way Limited (Hong Kong) (2)	Property holding	Hong Kong	**100**	100
YHS Trading (USA) Inc. (USA) (3)	Distribution of beverages and canned food	USA	**100**	100
YHS (USA) Inc. (USA) (3)	Owns and leases properties	USA	**100**	100
Yeo Hiap Seng (Malaysia) Berhad (Malaysia) (2)	Production, marketing and sale of beverages and food products	Malaysia	**100**	100
Bestcan Food Technological Industrial Sdn Bhd (Malaysia) (2)	Production of instant noodles	Malaysia	**100**	100
Yeo Hiap Seng (Sarawak) Sdn Bhd (Malaysia) (2)	Production of sauces and non-alcoholic beverages	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

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

Legend:

(1) Audited by KPMG LLP, Singapore.
(2) Audited by other member firms of KPMG International.
(3) Audited by other firms of auditors. The names of the audit firms are as follows:

Companies	Name of audit firm
Yeo Hiap Seng (Shanghai) Co., Ltd	Shinewing Certified Public Accountants, Shanghai
YHS Trading (USA) Inc. YHS (USA) Inc.	MOSS-ADAMS LLP Certified Public Accountants, a member of Moores Rowland International, a professional association of independent accounting firm
Langfang Yili Dairy Products Co., Ltd	BDO China Li Xin Da Hua Certified Public Accountants
TM Foods Sdn. Bhd.	Lim Chong & Co

ANALYSIS OF SHAREHOLDINGS

As at 8 March 2016

Issued and Fully Paid-up Capital	:	S$222,224,369.64
No. of Shares Issued	:	575,981,116
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share
Treasury Shares	:	Nil

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1 - 99	491	8.58	13,017	0.00
100 - 1,000	1,776	31.05	959,931	0.17
1,001 - 10,000	2,955	51.66	9,991,113	1.74
10,001 - 1,000,000	484	8.46	20,874,008	3.62
1,000,001 and above	14	0.25	544,143,047	94.47
Total	**5,720**	**100.00**	**575,981,116**	**100.00**

TOP TWENTY SHAREHOLDERS

Name of Shareholders	No. of Shares	% of Shares
Far East Organisation Pte Ltd	309,973,933	53.82
Far East Spring Pte Ltd	63,888,889	11.09
Transurban Properties Pte Ltd	56,342,854	9.78
HSBC (Singapore) Nominees Pte Ltd	30,878,508	5.36
Sino Land Company Limited	24,661,978	4.28
OCBC Securities Private Ltd	15,940,163	2.77
Citibank Nominees Singapore Pte Ltd	13,418,754	2.33
DBS Nominees Pte Ltd	11,552,756	2.01
Bank of East Asia Nominees Pte Ltd	8,146,498	1.41
Estate of Khoo Teck Puat Deceased	2,439,927	0.42
Morph Investments Ltd	2,214,500	0.38
BNP Paribas Nominees Singapore Pte Ltd	2,049,021	0.36
Daiwa (Malaya) Private Limited	1,486,652	0.26
United Overseas Bank Nominees Pte Ltd	1,148,614	0.20
Phillip Securities Pte Ltd	882,820	0.15
OCBC Nominees Singapore Pte Ltd	692,618	0.12
Chong Yean Fong	600,000	0.10
Lee Pineapple Company Pte Ltd	581,000	0.10
Maybank Kim Eng Securities Pte Ltd	570,977	0.10
Raffles Nominees (Pte) Ltd	560,081	0.10
Total	**548,030,543**	**95.14**

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	53.99	–	–
2.	Far East Hospitality Services Pte Ltd ("FEHS") (1)	63,888,889	11.13	–	–
3.	Philip Ng Chee Tat ("PN") (2)	–	–	63,888,889	11.13
4.	Transurban Properties Pte. Ltd. ("TPPL")	56,342,854	9.81	–	–
5.	Glory Realty Co. Private Ltd. ("Glory") (3)	–	–	56,342,854	9.81
6.	Madam Tan Kim Choo @ Teng Kim Choo ("Madam Tan") (4)	–	–	398,524,800	69.41
7.	The Estate of Mr. Ng Teng Fong (Deceased) (the "Estate") (5)	–	–	390,978,765	68.10
8.	PepsiCo, Inc. ("PepsiCo") (6)	–	–	–	–
9.	The Concentrate Manufacturing Company of Ireland ("CMCI") (6)	–	–	–	–

Notes:

(1) FEHS is now known as Far East Spring Pte. Ltd.

(2) PN, through his interest in FEHS, is deemed to have an interest in FEHS's shareholding in the Company.

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

(4) Madam Tan's deemed interest in shares in the Company include her interests through FEO, FEHS and Sino Land Company Limited ("Sino Land").

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

(6) (i) Pursuant to undertakings dated 1 July 2011 executed by Jelco Properties Pte Ltd ("Jelco") and FEO in favour of PepsiCo and CMCI (in consideration of PepsiCo and CMCI entering into exclusive bottling appointments with the Company effective as of 1 July 2011) whereby Jelco and FEO agreed to provide PepsiCo and CMCI with preferential rights, in the event, *inter alia*, that Jelco and FEO cease collectively to own 51% of the capital of the Company for the time being, to acquire from Jelco and FEO shares in the Company to be transferred, upon the respective terms of such undertakings.

(ii) As at the date hereof, the above preferential rights have not been exercised.

(7) Based on information available to the Company as at 8 March 2016, approximately 21.03% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixtieth Annual General Meeting of the Company will be held at The Auditorium, Yeo Hiap Seng Limited, 3 Senoko Way, Singapore 758057 on Friday, 22 April 2016, 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 2015 and the report of the Auditors. **Ordinary Resolution 1**

2. To declare a first and final one-tier tax exempt dividend of $0.02 per ordinary share for the financial year ended 31 December 2015. **Ordinary Resolution 2**

3. To approve the payment of $1,090,926 as Directors' fees for the financial year ended 31 December 2015. (2014: $953,000) **Ordinary Resolution 3**

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

   (a) Dato' Mohamed Nizam bin Abdul Razak; **Ordinary Resolution 4**
   (b) Encik Razman Hafidz bin Abu Zarim; and **Ordinary Resolution 5**
   (c) Dr. Tan Chin Nam, **Ordinary Resolution 6**

   each of whom retires by rotation pursuant to Articles 97 and 98 of the Constitution of the Company.

   (ii) To re-appoint the following Directors:

   (a) Mr. Ngiam Tong Dow; **Ordinary Resolution 7**
   (b) Dato' N. Sadasivan a/l N.N. Pillay; and **Ordinary Resolution 8**
   (c) Mr. S. Chandra Das, **Ordinary Resolution 9**

   each of whom is over 70 years of age and retires under the respective resolutions passed at last year's Annual General Meeting pursuant to Section 153(6) of the Companies Act, Cap. 50 (which was then in force), as Directors of the Company.

5. To re-appoint KPMG LLP as Auditors and to authorise the Directors to fix their remuneration. **Ordinary Resolution 10**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions, of which Resolutions 11 to 14 will be proposed as Ordinary Resolutions and Resolution 15 will be proposed as a Special Resolution:

6. That authority be and is hereby given to the Directors of the Company to: **Ordinary Resolution 11**

   (i) (a) issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (b) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible or exchangeable into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(ii) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50 per cent. of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed 20 per cent. of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares excluding treasury shares shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time that this Resolution is passed after adjusting for:

    (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

    (ii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by 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 12**

(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 hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the Singapore Exchange Securities Trading Limited ("SGX-ST") and/or any other stock exchange on which the Shares may for the time being be listed and quoted ("Other Exchange"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(b) unless varied or revoked by the Company in General Meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"Maximum Limit" means that number of Shares representing 10% of the issued Shares (excluding any Shares held as treasury shares) as at the date of the passing of this Resolution;

"Maximum Price" in relation to a Share to be purchased, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase of a Share, 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase of a Share, 120% of the Average Closing Price, where:

"Average Closing Price" means the average of the closing market prices of the Shares over the last five Market Days on which the Shares were transacted on the SGX-ST or, as the case may be, Other Exchange, before the date of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to an Off-Market Purchase, as deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

"date of the making of the offer" means the date on which the Company makes an offer for the purchase or acquisition of Shares from shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"Market Day" means a day on which the SGX-ST (or, as the case may be, Other Exchange) is open for trading in securities; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

8. That the Directors be and are hereby authorised to grant options and/or awards in accordance with the provisions of the YHS Share Incentive Plan (the "Plan") and allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of options under the Plan and/or such number of fully paid shares in the Company as may be required to be issued pursuant to the vesting of awards under the Plan, provided that the aggregate number of new shares to be issued pursuant to options granted (or to be granted) under the Plan and the vesting of awards granted (or to be granted) under the Plan shall not exceed 10% of the total number of issued shares excluding treasury shares of the Company from time to time. **Ordinary Resolution 13**

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 14**

10. That the regulations contained in the new Constitution submitted to this Meeting and, for the purpose of identification, subscribed to by a Company Secretary, be approved and adopted as the Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution. **Special Resolution 15**

BY ORDER OF THE BOARD

Joanne Lim Swee Lee
Sau Eau Nee
Company Secretaries

Singapore, 31 March 2016

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 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. The instrument appointing a proxy must be deposited at the office of the Company's share registrar, B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544 not less than 48 hours before the 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 6 May 2016 for the purposes of determining shareholders' entitlements to the proposed first and final dividend.

Duly completed and stamped transfers of the ordinary shares of the Company ("Shares") received by the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00 ASO Building, Singapore 048544 up to 5.00 p.m. on 5 May 2016 will be registered before shareholders' entitlements to the first and final dividend are determined.

Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with Shares as at 5.00 p.m. on 5 May 2016 will rank for the proposed first and final dividend.

Subject to shareholders' approval at the Sixtieth Annual General Meeting to be held on 22 April 2016, the payment of the first and final dividend of 2 cents per Share will be made on 18 May 2016.

Additional information relating to items of Ordinary and Special Business:

Ordinary Resolution 4 – Subject to his re-election, Dato' Mohamed Nizam bin Abdul Razak, who is an independent Director, will continue to serve as a member of the Nominating Committee.

Ordinary Resolution 5 – Subject to his re-election, Encik Razman Hafidz bin Abu Zarim, who is an independent Director, will continue to serve as a member of the Remuneration Committee.

Ordinary Resolution 6 – Subject to his re-election, Dr. Tan Chin Nam, who is an independent Director, will continue to serve as a member of the Audit & Risk Committee.

Ordinary Resolution 7 – Subject to his re-appointment, Mr. Ngiam Tong Dow, who is an independent Director, will continue to serve as chairman of the Remuneration Committee and a member of the Nominating Committee.

Ordinary Resolution 8 – Subject to his re-appointment, Dato' N. Sadasivan a/l N.N. Pillay, who is an independent Director, will continue to serve as a member of the Audit & Risk Committee.

Ordinary Resolution 9 – Subject to his re-appointment, Mr. S. Chandra Das, who is an independent Director, will continue to serve as chairman of the Nominating Committee and a member of the Audit & Risk Committee, the Remuneration Committee and the Executive Committee and as the Company's Deputy Chairman and Lead Independent Director.

Ordinary Resolution 4 to Resolution 9 – Please refer to "Profile of the Board of Directors & Management" section and the "Board Independence" section in the Report on Corporate Governance in the Annual Report 2015 for more information on the Directors seeking re-election/re-appointment at the Annual General Meeting.

Ordinary Resolution 7 to Resolution 9 – If passed, will approve and authorise the continuation of the relevant Director in office, as a Director of the Company, from the date of this Annual General Meeting onwards without limitation in tenure save for prevailing applicable laws, listing rules and/or regulations, including the Company's Constitution. This is consequent upon the repeal of Section 153 of the Companies Act, Cap. 50, with effect from 3 January 2016. The respective resolutions passed pursuant to Section 153(6) at last year's Annual General Meeting (as Section 153 was then still in force) could only permit the re-appointment of the relevant Director, being over 70 years of age, to hold office as a Director of the Company, only until this Annual General Meeting.

Ordinary Resolution 11 – If passed, will authorise the Directors from the date of this Annual General Meeting up to the next Annual General Meeting, to issue shares in the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, for such purposes as they consider would be in the interests of the Company, up to a number not exceeding 50 per cent. of the issued shares excluding treasury shares, of which up to 20 per cent. may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time that the Ordinary Resolution is passed, after adjusting for the conversion or exercise of any convertible securities and share options or vesting of share awards that have been issued or granted (provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual) and which are outstanding or subsisting at the time that the Ordinary Resolution is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

Ordinary Resolution 12 - 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 57,598,111 shares on 8 March 2016 representing approximately 10% of the issued shares (excluding treasury shares) as at that date, at a purchase price equivalent to the Maximum Price per share, in the case of a market purchase and an off-market purchase respectively, based on the audited financial statements of the Group and the Company for the financial year ended 31 December 2015 and certain assumptions, are set out in Paragraph 2.7 of the Company's letter to shareholders dated 31 March 2016.

Ordinary Resolution 13 – If passed, will empower the Directors to grant options and/or awards under the YHS Share Incentive Plan, and to allot and issue shares pursuant to the exercise of options and/or the vesting of awards granted pursuant to this Plan provided that the aggregate number of new shares to be issued pursuant to this Plan does not exceed 10% of the total number of issued shares excluding treasury shares of the Company from time to time.

Ordinary Resolution 14 – 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.

Special Resolution 15 – If passed, is to adopt a new Constitution in substitution for, and replacement of, the Company's existing Constitution. The new Constitution contains regulations that take into account the wide-ranging changes to the Companies Act, Cap. 50, introduced by the Companies (Amendment) Act 2014 and other updates to the regulatory framework. Please refer to the Company's letter to shareholders dated 31 March 2016 for more details.

Yeo Hiap Seng Limited will provide a complimentary shuttle bus service from Sembawang MRT Station for shareholders attending its 60th Annual General Meeting ("60th AGM") on Friday, 22 April 2016.

The shuttle bus will be parked at the bus stop of Sembawang MRT Station. Please look out for this sign "YHS 60th 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 60th 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 31 March 2016.

I/We (Name) ______________________________ (NRIC/ Passport/UEN No.) ____________________

of (Address) ____

being a member/members of Yeo Hiap Seng Limited (the "**Company**") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

and/or *(delete as appropriate)*

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Sixtieth Annual General Meeting of the Company to be held at The Auditorium, Yeo Hiap Seng Limited, 3 Senoko Way, Singapore 758057 on Friday, 22 April 2016 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 (of which Resolution Nos. 1 to 14 (inclusive) will be proposed as Ordinary Resolutions and Resolution No. 15 will be proposed as a Special Resolution) 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.

		No. of Votes For *	No. of Votes Against *
Ordinary Business			
Ordinary Resolution 1	Adoption of Directors' Statement, Audited Financial Statements and Auditors' Report		
Ordinary Resolution 2	Declaration of first and final dividend		
Ordinary Resolution 3	Approval of Directors' fees		
Ordinary Resolution 4	Re-election of Dato' Mohamed Nizam bin Abdul Razak as Director		
Ordinary Resolution 5	Re-election of Encik Razman Hafidz bin Abu Zarim as Director		
Ordinary Resolution 6	Re-election of Dr. Tan Chin Nam as Director		
Ordinary Resolution 7	Re-appointment of Mr. Ngiam Tong Dow as Director		
Ordinary Resolution 8	Re-appointment of Dato' N. Sadasivan a/l N.N. Pillay as Director		
Ordinary Resolution 9	Re-appointment of Mr. S. Chandra Das as Director		
Ordinary Resolution 10	Re-appointment of KPMG LLP as Auditors and authority for the Directors to fix their remuneration		
Special Business			
Ordinary Resolution 11	Approval of Share Issue Mandate		
Ordinary Resolution 12	Approval of Renewal of Share Purchase Mandate		
Ordinary Resolution 13	Approval of Issue of Shares pursuant to the YHS Share Incentive Plan		
Ordinary Resolution 14	Approval of Issue of Shares pursuant to the Yeo Hiap Seng Limited Scrip Dividend Scheme		
Special Resolution 15	Adoption of new Constitution		

* 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 ________________ 2016.

Total number of Shares held	

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES TO PROXY FORM

Fold along this line (2)

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BUSINESS REPLY SERVICE
PERMIT NO. 09180

THE SHARE REGISTRAR
YEO HIAP SENG LIMITED
c/o B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

Fold along this line (1)

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 Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.

3. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544 not less than 48 hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy or proxies, failing which the instrument may be treated as invalid.

General

The Company shall be entitled to reject an instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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