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海航實業集團股份有限公司

HNA HOLDING GROUP CO. LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 521)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PRE-CONDITIONAL VOLUNTARY GENERAL OFFER TO ACQUIRE ALL THE ISSUED AND PAID-UP CWT SHARES OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR, ITS RELATED CORPORATIONS AND THEIR RESPECTIVE NOMINEES

Financial Adviser to the Company

東英 ORIENTAL PATRON

30 June 2017

CONTENTS

In this circular, the following expressions shall have the following meanings unless the context otherwise requires. Certain other terms are explained in the section headed "Appendix I – Information about the Target Group – Glossary of Technical Terms".

"Acquisition"	the acquisition of the Offer Share(s) by the Offeror from the CWT Shareholder(s) under the Offer
"acting in concert"	has the meaning ascribed to it in the Singapore Takeovers Code
"Announcement"	the announcement of the Company dated 9 April 2017 in relation to the Acquisition
"Anti-Trust Pre-Conditions"	(a) insofar as the consummation of the Offer triggers a mandatory merger control filing requirement under the Anti-Monopoly Law of the People's Republic of China (the "**Anti-Monopoly Law**"), a filing having been made to and accepted by the Anti-Monopoly Bureau of the Ministry of Commerce of the PRC ("**MOFCOM**") pursuant to the Anti-Monopoly Law and MOFCOM having issued a decision confirming that it will not conduct further review of the Offer or allowing the consummation of the Offer without conditions or on conditions reasonably satisfactory to the Offeror, or all applicable waiting periods under the Anti-Monopoly Law in respect of the review of the Offer having expired; (b) insofar as the consummation of the Offer triggers a mandatory merger control filing requirement under Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings of the European Union (the "**EUMR**"), a filing having been made to and accepted by the European Commission pursuant to the EUMR and the European Commission having issued a decision confirming that it will not conduct further review of the Offer or allowing the consummation of the Offer without conditions or on conditions reasonably satisfactory to the Offeror, or all applicable waiting periods under the EUMR in respect of the review of the Offer having expired;

(c) insofar as the consummation of the Offer triggers a mandatory merger control filing requirement under the Act on Prohibition of Private Monopolisation and Maintenance of Fair Trade of Japan (the "**Antimonopoly Act**"), a filing having been made to and accepted by the Japanese Fair Trade Commission ("**JFTC**") pursuant to the Antimonopoly Act and the JFTC having issued a decision or notice confirming that it will not conduct further review of the Offer or allowing the consummation of the Offer without conditions or on conditions reasonably satisfactory to the Offeror, or all applicable waiting periods under the Antimonopoly Act in respect of the review of the Offer having expired;

(d) insofar as the consummation of the Offer triggers a mandatory merger control filing requirement under the Competition Act 89 of South Africa (the "**Competition Act**"), a filing having been made to and accepted by the Competition Commission pursuant to the Competition Act and the Competition Commission having issued a decision confirming that it will not conduct further review of the Offer or allowing the consummation of the Offer without conditions or on conditions reasonably satisfactory to the Offeror, or all applicable waiting periods under the Competition Act in respect of the review of the Offer having expired;

(e) insofar as the consummation of the Offer triggers a mandatory merger control filing requirement under the Act on the Protection of Competition of Turkey (the "**Competition Law**"), a filing having been made to and accepted by the Turkish Competition Authority ("**TCA**") pursuant to the Competition Law and the TCA having issued a decision confirming that it will not conduct further review of the Offer or allowing the consummation of the Offer without conditions or on conditions reasonably satisfactory to the Offeror, or all applicable waiting periods under the Competition Law in respect of the review of the Offer having expired; and

	(f) insofar as the consummation of the Offer triggers a mandatory merger control filing requirement under the Taiwan Fair Trade Act (the "**FTA**"), a filing having been made to and accepted by the Taiwanese Fair Trade Commission ("**TFTC**") pursuant to the FTA and the TFTC having issued a decision confirming that it will not conduct further review of the Offer or allowing the consummation of the Offer without conditions or on conditions reasonably satisfactory to the Offeror, or all applicable waiting periods under the FTA in respect of the review of the Offer having expired
"associates"	has the meaning ascribed to it in the Hong Kong Listing Rules
"Board"	the board of Directors
"CFTC"	the Commodity Futures Trading Commission in the United States
"Circular"	this circular
"Closing Date"	the closing date of the Offer
"Companies Act"	the Companies Act, Chapter 50 of Singapore
"Company"	HNA Holding Group Co. Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 521)
"connected person"	has the meaning ascribed to it in the Hong Kong Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it in the Hong Kong Listing Rules
"CTA"	the Commodities Trading Act, Chapter 48A of Singapore
"CWT" or "Target Company"	CWT Limited, a company incorporated in Singapore, the shares of which are listed on the SGX-ST
"CWT Group" or "Target Group"	CWT and its subsidiaries

"CWT Share(s)"	ordinary share(s) in the capital of CWT
"CWT Shareholder(s)"	holder(s) of issued CWT Share(s)
"Deposit"	has the meaning ascribed to it in the section headed "Deposit" in the Letter from the Board
"Deposit Agreement"	has the meaning ascribed to it in the section headed "Deposit" in the Letter from the Board
"Director(s)"	the director(s) of the Company
"Dissenting Shareholder(s)"	the CWT Shareholders who do not accept the Offer
"Enlarged Group"	the Group as enlarged by CWT Group upon completion of the Acquisition
"Escrow Account"	has the meaning ascribed to it in the section headed "Deposit" in the Letter from the Board
"Escrow Agent"	has the meaning ascribed to it in the section headed "Deposit" in the Letter from the Board
"Formal Offer Announcement"	an announcement on the Offeror's firm intention to undertake the Offer
"FY2016 Proposed Final Dividend"	has the meaning ascribed to it in the section headed "Offer Price" in the Letter from the Board
"GBP"	Great Britain pounds, the lawful currency of UK
"GCEO"	has the meaning ascribed to it in the section headed "Intentions of the Offeror in relation to CWT" in the Letter from the Board
"GCFO"	has the meaning ascribed to it in the section headed "Intentions of the Offeror in relation to CWT" in the Letter from the Board
"GM"	the general meeting of the Company (or any adjournment thereof) to be convened for the purpose of considering, and if thought fit, approving the Acquisition and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HNAG"	海航集團有限公司 (HNA Group Co., Ltd.*), a company incorporated in the PRC which indirectly owned approximately 66.84% of the total number of issued Shares as at the Latest Practicable Date
"HNAGI"	HNA Group (International) Company Limited, a Shareholder holding 1,109,244,000 Shares, representing approximately 9.73% of the total number of issued Shares as at the Latest Practicable Date, and being a subsidiary of HNAG
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong HNA"	Hong Kong HNA Holding Group Co. Limited, a Shareholder holding 6,510,130,189 Shares, representing approximately 57.11% of the total number of issued Shares as at the Latest Practicable Date, and being a subsidiary of HNAG
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IE Singapore"	International Enterprise Singapore, a statutory board under the Ministry of Trade and Finance in Singapore
"Independent Third Party"	a person independent of the Company and its connected persons
"Intelligent Information Business"	the development and provision of system integration solutions, system design and sale of system hardware
"Ipsos"	Ipsos Limited

"Ipsos Report"	a report prepared by Ipsos on the industry development trends, market demand and competitive landscape of the (i) global physical commodities marketing industry, (ii) logistics services industry in Singapore and China, (iii) engineering services and construction engineering services industries in Singapore and (iv) financial services industry in Singapore and the US, as commissioned by the Company
"Last Full Trading Day"	has the meaning ascribed to it in the section headed "Offer Price" in the Letter from the Board
"Latest Practicable Date"	23 June 2017, being the latest date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Committee"	has the meaning ascribed to it in the Hong Kong Listing Rules
"Long-Stop Date"	the date falling five months after the date of the Pre-Conditional Offer Announcement, being 9 September 2017, or such other date as the Offeror and CWT may determine in consultation with the SIC
"Market Day(s)"	a day on which the SGX-ST is open for trading of securities

"Material Adverse Effect"	in relation to the CWT Group, any event or occurrence that results or is likely to result in a diminution by more than 15% in the consolidated net asset value of the CWT Group as at 31 December 2016 (which is S$874,241,000 based on the unaudited consolidated financial statements of the CWT Group for the financial year ended 31 December 2016), as reflected in the latest publicly released consolidated financial results of the CWT Group prior to the date that the last of the Pre-Conditions (other than the Pre-Condition in paragraph (b) under the sub-section headed "Pre-Conditions to the Offer" in the Letter from the Board) is fulfilled or waived (as applicable), provided that any diminution in value of any item of the assets or increase in value of any item of the liabilities of the CWT Group arising from currency translation shall not be taken into account and the following shall also not be considered in determining whether a "Material Adverse Effect" has occurred: (i) any change or effect resulting from events, facts, circumstances or conditions affecting the economy in general, the foreign exchange market, or to the shipping industry or other industries in which the CWT Group engages its business, (ii) any change or effect resulting from changes in legal or regulatory requirements that affect in general the businesses in which the CWT Group is engaged; or (iii) any change or effect arising from the payment of the FY2016 Proposed Final Dividend
"Offer"	a voluntary conditional offer to be made, subject to the fulfilment or waiver by the Offeror (as applicable) of the Pre-Conditions, by the Offeror to acquire all of the Offer Shares
"Offer Document"	the formal offer document setting out the definitive terms and conditions of the Offer
"Offer Share(s)"	all the issued and fully paid-up CWT Shares other than those already owned, controlled or agreed to be acquired by the Offeror, its related corporations and their respective nominees
"Offeror"	HNA Belt and Road Investments (Singapore) Pte. Ltd., a company incorporated in Singapore with limited liability and being a wholly-owned subsidiary of the Company

"PRC" or "China"	the People's Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan
"Pre-Conditional Offer Announcement"	the pre-conditional offer announcement dated 9 April 2017 made by the Offeror to the CWT Shareholders in relation to the Offer, subject to the fulfilment or if applicable, waiver of the Pre-Conditions (a copy of which is available on the website of SGX-ST (www.sgx.com))
"Pre-Conditions"	the pre-conditions to the making of the Offer, as set out under the section headed "Pre-Conditions to the Offer" in the Letter from the Board
"Property Investment Business"	the business of property investment, management and development
"Recreational/Tourism Business"	the business of the provision of recreational and tourism services (including the operation of golf club and provision of hotel and leisure services)
"REIT"	real estate investment trust
"related corporation"	has the meaning ascribed to it in the Companies Act
"Relevant Shares"	the aggregate number of issued Shares carrying voting rights at the general meetings of the Company held by Hong Kong HNA and HNAGI, and shall include any other Shares acquired by either of Hong Kong HNA and HNAGI at any time prior to the GM
"Restricted Jurisdiction"	has the meaning ascribed to it in the section headed "General" in the Letter from the Board
"RMB"	Renminbi, the lawful currency of China
"SGD" or "SG$" or "S$" or "$"	Singapore dollars, the lawful currency of Singapore
"Senior Management Personnel"	has the meaning ascribed to it in the section headed "Intentions of the Offeror in relation to CWT" in the Letter from the Board
"SFA"	the Securities and Futures Act, Chapter 289 of Singapore

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGX Listing Manual"	the listing manual of the SGX-ST
"SGX-ST"	Singapore Exchange Securities Trading Limited
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"SIC"	the Securities Industry Council of Singapore
"Singapore"	the Republic of Singapore
"Singapore Takeovers Code"	the Singapore Code on Take-overs and Mergers
"sq.ft."	square feet
"Track Record Period"	the period comprising the years ended 31 December 2014, 2015 and 2016
"Undertaken CWT Shares"	has the meaning ascribed to it in the section headed "The Vendor Undertakings" in the Letter from the Board, further particulars of which are set out in the section headed "Information on the Vendors" in the Letter from the Board
"UK"	the United Kingdom of Great Britain and Northern Ireland
"US"	the United States of America
"US$" or "USD"	United States dollars
"Vendor Undertakings"	the irrevocable written undertakings given by the Vendors in favour of the Offeror
"Vendors"	certain CWT Shareholders as set out in the section headed "Information on the Vendors" in the Letter from the Board

"VWAP"	volume weighted average price
"%"	per cent.

Unless otherwise stated, the exchange rate adopted in this circular for illustration purposes only is HK$5.50=S$1.00.

Certain amounts and percentage figures included in this Circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This Circular contains forward-looking statements that are not historical facts, but relate to the Group's plans, intentions, beliefs, expectations and predictions for the future. By their nature, these forward-looking statements are subject to risks and uncertainties. In some cases, the Company uses words such as "aim", "continue", "predict", "propose", "believe", "seek", "intend", "anticipate", "estimate", "project", "forecast", "target", "plan", "potential", "will", "would", "may", "could", "should" and "expect", and the negatives of these words and other similar expressions, to identify forward-looking statements.

These forward-looking statements reflect the Company's current views on future events but are not assurance of future performance, and will be affected by certain risks, uncertainties and assumptions, including the risk factors mentioned in this Circular. The possible occurrence of one or more relevant risk factors or uncertainties, or the potential inaccuracy of the relevant assumptions, may cause actual results, performance or effects or industry results to differ materially from any future results, performance or presentation indicated expressly or implicitly in the forward-looking statements.

These forward-looking statements are based on current plans and estimates, and speak only as at the date they are made. The Company undertakes no obligation to publicly update or revise any forward-looking statements contained in this Circular, whether as a result of new information, future events or otherwise, except as required by law and the Hong Kong Listing Rules. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond the Company's control. The Company cautions you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Circular may not occur in the way the Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this Circular are qualified by reference to these cautionary statements.

海航實業集團股份有限公司
HNA HOLDING GROUP CO. LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 521)

Registered Office:
Suites 5811-5814, 58/F.
Two International Finance Centre
No. 8 Finance Street
Central
Hong Kong

Executive Directors:
Zhao Quan *(Co-Chairman)*
Wang Shuang *(Co-Chairman)*
Xu Haohao *(Executive President)*

Non-executive Directors:
Leung Shun Sang, Tony
Wang Hao

Independent Non-executive Directors:
Leung Kai Cheung
Liem Chi Kit, Kevin
Lam Kin Fung, Jeffrey

30 June 2017

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE PRE-CONDITIONAL VOLUNTARY GENERAL OFFER TO ACQUIRE ALL THE ISSUED AND PAID-UP CWT SHARES OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR, ITS RELATED CORPORATIONS AND THEIR RESPECTIVE NOMINEES

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with: (i) further information regarding the Acquisition; (ii) the financial information of the Group; (iii) the accountants' report of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the management discussion and analysis of the Group and the Target Group, respectively; and (vi) the property valuation report of certain properties of the Target Group.

THE POSSIBLE OFFER

On 9 April 2017, the Company announced that, subject to the fulfilment or waiver (as applicable) of the Pre-Conditions, the Offeror will make a voluntary conditional offer for all the issued and fully paid-up Offer Shares from the CWT Shareholders in accordance with the Singapore Takeovers Code on the following basis:

For each Offer Share . . . . S$2.33 in cash

As at the Latest Practicable Date, the Offeror did not own or control, directly or indirectly, any CWT Shares.

Warning: The Offer will not be made unless and until the Pre-Conditions are fulfilled or waived by the Offeror (as applicable) on or before the Long-Stop Date. Accordingly, all references to the Offer in this circular refer to a possible voluntary general offer which will only be made if and when such Pre-Conditions are fulfilled or waived by the Offeror (as applicable). Nothing herein shall constitute an offer to sell or a solicitation of an offer to subscribe for the securities of the Company and/or CWT. Shareholders and potential investors of the Company should exercise caution when dealing with the Shares.

1. Pre-Conditions to the Offer

The making of the Offer and the posting of the Offer Document are subject to the fulfilment (or waiver, as applicable) of the following Pre-Conditions on or before the Long-Stop Date:

(a) the Anti-Trust Pre-Conditions;

(b) there being no Material Adverse Effect; and

(c) the Shareholders having approved the Acquisition at a general meeting of the Company pursuant to the requirements of the Hong Kong Listing Rules.

The Pre-Conditions (a) and (c) above cannot be waived by the Offeror. If any of the Pre-Conditions is not satisfied or waived (as applicable) on or before the Long-Stop Date, the Offer will not be made.

As at the date of this circular, the Anti-Trust Pre-Conditions had been satisfied. Pre-Conditions (b) and (c) above had not been satisfied or waived (as applicable).

In connection with the Pre-Condition set out in paragraph (c) above, Hong Kong HNA and HNAGI, which collectively own approximately 66.84% of the total issued Shares as at the Latest Practicable Date, have given undertakings to the Company, CWT and the Vendors that, amongst others:

(a) they shall not dispose of or create any third party rights, rights of pre-emption or other encumbrances over any of the Relevant Shares or enter into any agreements or arrangements with any person to do any of the foregoing until after the GM, save as expressly permitted under the terms of such undertakings;

(b) they shall attend (whether in person or by proxy or corporate representative) the GM and cast all their respective voting entitlements in respect of the Relevant Shares and vote in favour of all the relevant resolutions which are necessary to give effect to the Acquisition and the transactions contemplated thereunder at such GM and shall not amend or revoke their respective votes and approvals thereof; and

(c) they have sufficient financial resources and shall provide the required funds to the Company for the Company or the Offeror to satisfy full acceptances of the Offer by the CWT Shareholders and payments to be made to the CWT Shareholders pursuant to any compulsory acquisition of CWT Shares, in time for the Company or the Offeror to satisfy the acceptances of the Offer by the CWT Shareholders and payments to be made to the CWT Shareholders pursuant to any compulsory acquisition of CWT Shares in accordance with the terms of the Offer and the Singapore Takeovers Code, the SGX Listing Manual and the Companies Act.

In accordance with the Singapore Takeovers Code, the Pre-Conditions shall not be relied upon to cause the Offer to lapse unless (i) the Offeror has demonstrated reasonable efforts to fulfil the Pre-Conditions within the time period specified and (ii) the circumstances that give rise to the right to rely upon the Pre-Conditions are material in the context of the proposed transaction.

The SIC has on 5 April 2017 confirmed that it has no objections to the Offer being subject to the Pre-Conditions.

Hong Kong HNA and HNAGI have also guaranteed the due and punctual performance by the Company and/or the Offeror of all undertakings, covenants, agreements and obligations under any agreement executed in favour of any of CWT and/or the Vendors in connection with the Offer and the transactions contemplated thereunder.

If and when all the Pre-Conditions have been fulfilled or waived by the Offeror (as applicable), the Offeror will make the Formal Offer Announcement announcing its firm intention to make the Offer. The Offer Document and the appropriate form(s) of acceptance for the Offer will be despatched to the CWT Shareholders not earlier than 14 days and not later than 21 days from the date of the Formal Offer Announcement, or such other date permitted under the Singapore Takeovers Code. The Offer will be made for all the Offer Shares in accordance with Rule 15 of the Singapore Takeovers Code (which sets out the rules applicable to voluntary takeover offers in Singapore, including the minimum price, applicable level of acceptances upon which the Offer may be made conditional and the other conditions that any such Offer may be subject to) and subject to the terms and conditions to be set out in the Offer Document to be issued by the Offeror to the CWT Shareholders in connection with the Offer. Subject to the fulfilment (or waiver, as applicable) of the Pre-Conditions and the commencement of the Offer, the Acquisition is expected to be completed by the end of 2017, and, in the event the Company has the right to compulsorily acquire the CWT Shares of the Dissenting Shareholders under the Singapore Companies Act, and exercises such right, by the end of the first quarter of 2018.

However, if any of the Pre-Conditions is not fulfilled or waived by the Offeror (as applicable) on or before the Long-Stop Date, the Offer will not be made and the Offeror will issue an announcement confirming that fact as soon as reasonably practicable.

As at 31 December 2016, there were no unissued CWT Shares under option granted by CWT.

2. Offer Price

The Offer Price per Offer Share shall be S$2.33. The Offer Price shall be satisfied in cash.

Based on publicly available information, CWT had 600,304,650 issued and paid-up CWT Shares as at the date of the Announcement. The Offer, based on the Offer Price of S$2.33 per CWT Share, is valued at S$1,398,709,834.50 (equivalent to approximately HK$7,692,904,089.75).

The Offer Price was determined having taken into consideration amongst other things: (i) the potential benefits that the Company may derive from the Acquisition as more particularly described in the paragraph headed "Reasons for and benefits of the Acquisition" in this Letter from the Board; (ii) the assessment of the financial and business performance of CWT Group; (iii) the historical share prices of CWT (including the VWAP per CWT Share over a twelve-month period up to and including the Last Full Trading Day); (iv) the previous control premium paid for certain acquisitions of Singapore-listed companies over the past five years; and (v) the analysis of market comparables and their trading multiples (such as P/E and EV/EBITDA) as well as comparable precedent transactions in Singapore and other markets such as the US, UK, Europe and Australia over the past two years.

The Group has been assessing the historical performance of CWT Group and the outlook for its various businesses. With due consideration for this and other factors mentioned above, including the relevant micro and macro markets, the Board has determined that the terms of the Acquisition (including the Offer Price) are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Company also noted the Target Group's most recent reported financial results for the first quarter ended 31 March 2017, where both revenue and net profit attributable to CWT Shareholders increased year-on-year. When compared to the fourth quarter ended 31 December 2016, the first quarter ended 31 March 2017 had slightly lower revenue but higher net profit attributable to CWT Shareholders.

The Offer Price represents the following premium over the historical transacted prices of the CWT Shares on the SGX-ST:

Period	CWT Share price *(S$)*	Premium over CWT Share price *(%)*
Last transacted price per CWT Share on 5 April 2017 being the last full trading day prior to the trading halt on CWT Shares, preceding the date of the Pre-Conditional Offer Announcement (the "**Last Full Trading Day**")	2.06	13.11
VWAP per CWT Share for the one-month period up to and including the Last Full Trading Day	2.00	16.55
VWAP per CWT Share for the three-month period up to and including the Last Full Trading Day	2.03	14.64
VWAP per CWT Share for the six-month period up to and including the Last Full Trading Day	2.02	15.30
VWAP per CWT Share for the twelve-month period up to and including the Last Full Trading Day	2.05	13.48

Source: Bloomberg L.P.

As stated in the audited financial statements for the financial year ended 31 December 2016 announced by CWT in its announcement dated 12 April 2017, the directors of CWT proposed a final one-tier cash dividend of S$0.03 per CWT Share for the financial year ended 31 December 2016 (the "**FY2016 Proposed Final Dividend**"). The FY2016 Proposed Final Dividend was approved by CWT Shareholders at the annual general meeting of CWT held on 28 April 2017 and was paid on 17 May 2017.

For the avoidance of doubt, CWT Shareholders who accept the Offer, if and when made, will be entitled to retain the FY2016 Proposed Final Dividend.

If any dividend, right or other distribution or return of capital, other than the FY2016 Proposed Final Dividend, is announced, declared, paid or made by CWT on or after the date of the Pre-Conditional Offer Announcement, the Offeror reserves the right to reduce the Offer Price payable to the accepting CWT Shareholder(s) by an amount equivalent to such dividend, right, other distribution or return of capital.

3. Deposit

Pursuant to an agreement entered into between the Company and CWT dated 9 April 2017 (the "**Deposit Agreement**"), the Company has agreed to pay a sum of S$15 million (equivalent to approximately HK$82,500,000) to CWT (the "**Deposit**") to be held in escrow by DBS Trustee Limited (the "**Escrow Agent**") in an escrow account (the "**Escrow Account**") on the terms and subject to the conditions set out in the Deposit Agreement.

If the Offeror announces a firm intention to make the Offer and the Offer is declared unconditional in all respects in accordance with the Singapore Takeovers Code, the Deposit shall be released from the Escrow Account and paid into a bank account to be designated and notified in writing to the Escrow Agent and CWT by the Offeror for the purposes of making payments pursuant to the Offer.

If (a) the Pre-Conditions having been fulfilled or waived (as applicable), the Offeror fails to make the Formal Offer Announcement for any reason whatsoever; or (b) the Formal Offer Announcement having been made, the Offer Document is not posted to CWT Shareholders within the time prescribed under the Singapore Takeovers Code, the Deposit shall be released and paid in full to CWT.

In the event that:–

(a) any of the Anti-Trust Pre-Conditions is not satisfied on or before the Long-Stop Date; and/or

(b) the Pre-Condition relating to Material Adverse Effect in paragraph (b) of the section headed "Pre-Conditions to the Offer" in this Letter from the Board is not satisfied or waived on or before the Long-Stop Date; and/or

(c) any party to certain Vendor Undertakings specified in the Deposit Agreement fails to comply with its obligations thereunder to accept the Offer and consequently the Offer does not become unconditional as to acceptances,

the Deposit shall be refunded in full to the Company.

In the event that the Pre-Condition relating to Shareholders' approval in paragraph (c) of the section headed "Pre-Conditions to the Offer" in this Letter from the Board is not satisfied on or before the date falling five months after the date of the Pre-Conditional Offer Announcement, being 9 September 2017 (or, in certain agreed circumstances set out in the Deposit Agreement, such later date as the SIC may approve), the sum of S$5,000,000 (equivalent to approximately HK$27,500,000) of the Deposit shall be released to CWT and the balance of S$10,000,000 (equivalent to approximately HK$55,000,000) shall be refunded to the Company.

4. Minimum acceptance condition

The Offer (if and when made) will be conditional upon the Offeror receiving valid acceptances in respect of such number of Offer Shares which, when taken together with the CWT Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and the parties acting in concert with it holding such number of CWT Shares carrying more than 50% of the voting rights attributable to the CWT Shares (excluding treasury shares), by the Closing Date. Pursuant to the Vendor Undertakings, the Offer (if and when made) will become unconditional as to acceptances upon the Vendors tendering their CWT Shares (representing approximately 65.13% of the total issued share capital of CWT as at the Latest Practicable Date) in acceptance of the Offer.

THE VENDOR UNDERTAKINGS

As at the date of the Pre-Conditional Offer Announcement, the Vendors have given the Offeror their Vendor Undertakings to, among other things:

(a) except as prohibited in writing by the SIC or by an order of a court of competent jurisdiction, accept, or procure the acceptance of, the Offer in relation to all the CWT Shares respectively owned by them as of the date of their respective Vendor Undertakings (the "**Undertaken CWT Shares**") within such number of Market Days as agreed with the Offeror under the respective Vendor Undertakings after the Offer is open for acceptance, and that the Undertaken CWT Shares shall be sold to the Offeror in accordance with the terms of the Offer and that notwithstanding any rights of withdrawal which they may have under the Singapore Takeovers Code or the terms of the Offer, to not withdraw such acceptance of the Offer tendered in respect of any of the Undertaken CWT Shares;

(b) during the period commencing on the date of their respective Vendor Undertakings until the date on which their respective Vendor Undertakings cease to have any effect, not directly or indirectly:

    (i) sell, dispose of, transfer or otherwise deal in, or create any encumbrance over (or permit the sale, disposal of, transfer, dealing in, or creation of any encumbrance over), any of their rights or interests in the Undertaken CWT Shares;

    (ii) accept (or permit the acceptance on their behalf of) any other offer from any other party for all or any of the Undertaken CWT Shares, whether or not such other offer is at a higher price and/or on more favourable terms than the Offer;

    (iii) approve, endorse, recommend, vote or agree to vote for any other offer from any other party for all or any of the Undertaken CWT Shares, whether or not such other offer is at a higher price and/or on more favourable terms than the Offer; and

(iv) authorise any of their representatives or advisers to, directly or indirectly, solicit, encourage, initiate or entertain any offers or proposals or hold discussions with any third party about any arrangement, agreement or commitment in connection with the acquisition of (1) all or any Undertaken CWT Shares or (2) all or substantially all the business/assets of CWT, save that the restrictions in this sub-paragraph shall not apply to (A) the making of normal presentations, for and on behalf of CWT, to brokers, portfolio investors and analysts in the ordinary and usual course of business; or (B) the provision of information for or on behalf of CWT to SGX-ST or the SIC;

(c) not exercise any voting rights in the Undertaken CWT Shares or take any action that will frustrate the Offer.

The Vendor Undertakings will terminate, lapse and cease to have any effect if:–

(a) the Pre-Conditions are not fulfilled or, if applicable, waived by the Offeror on or before 5.00 p.m. (Singapore time) on 9 September 2017, being the date falling five months after the date of the respective Vendor Undertaking;

(b) the Formal Offer Announcement is not released on SGXNET before 7.00 a.m. (Singapore time) on the Market Day immediately after the Offeror is aware that all the Pre-Conditions are fulfilled or, if applicable, waived in writing. For the avoidance of doubt, in the event any Pre-Condition is fulfilled after the expiration of the applicable waiting period(s), the Offeror is deemed to be aware that such Pre-Condition is fulfilled on the expiration of the applicable waiting period(s) in question;

(c) the Offer Document is not posted to CWT Shareholders within the time prescribed under the Singapore Takeovers Code; or

(d) the Offer lapses or is withdrawn without having become unconditional in all respects in accordance with its terms through no breach by any of the Vendors of their obligations under their respective Vendor Undertakings.

INTENTIONS OF THE OFFEROR IN RELATION TO CWT

Subject to normal business considerations, the Offeror does not intend to make major changes to the management team of CWT upon completion of the Acquisition. The Group will continue to review the composition of the board of directors of the members of CWT Group from time to time and make a recommendation to the Board on whether the Group should nominate and appoint any directors to members of CWT Group.

In order to ensure continuity in the management, business and operations of CWT Group, the Offeror wishes to have the senior management team of CWT Group's key business units remain in CWT Group's employment. Accordingly, the Offeror intends to implement the following arrangements, that will come into effect upon the Offer becoming unconditional:

(a) The Group Chief Executive Officer ("**GCEO**"), Mr. Loi Pok Yen, and the Deputy Group Chief Executive Officer cum Group Chief Financial Officer ("**GCFO**"), Mrs. Lynda Goh, of CWT will each agree to a fixed employment term of three years. In return for such agreement, each of them will be paid a yearly remuneration package that comprises a monthly salary and a variable annual bonus. The variable bonus will be linked to a percentage of the operating earnings before interest, tax, depreciation and amortization of CWT Group. This percentage is less than 2.5% and less than 1% for the GCEO and GCFO respectively. In addition, upon the completion of three years' service, they will each be paid an additional retention bonus equal to the average bonus of the said three-year period.

For illustration purposes, assuming that the above arrangements were implemented, the total remuneration for the GCEO would have been largely comparable to the actual remuneration for FY2016. In the case of the GCEO, his remuneration for FY2016 is disclosed in the Target Group's annual report 2016 as S$8,752,640. The annual remuneration of other key executives (including the GCFO's) is also disclosed in the Target Group's annual report 2016 within bands.

(b) Other senior management personnel identified by CWT and the Offeror (the "**Senior Management Personnel**") will, in addition to their current remuneration packages and upon the completion of three years' service, be paid an additional retention bonus equal to the average bonus of the said three-year period.

The Senior Management Personnel comprise:

(i) Deputy Group Chief Executive Officer & Chief Executive Officer ("**CEO**"), Commodity Logistics of CWT Commodities Pte Ltd;

(ii) Managing Director ("**MD**"), Warehousing & Business Development of CWT Limited;

(iii) CEO, Integrated Logistics of CWT Integrated Pte Ltd;

(iv) CEO, Contract Logistics of CWT Logistics Pte Ltd;

(v) Executive Chairman, CWT Globelink Group of CWT Globelink Pte Ltd;

(vi) CEO, CWT Globelink Group of CWT Globelink Pte Ltd;

(vii) MD, Infrastructure Development of CWT Limited;

(viii) CEO of MRI Group Pte Ltd;

(ix) MD, Asia Pacific of MRI Group Pte Ltd;

(x) CEO of Straits Financial Group Pte Ltd; and

(xi) certain other heads of key business units (not exceeding five).

While the Senior Management Personnel play an important role in the business of the CWT Group, the loss of any one member of the Senior Management Personnel would not have a material adverse impact on the CWT Group as the CWT Group operates with defined processes and organisations of people to avoid dependence on any individuals.

The SIC has ruled that the above intended management retention arrangements with (i) the GCEO and GCFO and (ii) the Senior Management Personnel who are CWT Shareholders will not constitute special deals for the purpose of Rule 10 of the Singapore Takeovers Code, subject to the independent financial adviser to CWT publicly stating in its opinion that the terms of such arrangements are fair and reasonable.

The Offeror currently has no intention to introduce any major changes to the existing business of the CWT Group or employment of the employees of CWT and/or its subsidiaries, or to re-deploy any of the fixed assets of CWT and/or its subsidiaries, other than in the ordinary course of business. The Company considers that the proposed arrangements to retain the GCEO, the GCFO and certain Senior Management Personnel of the CWT Group is an important measure to maintain a smooth operation and standard and retain suppliers and customers of the Target Group. As such, the Group does not anticipate significant changes in the suppliers and customers of CWT Group as a result of the change of shareholding control at the CWT level.

Nevertheless, the Offeror retains the flexibility at any time to consider any options or opportunities which may present themselves and which it regards to be in the interests of the Offeror and/or CWT.

In addition, the following Directors possess relevant skills, expertise and experiences on the businesses in which the CWT Group is engaged. Certain Directors have previously held, or are holding, positions in logistics and transport companies. Certain other Directors possess skills, expertise, and experience in real estate, international capital markets, financial and corporate management. As the Board will be responsible for providing strategic and long-term business guidance for the development of the CWT Group, the Company believes that the future business and operation of the CWT Group would be able to leverage on the extensive and diversified skills, expertise and experience of those Directors. As at the Latest Practicable Date, the Company did not intend to make significant changes in the composition of the Board. The Company will from time to time review the composition of the Board and make further announcement(s) as and when required under the Hong Kong Listing Rules.

Set out below are the relevant skills, expertise and experience of the relevant Directors:

1. Mr. Zhao Quan

Mr. Zhao Quan, aged 46, holds a bachelor degree of Science in Computer Science Software Management from Lanzhou University and is an external master tutor of Beijing Forestry University. Mr. Zhao has over 20 years of working and management experiences in the areas of airlines, finance, airport investment and operation etc., and has extensive knowledge and experience in corporate management.

He was appointed as an Executive Director and the Chairman of the Board in July 2015, and redesignated as the Co-Chairman of the Board in November 2016. He is the chairman of the Nomination Committee and the co-chairman of each of the Executive Committee and Investment Committee, and a member of the Remuneration Committee of the Company.

Mr. Zhao also:

(a) is a director and chief executive officer of HNA Industrial Group Co., Ltd.* (海航實業集團有限公司), a company under HNAG; and

(b) is an executive director and the chairman of the board of Hong Kong International Construction Investment Management Group Co., Limited (Stock Code: 687), a company under HNAG.

Mr. Zhao joined HNAG in 2009, and was engaged with senior management positions, namely:

(a) the chief financial officer of HNAG, served concurrently the vice-chairman and also the chairman of HNA Group Finance Co., Ltd.* (海航集團財務有限公司); and

(b) the executive vice-president of HNAG.

Before joining HNAG, Mr. Zhao worked in State Tax Planning and Finance of Gansu Province, Changan Airlines Co., Ltd.* (長安航空有限責任公司) and Shanxi Airlines Co., Ltd.* (山西航空有限責任公司).

2. Mr. Wang Shuang

Mr. Wang Shuang was appointed as an Executive Director and the Co-Chairman of the Board as well as the co-chairman of each of the Executive Committee and the Investment Committee of the Company on 24 November 2016.

Mr. Wang, aged 34, holds a master degree of Business Administration from Shanghai Jiao Tong University (joint program with Nanyang Technological University, Singapore). Mr. Wang is now the chief investment officer of HNAG. He is the director of Seaco SRL, a logistics container leasing company whose main decision-making organisation is located in Singapore, and also the vice chairman and the chief executive officer of HNAGI, both of which are companies under HNAG. Mr. Wang joined HNAG since 2007 and was engaged with senior management positions, namely the director and the vice president of GC Tankers Pte. Ltd., and the general manager of business department of Changjiang Leasing Co Ltd.* (長江租賃有限公司). Mr. Wang has nearly 10 years of practical experience in the fields of logistics and transportation, finance, corporate administration and investment, including container leasing business, crude oil transportation business, and aircraft leasing and investment business. He has expertise in international logistics and transportation business, among other things, container leasing business and vessel insurance management. He was also responsible for, among other things, human resources and business administration, company secretary of the board, project acquisition and project financing.

3. Mr. Wang Hao

Mr. Wang Hao, aged 40, holds a master degree in business administration from City University of Seattle, US. Mr. Wang has over 15 years of working experience in financial and corporate management, and has extensive knowledge and experience in corporate management.

Mr. Wang was appointed as an Executive Director, the Chairman of the Board and the Chief Executive Officer of the Company in June 2015, and stepped down as the Chairman of the Board in July 2015. He has been redesignated as a Non-executive Director and resigned as the Chief Executive Officer in February 2016. Mr. Wang currently is the investment president of HNA Technology Logistics Group Co., Ltd.* (海航科技物流集團有限公司), a company under HNAG which is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Wang has also served other positions, including the manager of aircraft procurement of Hainan Airlines Group Co., Ltd.* (海南航空股份有限公司) (a Shanghai A-share listed company, Stock Code: 600221), the general manager of finance department of HNAG, the chief financial officer of Hainan Airlines Group Co., Ltd.* (海南航空股份有限公司) and the chief financial officer of HNA Capital Group Co., Ltd.* (海航資本集團有限公司). He was also the chairman of Bohai Leasing Co., Ltd.* (渤海租賃股份有限公司) (a Shenzhen A-share listed company, Stock Code: 000415).

4. Mr. Xu Haohao

Mr. Xu Haohao, aged 33, holds a bachelor degree in Financial Administration from University of Winnipeg. Mr. Xu has extensive management knowledge and working experience in financial and corporate management.

Mr. Xu joined the Finance Department of the Company in January 2014 and was appointed as the Financial Controller in April of the same year overseeing the financial matters; and he was appointed as the Vice President of the Company in July 2014.

Mr. Xu was appointed as an Executive Director of the Company in December 2014 and is a member of each of the Executive Committee, the Remuneration Committee and the Investment Committee of the Company. He was appointed as the Executive President of the Company in February 2015, responsible for the general operation of the Company. As from February 2016, Mr. Xu is also responsible for the matters relating to, among other things, the Company's external communication, strategy and investment programs.

Before joining the Company, Mr. Xu had served as the general manager of the finance department of Hong Kong Airlines Limited.

LISTING STATUS OF CWT AND COMPULSORY ACQUISITION

1. Listing status

Pursuant to Rule 1105 of the SGX Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and parties acting in concert with it to above 90% of the total number of issued CWT Shares (excluding treasury shares), the SGX-ST may suspend the trading of the CWT Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of issued CWT Shares (excluding treasury shares) are held by at least 500 CWT Shareholders who are members of the public. Rule 1303(1) of the SGX Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued CWT Shares (excluding treasury shares), thus causing the percentage of the total number of issued CWT Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the CWT Shares only at the Closing Date.

In addition, under Rule 724(1) of the SGX Listing Manual, if the percentage of the total number of issued CWT Shares (excluding treasury shares) held in public hands falls below 10%, CWT must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the CWT Shares. Rule 724(2) of the SGX Listing Manual states that the SGX-ST may allow CWT a period of three months, or such longer period as the SGX-ST may agree, to raise the percentage of CWT Shares (excluding treasury shares) in public hands to at least 10%, failing which CWT may be removed from the official list of the SGX-ST.

2. Compulsory acquisition

Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires CWT Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued CWT Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any CWT Shares held by CWT as treasury shares), the Offeror would be entitled to exercise the right to compulsorily acquire all the CWT Shares of the Dissenting Shareholders at a price equal to the Offer Price.

In addition, Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their CWT Shares at a price equal to the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of CWT Shares which, together with the CWT Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued CWT Shares (excluding any CWT Shares held by CWT as treasury shares).

3. The Offeror's intentions

In the event the Offeror receives acceptances for the Offer such that less than 10% of the total number of issued CWT Shares (excluding any CWT Shares held by CWT as treasury shares) are held in public hands, the Offeror presently has no intention to support any action or take any steps to maintain the listing status of CWT on the SGX-ST, and reserves its right to seek a voluntary delisting of CWT from the SGX-ST pursuant to Rules 1307 and 1309 of the SGX Listing Manual. The Offeror intends to make CWT its wholly-owned subsidiary and does not intend to preserve the listing status of CWT. Accordingly, if and when entitled, the Offeror intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act. In the event that the Offeror receives acceptances for the Offer such that more than 10% of the total number of issued CWT Shares (excluding any CWT Shares held by CWT as treasury shares) are held in public hands, CWT will remain listed on the SGX-ST and the Offeror will continue to review and evaluate CWT's position.

INFORMATION ON THE COMPANY AND THE OFFEROR

The Offeror is a company incorporated in Singapore for the purpose of making the Offer and is a wholly-owned subsidiary of the Company. Its principal business activity is investment holding.

The Group is currently engaged in its businesses of the Recreational/Tourism Business and the Property Investment Business. It is the intention of the Group to both continue to strengthen its existing businesses and explore opportunities to further develop itself into a leading diversified international investment company to enhance the growth prospects of the Group and create value for the Shareholders.

As part of its development strategy, the Group mainly focuses on merger and acquisition opportunities in international markets. In particular, the Group seeks merger and acquisition targets in sectors including logistics real estate, logistic warehousing, bulk commodity trading, logistics finance, logistics transport facilities, oil storage, marketing and transportation assets while closely monitoring the economic and trade development situation in the "One Belt, One Road" initiative, Southeast Asia, and other regions (including Hong Kong). As of the Latest Practicable Date, save as disclosed in this circular, there had been no substantial negotiations and no definitive agreements had been entered into in respect of the aforesaid investment and business opportunities.

INFORMATION ON CWT GROUP

CWT was incorporated in 1970 as a private arm of the Port of Singapore Authority to provide warehousing and container trucking services in support of the onset of container terminal operations. CWT is a company incorporated in Singapore whose shares have been quoted and traded on the SGX-ST since 12 April 1993. It is a leading provider of integrated logistics solutions with interests in logistics services, commodity marketing, financial services and engineering services.

According to CWT's audited consolidated financial statements for the year ended 31 December 2016, CWT Group has four operating business segments: (1) logistics services; (2) commodity marketing; (3) financial services; and (4) engineering services:

(1) ***Logistics Services***: includes warehousing, transportation, freight forwarding and cargo consolidation, supply chain management services such as procurement, inventory management, packing and other value added services and delivery to end customers and container management services. The CWT Group, being a one-stop logistics provider, views all logistics services as total logistics solutions provided to customers. CWT is an integrated logistics solutions provider according to customers' requirements. While the solutions provided could be 2PL, 3PL or 4PL, CWT is largely a 3PL provider. These logistics services are aggregated into a single operating segment since the aggregated operating results of this segment are regularly reviewed by the GCEO to make decisions about resources to be allocated to it and to assess its performance.

(2) ***Commodity Marketing***: represents physical commodity marketing and includes physical trading and supply chain management of base metal non-ferrous concentrates with predominant focus on copper, lead, zinc and other minor metals and energy products like naphtha and distillates; and physical trading and structured trade services of refined base metals and other exchange tradable products.

(3) ***Financial Services***: includes financial brokerage services, structured trade services and asset management services.

(4) ***Engineering Services***: includes management and maintenance of facilities, vehicles and equipment, supply and installation of engineering products, property management, and design-and-build solutions for logistics properties.

Based on CWT's audited consolidated financial statements for the year ended 31 December 2016, the reportable segment revenue and the reportable segment profit before tax of each business segment for the year ended 31 December 2016 were as follows:

Segment	**Reportable segment revenue (excluding inter-segment revenue)**	%	**Reportable segment profit before tax**	%
Logistics Services	S$831,800,000 (equivalent to approximately HK$4,574,900,000)	8.99	S$61,135,000 (equivalent to approximately HK$336,242,500)	47.31
Financial Services	S$128,972,000 (equivalent to approximately HK$709,346,000)	1.40	S$34,203,000 (equivalent to approximately HK$188,116,500)	26.47
Commodity Marketing	S$8,161,343,000 (equivalent to approximately HK$44,887,386,500)	88.21	S$18,264,000 (equivalent to approximately HK$100,452,000)	14.13
Engineering Services	S$129,739,000 (equivalent to approximately HK$713,564,500)	1.40	S$15,626,000 (equivalent to approximately HK$85,943,000)	12.09
Total	**S$9,251,854,000** (equivalent to approximately **HK$50,885,197,000**)	**100.00**	**S$129,228,000** (equivalent to approximately **HK$710,754,000**)	**100.00**

CWT Group operates in more than 90 countries through its regional offices and network of service partners. Its logistics services and commodity marketing segments are managed on a worldwide basis and operate principally in Singapore, China, Taiwan, Malaysia, other parts of Asia Pacific, Europe, Africa and South America. Its financial services segment operates mainly in China, Singapore and North America. Its engineering services segment operates primarily in Singapore.

For further information on CWT Group, please refer to "Appendix I – Information about the Target Group" of this circular.

FINANCIAL INFORMATION OF CWT GROUP

Set out below is a summary of certain consolidated financial information of CWT Group for the two years ended 31 December 2015 and 2016, respectively, which has been prepared in accordance with the Singapore Financial Reporting Standards, as extracted from the published financial results of CWT Group:

	For the year ended 31 December 2016 (audited)	**For the year ended 31 December 2015 (audited)**
Net profit before taxation and extraordinary items (if any)	S$104,801,000 (equivalent to approximately HK$576,405,500)	S$131,720,000 (equivalent to approximately HK$724,460,000)
Net profit after taxation and extraordinary items (if any)	S$79,020,000 (equivalent to approximately HK$434,610,000)	S$113,919,000 (equivalent to approximately HK$626,554,500)

The unaudited consolidated net asset value attributable to owners of CWT as at 31 March 2017 was approximately S$888,637,000 (equivalent to approximately HK$4,887,503,500).

Upon the completion of the Acquisition, members of the CWT Group will become subsidiaries of the Group, and the financial results, assets and liabilities of CWT Group will be consolidated into the financial statements of the Group. After consultation with the Company's auditor, the Company is of the view that there will be no material difference in the previous financial information of CWT Group if it had adopted the accounting standards and policies of the Group.

INFORMATION ON THE VENDORS

Information on the Vendors and their respective Undertaken CWT Shares are set out in the table below:

Vendor	Number of Undertaken CWT Shares	Number of Undertaken CWT Shares as an approximate percentage of the total number of issued CWT Shares as at the Latest Practicable Date
C & P Holdings Pte Ltd(1)	191,680,000	31.93
Loi Kai Meng	70,000,000	11.66
Loi Kai Meng (Pte.) Limited(1)	37,356,900	6.22
Stanley Liao Private Limited(1)	19,581,000	3.26
Liao Chung Lik	16,301,000	2.72
Loi Pok Yen(2)	31,000,000	5.16
Stanley K K Liao	10,397,000	1.73
Loi Win Yen	7,930,000	1.32
Lim Soo Seng (Pte.) Limited(1)	2,624,000	0.44
Lim Lay Khia (alias Lim Lay Choo)	1,950,000	0.32
Tong Siow Oon Sylvia	1,100,000	0.18
Loi Yan Yi	1,050,000	0.17
Total	390,969,900	65.13

Notes:

(1) C & P Holdings Pte Ltd is majority-owned by Loi Kai Meng (Pte.) Limited, Stanley Liao Private Limited and Lim Soo Seng (Pte.) Limited, each of whom owns more than 20% of its issued share capital.

(2) Loi Pok Yen holds 16,000,000 CWT Shares directly and 15,000,000 CWT Shares through his wholly-owned company, Penjuru Capital Pte. Ltd..

Other than Loi Pok Yen's interests as described in note (2) above, the Undertaken CWT Shares are held directly by the relevant Vendor or through nominee accounts.

To the best knowledge, information and belief of the Directors having made reasonable enquiries, each of the Vendors above and, if applicable, their ultimate beneficial owner(s) is an Independent Third Party.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group has been actively assessing the global market for attractive investment opportunities to complement its existing businesses, namely the Property Investment Business and the Recreational/Tourism Business, to further develop itself into a leading diversified international investment company.

CWT Group has a strong market position in its logistics services division and is well diversified through revenues from its engineering Services, financial Services and commodity marketing divisions, as further described in the section headed "Information on CWT Group" in this Letter from the Board.

As part of its development strategy, the Group mainly focuses on merger and acquisition opportunities in international markets. In particular, the Group seeks merger and acquisition targets in sectors including logistics real estate, logistic warehousing, bulk commodity trading, logistics finance, logistics transport facilities, oil storage, marketing and transportation assets while closely monitoring the economic and trade development situation in the "Belt and Road Initiative" , Southeast Asia, and other regions (including Hong Kong). The Group believes that the "Belt and Road Initiative" has the potential to drive future global trade flow, which may have a positive impact on logistics services, financial services and commodity marketing, being businesses that are currently undertaken by the CWT Group. As such, the Group believes that the Acquisition is in line with the Group's development strategy.

The Group has put the above considerations into perspective in setting up its development strategy for 2017. The long term goal of the Group is to build a business portfolio which has a distinct core business, delivers stable cash flow and offers growth prospects while striking a balance between risk and return.

The Group believes that the Acquisition is strategically beneficial to the Group for the following reasons:

A. Leverage an established international business platform and management team to identify and develop new business opportunities

Over more than 45 years, CWT Group has established diversified global operations in logistics services, engineering services, financial services and commodity marketing. Each of CWT Group's business units enjoys strong positions in their respective markets and is led by an experienced and knowledgeable management team.

The Acquisition will enable the Group to simultaneously enter into logistics, engineering, financial services and commodity marketing businesses and have a presence across approximately 90 countries globally. After completion of the Acquisition, the Group believes that the Enlarged Group can leverage CWT Group's international operating platform and the Group's relationships to explore potential new business opportunities, particularly in logistics services, commodity marketing and financial services, and provide a solid foundation for the Enlarged Group's future business development.

B. Become a leading logistics player with a global reach

CWT Group provides integrated logistics solutions in Singapore and internationally, with a niche market focus in the commodity, chemical, marine, F&B and wine, and industrial sectors. CWT Group operates and manages warehouses that are strategically located near key transport hubs and ports in Singapore and around the world and as of 31 December 2016 had a global freight forwarding network with connectivity to approximately 200 direct ports and 1,600 inland destinations supported by an extensive network of more than 100 offices and agents globally.

After completion of the Acquisition, the Group believes that the Enlarged Group could seek to leverage CWT Group's experience and capabilities and the Group's relationships to enhance its position as a leading provider of integrated logistics solutions for worldwide customers in the commodity, marine, chemical, F&B and wine, and industrial sectors.

C. Further diversify the Property Investment Business with a large, high quality real estate portfolio and enhance services and capabilities

CWT Group is one of the largest owners and managers of warehouse and logistics real estate assets in Singapore. As of 31 December 2016, CWT Group managed approximately 10.3 million sq.ft. of owned and leased warehousing space in Singapore, which includes approximately 2.4 million sq.ft. of the under-construction mega integrated logistics hub in Singapore that is expected to be completed in the third quarter of 2017. CWT Group also managed approximately 6.1 million sq.ft. of warehouse space outside of Singapore. In addition, through its engineering subsidiary, Indeco Engineers (Pte) Ltd, CWT Group provides a range of management and maintenance services for facilities, vehicles and equipment fleets, as well as "Design and Build" solutions for logistics facilities.

After completion of the Acquisition, the Group believes that the Enlarged Group's Property Investment Business will benefit from CWT Group's high quality real estate portfolio while providing opportunities to further enhance its property and facilities management services and property development capabilities.

D. Capitalise on a well-established commodity marketing and financial services platform

CWT Group's Commodity Marketing division, through MRI Group Pte Ltd and its subsidiaries, is a large independent trader of non-ferrous concentrates and energy products with offices in 10 countries worldwide. CWT Group, through its financial services division, offers financial brokerage, structured trade and asset management services. CWT Group also has a 40% ownership of ARA-CWT Trust Management (Cache) Limited, the REIT manager of the Singapore-listed Cache REIT.

After completion of the Acquisition, the Group believes that the Enlarged Group will be well positioned to capitalise on CWT Group's existing capabilities in commodities marketing and financial services to explore and develop new business opportunities in the areas of supply chain financing, financial services and financial technology.

E. Better positioned to take advantage of China's "Belt and Road Initiative"

In 2013, the PRC Government formulated the "Belt and Road Initiative", which consists of two main components, the land-based "Silk Road Economic Belt" and oceangoing "Maritime Silk Road". Under the "Belt and Road Initiative", which is supported by China's Silk Road Infrastructure Fund of US$40 billion and the Asian Infrastructure Investment Bank with its registered capital of US$100 billion, significant infrastructure investments across Europe, Central Asia, South Asia, the Middle East and Africa are expected. It is anticipated that these infrastructure investment initiatives will be a key driver of future demand for commodities and logistics in those regions.

After completion of the Acquisition, the Group believes that the Enlarged Group through CWT's well-established logistics and commodity marketing businesses, which have significant brand equity, geographical reach and strong relationships, will be well positioned to benefit from these attractive industry dynamics. In addition, CWT Group currently only has a moderate presence in China and some other global locations and the Group believes that it has the potential to further enhance CWT Group's business in these locations, creating business synergies and enhanced economies of scales for the Enlarged Group.

Based on the above, the Directors consider that the terms of the Acquisition (including the terms and conditions of the Offer) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FUNDING FOR THE ACQUISITION

CWT had 600,304,650 issued and paid-up CWT Shares as at the date of the Announcement. Based on the Offer Price of $2.33 per CWT Share, the maximum amount payable by the Offeror under the Offer is S$1,398,709,834.50 (equivalent to approximately HK$7,692,904,089.75).

The funds required by the Offeror to satisfy the Offer Price payable under the Offer will be satisfied by cash. The amount of cash and cash equivalents of the Group as at 31 December 2016 (the date to which the latest published audited financial statements of the Company was made up to) was HK$1,091,201,000, and there has been no material change to such cash level since 31 December 2016. The Offer is intended to be financed by a combination of the Group's internal resources, external financing and an interest-free unsecured fund of up to S$1,400,000,000 (equivalent to approximately HK$7,700,000,000) to be provided by HNAG's associate(s) to the Company pursuant to a definitive agreement entered into between the Company, Hong Kong HNA and HNAGI. Whilst the Company has been exploring various external financing options, in the event that such external financing is not available, the Company will finance the Offer solely by such funding of up to S$1,400,000,000 pursuant to such definitive agreement, which is sufficient to satisfy the Offer Price payable under the Offer. As of the Latest Practicable Date, the Company has been in negotiations with various financial institutions, and no definitive agreements for such external financing have been entered into. The Group does, and will continue to, review its financing options as part of the Group's ongoing capital structure management.

Based on the working capital forecasts of the Company and CWT, barring any unforeseeable economic circumstances, the Company would not expect any significant capital contribution to CWT Group within 12 months upon completion of the Acquisition. However, in the event that future business opportunities arise after completion of the Acquisition, the Company and CWT may assess various financing alternatives available to capitalise on such opportunities if considered appropriate.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon the completion of the Acquisition, members of CWT Group will become subsidiaries of the Company, and the financial results, assets and liabilities of CWT Group will be fully consolidated into the financial statements of the Group. With reference to the unaudited pro forma financial information of the Enlarged Group for the year ended 31 December 2016 as set out in Appendix V to this circular, the Company believes that, subject to certain assumptions regarding our respective present and future business strategies and the present and future environment in which the Group and CWT Group will operate, respectively, and unforeseen circumstances, uncertainties and other factors, some of which are, or maybe, beyond the Group's or CWT Group's control, the Acquisition may have impact on the long-term financial performance of the Group.

Shareholders and prospective investors are advised to consider all of the information in this circular, including the non-exhaustive risks and uncertainties described in the section headed "Appendix I – Information about the Target Group – Risk Factors". The business, financial condition, results of operations and prospects of the Group could be adversely affected by any of the events as described.

Earnings

The audited net loss of the Group for the year ended 31 December 2016, as extracted from the Company's annual report for the year ended 31 December 2016, was approximately HK$59,840,000. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this circular, the unaudited pro forma net profit for the year ended 31 December 2016 of the Enlarged Group would have been approximately HK$317,140,000. This is driven by the consolidation of the audited consolidated net profit of the Target Group of approximately HK$434,610,000 for the year ended 31 December 2016, which is partially offset by the transaction costs of approximately HK$57,630,000, which includes the accountancy, legal, valuation and other professional services related to the Acquisition.

Goodwill

As at 31 December 2016, as extracted from the Company's annual report for the year ended 31 December 2016, the Group did not recognise any goodwill. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this circular, the Enlarged Group would have recognised a provisional goodwill of approximately

HK$2,884,581,000, which is arising from the premium of the consideration of the Acquisition of approximately HK$7,692,904,000 to the net asset value of the Target Group as at 31 December 2016 of approximately HK$4,972,240,000 and adding the non-controlling interests of the non-wholly owned subsidiaries of the Target Group of approximately HK$163,917,000. For the purpose of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this circular, the Group's management has performed an impairment assessment on the provisional goodwill arising from the Acquisition in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" and concluded that there would have been no impairment of the goodwill if the Acquisition had been completed on 31 December 2016.

Assets

The audited consolidated total assets of the Group as at 31 December 2016 as extracted from the Company's annual report for the year ended 31 December 2016, were approximately HK$6,421,122,000. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this circular, the unaudited pro forma consolidated total assets of the Enlarged Group would have been increased to approximately HK$37,988,837,000. This is driven by the consolidation of the audited consolidated total assets of the Target Group as at 31 December 2016 of approximately HK$29,768,581,000 and the goodwill arising from the Acquisition of approximately HK$2,884,581,000, which are partially offset by part of the consideration for the Acquisition of approximately HK$1,027,817,000 and the transaction costs of approximately HK$57,630,000, which includes the accountancy, legal, valuation, and other professional services related to the Acquisition.

Liabilities

The audited consolidated total liabilities of the Group as at 31 December 2016 as extracted from the Company's annual report for the year ended 31 December 2016, were approximately HK$2,682,360,000. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this circular, the unaudited pro forma consolidated total liabilities of the Enlarged Group would have been increased to approximately HK$34,143,788,000. The increase is due to the consolidation of the audited consolidated total liabilities of the Target Group of approximately HK$24,796,341,000 and the consideration payable of approximately HK$6,665,087,000, which is the maximum amount payable by the offeror under the offer of approximately HK$7,692,904,000 less part of the consideration for the Acquisition of approximately HK$1,027,817,000.

Net current assets/liabilities

The audited consolidated net current assets of the Group as at 31 December 2016 as extracted from the Company's annual report for the year ended 31 December 2016, were approximately HK$1,857,404,000. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix V to this circular, the unaudited pro forma consolidated net current asset position of the Enlarged Group would have been changed to a net current liability position of approximately HK$4,041,407,000 is mainly arisen from the consideration payable of approximately HK$6,665,087,000, which is the maximum amount payable by the Offeror under the Offer of approximately HK$7,692,904,000 less part of the consideration for the Acquisition of approximately HK$1,027,817,000. The consideration payable in relation to the Offer is intended to be settled by a combination of the Group's internal resources, external financing and an interest-free unsecured fund of up to S$1,400,000,000 (equivalent to approximately HK$7,700,000,000) to be granted by HNAG's associate(s) to the Company.

HONG KONG LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined in Rule 14.07 of the Hong Kong Listing Rules for the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Hong Kong Listing Rules. In light of the above, the Acquisition is subject to the reporting, announcement and Shareholders' approval requirements under the Hong Kong Listing Rules.

The Listing Committee has determined that the Acquisition is an extreme very substantial acquisition which is **NOT** subject to reverse takeovers rules. Enhanced disclosure comparable to the standard for listing documents for new listing applicants is required in this Circular. Oriental Patron Asia Limited has been appointed as the financial adviser to the Company to conduct due diligence on CWT in accordance with Practice Note 21 to the Hong Kong Listing Rules.

GM

The GM will be convened for the purpose of considering and, if thought fit, approving the Acquisition and the transactions contemplated thereunder. A notice of the GM will be given to the Shareholders after the date of the GM is confirmed in compliance with all relevant requirements under the Hong Kong Listing Rules and the articles of association of the Company. To the best knowledge of the Company, as at the Latest Practicable Date, no Shareholder had a material interest in the Acquisition, therefore no Shareholder is required to abstain from voting on the proposed resolution to approve the Acquisition at the GM.

Pursuant to Rules 13.39(4) and 13.39(5) of the Hong Kong Listing Rules, the resolutions proposed to be approved at the GM will be taken by poll and an announcement will be made by the Company on the results of the GM.

RECOMMENDATION

The Directors consider that the Acquisition and the transactions contemplated thereunder are fair and reasonable, and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the resolution to be proposed at the GM to approve the Acquisition and the transactions contemplated thereunder.

GENERAL

This Circular does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this circular in any jurisdiction in contravention of applicable law. The Offer (if and when made), will be made solely by the Offer Document and the relevant form(s) of acceptance accompanying the same, which will contain the full terms and conditions of the Offer, including details of how it may be accepted. For the avoidance of doubt, the Offer (if and when made) will be open to all CWT Shareholders holding CWT Shares, including those to whom the Offer Document and relevant form(s) of acceptance may not be sent.

The release, publication or distribution of this circular and the Offer Document in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this circular and the Offer Document are released, published or distributed should inform themselves about and observe such restrictions.

Copies of this circular and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a "**Restricted Jurisdiction**") and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

The ability of CWT Shareholders who are not resident in Singapore to accept the Offer may be affected by the laws of the relevant jurisdictions in which they are located. Persons who are not resident in Singapore should inform themselves of, and observe, any applicable requirements.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

WARNING

THE OFFER WILL NOT BE MADE UNLESS AND UNTIL THE PRE-CONDITIONS ARE FULFILLED OR WAIVED BY THE OFFEROR (AS APPLICABLE) ON OR BEFORE THE LONG-STOP DATE. ACCORDINGLY, ALL REFERENCES TO THE OFFER IN THIS CIRCULAR REFER TO A POSSIBLE VOLUNTARY GENERAL OFFER WHICH WILL ONLY BE MADE IF AND WHEN SUCH PRE-CONDITIONS ARE FULFILLED OR WAIVED BY THE OFFEROR (AS APPLICABLE).

SHAREHOLDERS AND PROSPECTIVE INVESTORS OF THE COMPANY ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

Yours faithfully,
For and on behalf of the Board
HNA Holding Group Co. Limited
Xu Haohao
Executive Director

"2PL"	second party logistics, which has the meaning ascribed to it in the Appendix I – Information About the Target Group – Industry Overview of this Circular
"3PL"	third party logistics, which has the meaning ascribed to it in the Appendix I – Information About the Target Group – Industry Overview of this Circular
"4PL"	fourth party logistics, which has the meaning ascribed to it in the Appendix I – Information About the Target Group – Industry Overview of this Circular
"arbitrage trading"	the simultaneous purchase and sale of an asset to profit from a difference in price
"bonded cargo"	a shipment that has arrived at customs but has not yet been paid for
"break-bulk cargo"	a system of transporting cargo as separate pieces, such as in bags, boxes, crates, or drums, rather than in containers
"CAGR"	compound annual growth rate
"cold chain cargo"	cargo that is transported through a temperature-controlled supply chain
"dutiable cargo"	cargo on which customs duties will have to be paid
"ISO"	International Organization for Standardization
"ISO tank"	a tank container built to the ISO standard, usually designed to carry liquids, both hazardous and non-hazardous, in bulk
"LCL"	"less-than-container-load", a term used to describe the transportation of small ocean freight shipments not requiring the full capacity of an ocean container, usually less than 20 cubic meters
"LIFFE"	London International Financial Futures and Options Exchange
"non-ferrous concentrates"	concentrates not derived from iron or steel

"NVOCC"	non-vessel operating common carrier. A person or company that organizes shipments for individuals or corporations to get goods from the manufacturer or producer to a market, customer or final point of distribution. Also referred to as a freight forwarder, forwarder or forwarding agent
"TEU"	twenty-foot equivalent unit. An inexact unit of cargo capacity used to describe the capacity of container ships and container terminals
"T.O.P."	Temporary Occupation Permit. A temporary permit issued by the Building and Construction Authority of Singapore, which allows an owner to occupy a newly-constructed building prior to statutory completion when key regulatory requirements are met

RISK FACTORS

When considering the Acquisition, you should carefully consider the risk factors set out below and the other data and information set forth in this Circular. The business, financial condition, results of operations and prospects of the Company could be adversely affected by any of the following events. The risks and uncertainties described below are not exhaustive of all the risks faced by the Company or the Enlarged Group. Any other risks and uncertainties which the Company is not aware of or deems to be immaterial currently may also have an adverse impact on the business, financial condition, results of operations and prospects of the Company and the Enlarged Group.

The Acquisition involves various risks, many of which are beyond the control of the Company. Such risks may be categorized into: (i) risks relating to the Acquisition; (ii) risks relating to the industry that the Target Group operates in; (iii) risks relating to the business and operations of the Target Group; (iv) risks relating to the properties of the Target Group; and (v) risks relating to this Circular.

RISKS RELATING TO THE ACQUISITION

The making of the Offer is subject to the fulfilment or waiver (as applicable) of the Pre-Conditions, and the Offer may or may not be made or completed as expected or at all

The making of the Offer is subject to the fulfilment or waiver (as applicable) of the Pre-Conditions. For further details, please refer to section headed "Pre-Conditions to the Offer" in the Letter from the Board in this Circular. Certain Pre-Conditions involve the actions and decisions of third parties, including the relevant governmental and regulatory authorities (in the case of the Anti-Trust Pre-Conditions), and the satisfaction of these conditions are beyond the control of the Offeror. Whether and when the approval, clearance or permission can be obtained for the making of the Offer are uncertain. Hence, the making of the Offer and the final successful implementation of the Acquisition is exposed to the risk of approval not being obtained. There is no guarantee that all or part of the Pre-Conditions can be fulfilled or the Offer will be made or the Acquisition will be completed as expected or at all. If any of the Pre-Conditions is not satisfied or waived (as applicable) on or before the Long-Stop Date, the Offer will not be made.

Even if a material adverse change to the Target Group's business or prospects were to occur, in certain circumstances, the Offeror may not be able to invoke the Material Adverse Effect Pre-Condition (as defined below) in order not to proceed with the making of the Offer

The making of the Offer is subject to a number of Pre-Conditions, including the Pre-Condition relating to Material Adverse Effect in paragraph (b) of the section headed "Pre-Conditions to the Offer" in the Letter from the Board in this Circular (the "**Material Adverse Effect Pre-Condition**"), where "Material Adverse Effect" is defined as, in relation to the Target Group, any event or occurrence that results is likely to result in a diminution by more than 15% in the consolidated net asset value of the Target Group as at 31 December 2016, (which is S$874,241,000 based on the unaudited consolidated financial statements of the Target Group for the year ended 31 December 2016), as reflected in the latest publicly released consolidated financial results of the Target Group, prior to the date that the last of the Pre-Conditions (other than the Material Adverse Effect Pre-Condition) is fulfilled or waived (as applicable), provided that any diminution in value of any item of the assets or increase in value of any item of the liabilities of the Target Group arising from currency translation shall not be taken into account. In addition, the following shall not be considered in determining whether a "Material Adverse Effect" has occurred: (i) any change or effect resulting from events, facts, circumstances or conditions affecting the economy in general, the foreign exchange market, or to the shipping industry or other industries in which the Target Group engages its business, (ii) any change or effect resulting from changes in legal or regulatory requirements that affect in general the businesses in which the Target Group is engaged; or (iii) any change or effect arising from the payment of the FY2016 Proposed Final Dividend.

If a material adverse change affecting the Target Group were to occur which does not fall under the above definition of Material Adverse Effect, the Offeror may not be able to rely upon the Material Adverse Effect Pre-Condition to not proceed with the Offer.

There are inherent limitations on the extent and quality of information provided by the Target Group which could render the due diligence performed by the Company and its advisers inaccurate or inadequate

The Company and its advisers do not have access to all of the non-public information and materials of the Target Group to undertake a complete due diligence, hence there may be risks associated with the Target Group which the Company is not aware of. The Company and its advisers have relied on information that has been made available to it in its due diligence on the Target Group and which information may not be complete and which accuracy could not be independently verified by the Company or its advisers. CWT is listed on SGX-ST and is subject to the SGX Listing Manual and the relevant regulations and rules (including the Singapore Takeovers Code and the SFA). Therefore, the Company and its advisers do not have access to any non-public price-sensitive information or other material non-public information of the Target Group (including any financial forecast information produced by the Target Group).

Any inaccuracy in the information provided by the Target Group may adversely affect the anticipated prospects and benefits of the Acquisition (and consequently the Offer) and results of the Enlarged Group. Any discovery of adverse information concerning the Target Group after the completion of the Acquisition may result in the information contained in this Circular being inaccurate or inadequate and may materially and adversely affect our business, financial condition and results of operations.

The Company is exposed to the risk of integration

Upon the completion of the Acquisition, logistics services and commodity marketing will become the principal operations of the Company. Although the Target Group to be acquired has advantages in terms of technique, talents and sales in logistics services and commodities marketing services, it remains uncertain as to whether the Company can continue to successfully complete its transition to the new principal operations after the completion of the Acquisition. Upon the completion of the Acquisition, to reap the synergistic benefits, a certain degree of optimisation and integration will be required on the customer resources management, marketing, technical research and development, financial accounting and human resources management of the Company and the Target Group. However, it is uncertain whether the integration can be successfully implemented. Such integration may not be able to achieve the expected results, and may even have an adverse impact on the existing operation of the Target Group and the Company.

The industries which the Company operated in historically are different from those the Target Group operates in. To successfully integrate the operations of the Target Group into the Company, the Company may need to, among others, (i) hire, train or retain competent staff members; (ii) develop, adopt and maintain the standards, control measures, procedures and policies appropriate to the operations of the Target Group; and (iii) retain the existing suppliers and customers of the Target Group. Moreover, there is no guarantee that the Company will be able to implement the original business strategies of the Target Group in an accurate and effective manner. The Company may not be able to integrate or run the operations of the Target Group successfully or make the best judgement when running those operations. If the expected benefits fail to realise or the relevant risk of integration is not properly managed, the Enlarged Group may risk losing its key employees, customers relationship and/or connections, which may have a material and adverse effect on the financial conditions and results of operations of the Enlarged Group.

Certain entities in the Target Group are subject to restrictions on a change of control and/or ownership, which may hamper any future transfer by the Company of a controlling stake in the Target Group

Certain entities in the Target Group may be the holders of licences and/or have entered into contracts which impose restrictions on a change of control and/or ownership. These include licences issued by appropriate government authorities for the conduct of specified business activities, and contracts with third parties such as financing institutions, customers and suppliers. These restrictions may include the requirement to obtain the consent of such government authorities or third parties for the change in control, which consent may be subject to conditions imposed by such government authorities or third parties. In relation to the Acquisition, the approvals of the relevant government authorities have been obtained. However, there is no certainty that such consents can be obtained or, if obtained subject to conditions, that the conditions would be acceptable to the Company in relation to future transactions involving a change of control of the Target Group. As such, any future transfer by the Company of a controlling stake in the Target Group may be hampered by such requirements.

The amount required for completion of the Acquisition and the consolidated results and financial position of the Enlarged Group following a successful close of the Offer may be impacted by fluctuations in foreign exchange rates

As the Company will settle the cash consideration of the Acquisition in Singapore dollars, fluctuations in the exchange rate between the Hong Kong and Singapore dollars may still lead to an increase in the Hong Kong dollar amount required for completion of the Acquisition.

In addition, as the reporting currency of the Group is the Hong Kong dollar, any material fluctuation of the exchange rate of the Singapore dollar against the Hong Kong dollar may affect the consolidated results and financial position of the Enlarged Group after the successful close of the Offer.

The Offeror may not be able to acquire the entire issued share capital of CWT under the Offer

The Offer (if and when made) will be conditional upon the Offeror receiving valid acceptances in respect of such number of Offer Shares which, when taken together with the CWT Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and the parties acting in concert with it holding such number of CWT Shares carrying more than 50% of the voting rights attributable to the CWT Shares (excluding treasury shares), by the Closing Date. Pursuant to the Vendor Undertakings, the Offer (if and when made) will become unconditional as to acceptances upon the Vendors tendering their CWT Shares (representing approximately 65.13% of the total issued share capital of CWT as at the Latest Practicable Date) in acceptance of the Offer. Upon the close of the Offer, if the Offeror receives acceptances insufficient to allow it to exercise the right to compulsorily acquire the remaining CWT Shares, there may be minority shareholders remaining in CWT and the Company may be unable to realise all of the benefits that it might otherwise obtain from a successful acquisition of all the issued and fully paid-up CWT Shares if there are minority shareholders in CWT after the Acquisition.

RISKS RELATING TO THE INDUSTRIES THAT THE TARGET GROUP OPERATES IN

The industries which the Target Group operates in are highly competitive

The Target Group operates in highly competitive industries facing increased competition in each of its major businesses on a local, regional, and international level. This is especially so as most logistics-related contracts are subject to renewal and re-tender on a periodic basis, and are also price-sensitive.

Some of the Target Group's competitors are larger players in the logistics industry and may therefore have greater resources, both financial and otherwise, to compete more successfully over a longer period of time. Should the Target Group's existing or potential competitors offer services at a lower cost or engage in aggressive pricing in order to increase market share, the Target Group's revenue and profitability may decline if the Target Group is not able to match their lower costs or aggressive pricing.

The Target Group may also have to provide more competitive pricing in order to retain the Target Group's existing customers and attract new customers. A reduction in the Target Group's pricing without any corresponding cost reduction may adversely affect the Target Group's profitability.

The commodity marketing industry in which the Target Group operates is characterised by keen competition. The Target Group's competitors may expand and diversify their commodity sourcing or engage in pricing or other financial or operational practices that could increase competitive pressure on the Target Group. Increased competition may reduce the Target Group's growth in its customer base, market share and profit margins. If the Target Group fails to maintain its competitive advantages, the Target Group's business, financial performance and financial condition may be materially and adversely affected.

The Target Group is exposed to risks in commodity price, fuel price and freight rate fluctuations

Commodity prices are volatile, cyclical and market-driven and are largely determined by changes in the supply and demand of industrial commodities and raw materials that are caused by market fluctuations outside of the Target Group's control. Some of these market fluctuations include, for example, changing global and regional economic conditions, developments in international trade, changes in supply and demand for commodities, changing weather patterns, exchange rate fluctuations or changes in government policies and regulations. The Target Group is also exposed to fluctuations in fuel prices to a certain extent. The Target Group manages these risks by using derivative financial instruments to hedge its exposure to commodity prices. In the event that commodity price risk cannot be, or is not, adequately hedged, the Target Group would confirm orders with suppliers upon receipt of confirmed orders from its customers, such that prices for purchases of supplies are only confirmed shortly after the sale prices has been determined. However, the Target Group may not always be able to mitigate its exposure to fluctuations in commodities price by hedging its exposure to commodity price risk or closing purchase and sale contracts at the same time. In addition, there are no derivative financial instruments available to hedge the premium, discount for metals and energy products, and treatment and refining charges for concentrates as these can only be "hedged" by matching confirmed orders from its suppliers with confirmed orders from its customers. As such, the Target Group may be exposed to fluctuations in premium/discounts, and treatment and refining charges which may affect the Target Group's business, financial performance and financial condition.

The Target Group is also exposed to risk in fluctuations in freight rates. The Target Group mitigates the risk of higher cost of freight by passing on the increase in freight rates to its customers or using derivative financial instruments. However, it may not always be possible for the Target Group to hedge using derivative financial instruments or pass the increase in freight rates to its customers and this may have a material impact on the Target Group's business, financial performance and financial condition.

RISKS RELATING TO THE BUSINESS AND OPERATIONS OF THE TARGET GROUP

The Target Group may not be able to expand its business effectively through acquisitions, investments, joint ventures and new lines of business

The Target Group aims to build a strong business by strengthening its global presence. This may include expanding, changing or adjusting its geographic focus or the composition of its business, strengthening its institutional shareholder base, opportunistically acquiring new businesses or properties, entering into new strategic alliances and joint ventures, investing in infrastructure or entering into new lines of business. One key strategy the Target Group has engaged in to strengthen its competitive position is to unlock the intrinsic value of its logistics assets by optimising its capital structure through sale and leaseback arrangements. However, the Target Group's ability to benefit from such strategies, acquisitions, investments, alliances and joint ventures will depend upon a number of factors, some of which are beyond its control. These factors include, but are not limited to, the Target Group's ability to maintain, expand or develop its customer relationships, identify businesses for acquisition, investments, joint-ventures or alliances, successfully integrate any business the Target Group acquires, identify additional new markets, successfully work with the Target Group's joint venture partners or other shareholders and train and retain qualified personnel to manage and operate its growing business and new businesses. In addition, such expansion may require the Target Group to continuously upgrade and improve its risk management systems and controls and ensure that all members of staff are adequately trained in its risk management policies coupled with an effective compliance monitoring mechanism. The failure to manage any of these factors effectively, including the Target Group's ability to identify, purchase, develop, integrate and manage any new businesses, may have a material adverse effect on the Target Group's business, financial performance and financial condition.

Integrating new businesses into the Target Group's operations framework and ensuring their proper management may also involve unanticipated delays, costs and operational problems, in particular with respect to businesses with which the Target Group has not had extensive experience in the past. In particular, integrating new businesses with contrasting management cultures into the Target Group's operational framework is particularly challenging for the Target Group. If cultural integration is not successfully managed, it may have a material adverse effect on the Target Group's business, financial performance and financial condition and may lead to a loss of management and operational talent acquired as a principal aim of such an acquisition. The Target Group may encounter problems or have disagreements or conflicting interests with one or more of the Target Group's joint ventures or alliance partners or the other shareholders or management of the Target Group's acquisitions. Further, with respect to some joint ventures or the Target Group's equity investments in which the Target Group only holds a minority share, the Target Group may not have veto power. In case of disagreement with the

Target Group's partners or other shareholders or acquired management, such parties may breach or terminate the Target Group's previously negotiated agreements or acquired management may leave and the Target Group's senior management may be required to divert attention away from other aspects of the Target Group's business to address these problems. Acquisitions also pose the risk that the Target Group may be exposed to successor liability relating to actions by an acquired company and its management before and after the acquisition. The due diligence the Target Group conducts in connection with an acquisition, and any contractual guarantees or indemnities that the Target Group receives from the sellers of acquired companies, may not be sufficient to protect the Target Group from, or compensate the Target Group for, actual liabilities. A material liability associated with an acquisition could adversely affect the Target Group's reputation and could reduce the benefits of the acquisition and may have a material adverse effect on the Target Group's business, financial performance and financial condition.

Uncertainties and instability in global market conditions could adversely affect the business, financial position and financial condition of the Target Group

The global credit markets have experienced, and may continue to experience, volatility and liquidity disruptions, which have resulted in the consolidation, failure or near failure of a number of institutions in the banking and insurance industries. These and other related events have had a significant impact on the global capital, credit and financial markets as a whole. Changes in the external financial environment can also cause sources of credit to curtail their availability. These events could adversely affect the Target Group insofar as they result in:

(i) an increase in counterparty risk; and/or

(ii) an increased likelihood that one or more of the Target Group's banking syndicate or insurers may be unable to honour their commitments to Target Group.

There is also uncertainty as to the state of the global economy, the level of consumer demand and the impact of the global economy on the Singapore economy and the business of the Target Group.

The Target Group is exposed to defaults from customers on their obligations

The Target Group's customer base is large and diverse as it operates in a highly fragmented market. A significant portion of the Target Group's business is in emerging markets such as China and a key part of the Target Group's strategy involves expanding into these emerging markets. The Target Group mitigates its counterparty risk by transacting with customers with a good credit history or by requiring customers to arrange letters of credit facilities or make financial arrangements with established and creditworthy financial institutions. However, there can be no assurance that the Target Group will always be able to transact with customers with a good credit history or adequately mitigate counterparty risk with adequate security. As such, the Target Group cannot assure that all of the Target Group's customers will be able to or willing to fulfil their obligations under the contracts that the Target Group enters with them.

The Target Group's brokerage services division is exposed to the risk of customers losses as the Target Group has to make good any debits incurred on its customers' accounts if the customers themselves are unable to make good the debits incurred. To mitigate such risk, all customer accounts need to be pre-funded or have proof of funds forthcoming before trading is allowed. In addition, the Target Group adopts a comprehensive customer due diligence process for all new customers to assess the background, risk and suitability of every new customer.

During the course of trading, the Target Group has robust risk management processes such as setting customer trading limits based on their margin deposits. The Target Group monitors all its customer accounts closely on a daily basis and subjects all its customers' trades to pre-defined limits to reduce and eliminate customer debits (i.e. customer losses in excess of their aggregate deposits). Risk management systems are also deployed to monitor intra-day risks and alert personnel of volatile market movements or accounts at risk and, if needed, prompt for personnel to contact customers immediately for their intended course of action intra-day. Where margin top-ups are delayed, customer positions may be liquidated by the Target Group to contain further losses. Further, the Target Group ensures that all open positions are marked to market on a daily basis which enables close monitoring and where necessary, places stop-loss orders to avoid significant losses.

Despite the above, the Target Group cannot ensure that all exposures are fully covered. Therefore, the Target Group is still exposed to residual risks from customer defaults which may result in financial losses for the Target Group. Nevertheless, the impact of such losses is reduced with the abovementioned risk management processes.

Besides the risk of customer debits, counterparty risks on customers also exist when there are time lags between trade executions of over-the-counter ("OTC") trades for the customers and the registration of such trades for clearing on exchanges. The Target Group mitigates such counterparty risk by registering its trades promptly with the relevant exchange. Any pending trades will be promptly alerted by the exchanges systems and/or email alerts to reduce possibility of this risk.

The Target Group is exposed to counterparty defaults (including clearing members, banks, clearing houses and trading counterparties)

The Target Group's trades executed on behalf of a client are guaranteed by the clearing house of the relevant exchange through a clearing member. Trading deposits of customers are placed in segregated bank accounts. There may be instances when the clearing member or bank fails. The Target Group mitigates such risk by conducting its business with well capitalised firms, wherever commercially feasible. To become clearing members of an exchange, the exchanges also subject its members to strict capital requirements and require members to contribute to clearing funds to guarantee performance. Similarly, to be licensed as a bank, the relevant regulatory bodies impose stringent capital requirements. Hence, the probability of such circumstances is low. Even rarer are instances where the clearing house fails, resulting in systemic risk which could undermine the continuation of the Target Group's financial brokerage services business. This is a business risk to be undertaken by all firms offering clearing of exchange-cleared products but is highly unlikely to happen given the extensive default management processes ("**risk waterfall**") of these exchanges.

In the structured trade services division, the Target Group engages in structured commodity marketing through the purchase and sale of cargo with counterparties, and also conducts collateralised financing. As part of risk management, the structured trade services division ensures they hold funds or cargo as security at all times. In addition, the Target Group ensures all financed cargo meet the minimum deliverable quality standards imposed by exchanges such as the LME or the SGX. All cargos held by the Target Group are hedged on these exchanges to ensure price risks are being covered prior to liquidation should there be a customer defaulting on financed cargo.

The Target Group cannot assure that there will be no counterparty defaults or defaults arising from the inability of the clearing house of a relevant Exchange to guarantee the Target Group's trades. Any counterparty defaults or defaults from the inability of the clearing house of a relevant Exchange to guarantee the Target Group's trades will have an adverse impact on the Target Group's business, financial performance and financial condition.

The Target Group is exposed to lapses in risk management measures

The Target Group's financial brokerage services division has comprehensive standard operating procedures for all key processes within the Target Group. However, such standard operating procedures may be compromised due to lapses caused by negligence of its employees, inherent gaps in technology systems or managerial oversight. Such lapses in internal controls may expose the Target Group to risks relating to financial losses, customer relationship, reputation and regulatory requirements. The Target Group mitigates such risks by designating a clear segregation of duties to reduce potential lapses in risk management controls and by putting in place segregation of duties, clear record keeping, regular staff training, checklists, maker-checker processes and assessments of new products or business initiatives to identify potential operational risk areas and addressing them before go-live.

The Target Group's commodity marketing business engages in large value trade transactions. Such transactions are financed by transactional finance facilities from reputable banks with strong compliance and internal control mechanisms. Although the Target Group has comprehensive guidelines and standard operating procedures for employees to deal with such transactions so as to manage the various identified risks, the Target Group cannot ensure that there will be strict compliance of such guidelines or standard operating procedures. Any lapses in internal guidelines and standard operating procedures may lead to significant financial losses to the Target Group. To mitigate such lapses, the Target Group enforces a clear segregation of duties at the operation level and subjects all such transactions to internal approval by designated personnel and relies on the financing bank's internal compliance and control mechanisms.

The Target Group may be unable to obtain adequate external sources of funding to run its business, meet its debt obligations, and finance its future growth

The Target Group's future funding requirements depend in a large part on its working capital requirements and the size of its capital expenditures. The Target Group may require significant financing and substantial amounts of credit from very large sets of relationships and diverse groups of financial institutions to purchase its commodity inventories as well as to fund any future investments or acquisitions. An interruption of the Target Group's access to the credit markets, a significant increase in the cost of credit or other factors at the time of refinancing (such as the possible reluctance of lenders to make property loans) could materially increase its interest expenses, adversely affecting the Target Group's cash flow and impair the Target Group's ability to compete effectively in its various businesses.

There can be no assurance that the Target Group will be able to (1) refinance its indebtedness on commercially reasonable terms, (2) refinance its indebtedness on more or equally favourable terms than the terms of the original borrowing or (3) refinance its indebtedness at all.

The Target Group operates an extensive network of storage facilities and transportation assets as part of the Target Group's business. The Target Group is required to make capital expenditure to upgrade and expand these assets to keep pace with competitive developments, technological advances and changing safety standards in various industries. Further, the availability of financing from banks and financial institutions as well as trade suppliers is necessary for the Target Group to fund organic growth, introduce new business lines, expand its revenue "pipelines" vertically or make new acquisitions and investments. Such financing may not be available in the future or at a reasonable cost, which would have a material impact on the Target Group's business activities. Any failure to secure financing on reasonable terms could materially affect the Target Group's ability to pursue its business strategies and could adversely affect the Target Group's business, financial performance and financial condition.

Additionally, a portion of the Target Group's expected cash flow may be required to be dedicated to the payment of interest on its indebtedness, thereby reducing the funds available to the Target Group for use in its general business operations. Such indebtedness may also restrict the Target Group's ability to obtain additional financing for capital expenditure, acquisitions or general corporate purposes and may cause it to be vulnerable in the event of a general economic downturn.

Inability to comply with the restrictions and covenants contained in the Target Group's debt agreements

If the Target Group is unable to comply with the restrictions and covenants in its current or future debt and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Target Group, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, whichever the case may be, which may affect the Target Group's business, financial performance and financial condition.

The Target Group may also be subject to certain covenants that may limit or otherwise adversely affect its operations, such as restricting the Target Group's ability to acquire properties or undertake other capital expenditure or requiring the Target Group to set aside funds for maintenance or repayment of security deposits.

The Target Group is exposed to risks in emerging markets

A significant portion of the Target Group's business is in the emerging markets. A deterioration in the economies of emerging markets, a national, regional or global recession, any slowdown in the economies of the United States and the European Union, the possible dissolution of the monetary union in Europe, a devaluation of the currencies of emerging markets or a significant decrease in demand for imports to, and exports from, such emerging markets may adversely affect economic growth in these emerging markets and may have a material adverse effect on the Target Group's business, financial performance and financial condition.

The Target Group's growth in recent years depended in part upon the growth of the Target Group's operations in the PRC. The risks associated with the economic, political and legal climate in the PRC as well as the economies in the surrounding region may have a material adverse effect on the Target Group's business, financial performance and financial condition. Although the Target Group believes that the continuation of the current reforms adopted by the PRC government will have a positive effect on the Target Group's business in the PRC, changes in policy (including any tightening measures introduced by the PRC government to combat potential inflation or any significant reduction in stimulus packages to further domestic growth) or any failure to implement such policies successfully may have an adverse effect on the PRC economy and consequently on the Target Group's business, financial performance and financial condition. In addition, the Target Group has to comply with the laws and regulations in the PRC and obtain permits and authorisations from the relevant PRC regulatory authorities. Any change in the existing legal and regulatory environment in the PRC may increase costs and have a material adverse effect on the Target Group's business, financial performance and financial condition.

The Target Group's operations may be adversely affected if there is any significant downtime of certain specialised engineering equipment/systems/power supply

Any prolonged and significant downtime of the Target Group's engineering equipment/systems/power supply (for example, as a result of accidents or other unforeseen circumstances) may cause major disruptions to the Target Group's operations. This may be so when the Target Group operates at or close to maximum capacity and such downtime or disruption could be beyond the Target Group's control. While the Target Group has not experienced any such prolonged and significant downtime of the Target Group's equipment/systems/power supply in the past, there is no assurance that this will not happen in the future. In the event the Target Group is affected by such prolonged and significant downtime of its equipment/systems/power supply, certain of its operations and financial performance may be adversely affected.

Acts of God, acts of war, terrorist attacks, epidemics, political and civil unrest, and disobedience and responses to terrorist attacks and other events could adversely affect the Target Group's business

Acts of God, acts of war, terrorist attacks, epidemics, political and civil unrest and disobedience and responses to terrorist attacks and other events may cause political instability and volatility in the world's financial, energy and commodities markets. The Target Group's geographic presence in Asia and Africa may make the Target Group vulnerable in the event of increased tension or hostilities in many countries including the PRC, Taiwan or North Korea and events such as the recent conflicts and civilian uprisings in Egypt, the Middle East and North Africa. Such instability could be caused by, among other things, terrorism, civil war, guerrilla activities, military repression, civil disorder, crime, workforce instability, change in governmental policy or the ruling party, economic or other sanctions imposed by other countries, extreme fluctuations in currency exchange rates or high inflation. Any such events may affect the Target Group's business, employees, facilities, markets and the Target Group's customers which may in turn materially impact the Target Group's revenue, costs of operations, overall results and financial condition.

The Target Group's results have been and will continue to be subjected to factors outside the Target Group's control. These include events such as the recent earthquakes, tsunami and nuclear crisis in northeast Japan in March 2011 and, in 2003, the outbreak in many countries in Asia of Severe Acute Respiratory Syndrome ("**SARS**"), a highly contagious and potentially deadly disease. No assurance can be given that there will not be a recurrence of the outbreak of SARS. The SARS outbreak caused an adverse effect on the economies of the affected countries, including Hong Kong and the PRC. Other epidemics that may have an adverse effect on the Target Group's operations include the H1N1 virus which causes swine flu and the avian flu, and the Middle East Respiratory Syndrome ("**MERS**"), an outbreak of which also occurred in parts of Asia in 2015. There can be no assurance that the Target Group's business, financial performance and financial condition would not be adversely affected if another outbreak of SARS or MERS, a worsening of the swine flu epidemic, or another highly contagious disease or virus occurs, whether in Asia or anywhere else in the world.

The Target Group relies on key executives and personnel

The Target Group's performance depends in part on the continued services and performance of the Target Group's senior management and other executive personnel. The Target Group's performance also depends on the Target Group's ability to attract, retain and motivate the Target Group's officers and key employees (including experienced traders who have established relationships with the key customers and other logistics professionals), which the Target Group seeks to achieve by, for example, providing competitive remuneration packages which include bonus and share options. Without sufficient numbers of skilled employees, the Target Group's operations may suffer, resulting in an adverse effect on the Target Group's business performance. As such, if the Target Group is unable to attract, retain and motivate the Target Group's key personnel, the Target Group's business, financial performance and financial condition may be materially and adversely affected.

The Target Group may engage in hedging transactions, which can limit gains and increase exposure to losses

The Target Group may enter into hedging transactions to protect itself from the effects of interest rate and currency exchange fluctuations on floating rate debt and also to protect its portfolio from interest rate and prepayment fluctuations. Hedging transactions may include entering into interest rate hedging instruments, purchasing or selling futures contracts, purchasing put and call options or entering into forward agreements. Hedging activities may not have the desired beneficial impact on the operations or financial condition of the Target Group.

Interest rate hedging could fail to protect the Target Group or adversely affect the Target Group because among others:

(i) available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;

(ii) the party owing money in the hedging transaction may default on its obligation to pay;

(iii) the credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs the Target Group's ability to sell or assign its side of the hedging transaction; and

(iv) the value of the derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value. Downward adjustments would reduce the net asset value of the Target Group.

Hedging involves risks and transaction costs, which may reduce overall returns. These costs increase as the period covered by the hedging increases and during periods of rising and volatile interest rates.

Potential liability arising from damage to property and injury or death to persons

As the Target Group's business involves the movement and management of materials in the Target Group's premises and those of third parties, the Target Group's employees and third parties may be involved in accidents in its premises or those of third-parties or involving the Target Group or third-party vehicles. These accidents may occur as a result of vehicular accidents, fire, or material handling incidents including incidents arising from the handling of dangerous goods, which may result in injury or death, or damage to property, vehicles or customers' goods.

There is no assurance that accidents resulting in injury to persons, death or damage to property, vehicles or customers' goods will not arise even though the Target Group complies with safety requirements and/or other safety measures. The Target Group may be liable, whether contractually or at law, for any or all of such loss or damage or injury or loss of life. In the event that the Target Group's insurance policies do not adequately cover its liabilities arising from an accident and for claims that are in excess of the Target Group's insurance coverage, the Target Group's financial performance and position would be adversely affected as a result.

Disputes may arise between customers and the Target Group for various reasons including damage to customers' goods, machinery or equipment, omissions or ambiguities in contract documentation, inadequate or unsatisfactory level of services provided or errors or delay in shipments or general non-adherence to contract specifications. There can be no assurance that such disputes will not occur in the course of the Target Group's business and any such disputes or claims may result in delay in payment from the Target Group's customers or in protracted litigation, both of which may have a negative impact on the Target Group's working capital position. In the event that the amount involved is substantial and the Target Group's insurance policies do not adequately cover its liabilities, this may in turn have a material negative impact on the Target Group's financial performance.

The Target Group may also be exposed to liabilities for accidents occurring to workers hired by its contractors. First, the contractors may not have provided adequate insurance cover for their workers deployed to its projects and vehicles. Second, the incidents may have arisen from the Target Group's negligence or error. Third, compensation payable to such workers resulting from any accident may exceed the amount covered by the Target Group's extended insurance coverage which includes workers of contractors. If the Target Group is required to pay substantial compensation to such workers, the Target Group's financial performance will be adversely affected.

Compliance with environmental requirements may be very costly and the Target Group may be exposed to liability as a result of handling of hazardous materials

The Target Group's business involves the storage, handling and transportation of hazardous materials. The Target Group is subject to government and local government environmental protection and safety at work laws and regulations in the countries where the Target Group operates, including those governing the labelling, use, storage, discharge and disposal of hazardous materials. These laws and regulations require the Target Group to implement procedures for the handling of hazardous materials and for operating in hazardous conditions, and they impose liability on the Target Group for the clean-up of any environmental contamination and the remedy of any safety at work violations. Fines are imposed for violations of environmental laws, regulations or decrees and sometimes allow the relevant government or local authority to stop any operation which fails to comply with orders requiring it to cease or cure certain activities causing environmental damage.

The Target Group recognises the growing importance of a sustainable environment and has undertaken measures to reduce the environmental impact of its operations. The Target Group has implemented measures to control pollution and hazardous conditions caused by its operations. However, environmental laws and regulations are subject to change at any time. These changes may result in significant increases in the costs of complying with such laws or regulations. Further incidents or heightened fears of international terrorism, for example, may result in more stringent inspection regimes or greater administration procedures that may increase compliance costs significantly. Whilst the Target Group has maintained insurance cover to protect against the risk of handling hazardous materials, the Target Group may have to bear increased costs as a result of changes in environmental legislation. Changes in environmental requirements, unanticipated significant adverse environmental events or accidents resulting from those hazardous substances may nevertheless have a material adverse effect on the Target Group's business, financial performance and financial condition.

The Target Group's properties may from time to time be affected by contamination or other environmental effects which may not have been previously identified and/or rectified. This raises a number of risks including:

- the risk of prosecution by environmental authorities;
- the requirement for unbudgeted additional expenditure to remedy such issues; and
- the adverse impact on the financial position of end-users arising from the above, affecting their ability to trade and to meet their obligations and which in turn affect their ability to pay their charges.

There can be no assurance that potential environmental liabilities do not exist or will not arise in the future. The presence of contamination or hazardous substances on the Target Group's facilities could adversely affect its ability to lease or sell such facilities or to borrow using these facilities as a collateral, which may have a material adverse effect on the Target Group's business, financial condition, results of operations and prospects.

The Target Group operates in highly regulated industries

The Target Group's operations are subject to international, country, state and/or local rules and regulations and the laws of the other jurisdictions and countries in which the Target Group operates. These laws, rules and regulations govern various aspects of the Target Group's business. To operate the Target Group's facilities, the Target Group must obtain and maintain numerous permits, licences and approvals from various governmental agencies and/or regulatory bodies. In addition, some of the Target Group's facilities are subject to periodic inspection by governmental agencies/regulatory bodies.

Fire and safety rules and regulations govern the storage, transportation and handling of flammable, chemical or hazardous products. In addition to these rules and regulations, various licences and certificates, such as safety certificates for handling flammable chemical or hazardous products, must be obtained from the relevant bodies in the countries in which the Target Group operates.

The Target Group's financial brokerage services division operates in the financial industry which is heavily regulated with stringent regulatory requirements. The Target Group requires licences, permits or memberships to operate in the financial industry. The regulations in the financial industry are also subject to changes which may increase regulatory costs leading to reduced profit margins. Any breach or non-compliance of the relevant regulation can result in heavy penalties, withdrawal or cancellation of regulatory permits or exchange memberships. The Target Group has established processes which are self-checking in nature and with people dedicated to ensure compliance with all relevant regulatory requirements. In addition, the brokerage services divisions are subjected to regular audits by the regulator, internal and external auditors to ensure compliance with relevant regulations.

To provide licensed storage facilities for LME warranted cargo and logistics services for soft commodities in Europe approved by LIFFE, the Target Group has to obtain a licence from LME and LIFFE respectively. The Target Group is required to strictly adhere to the licence conditions of LME and LIFFE and is subject to regular compliance audits to retain its LME licence and LIFFE licence so as to carry on offering licensed commodity warehousing services. In the event that any of these licences are suspended, the financial performance of the Target Group's commodity logistics business will be adversely affected.

The Target Group may be involved in legal proceedings and claims

From time to time, the Target Group may be involved in various legal proceedings and claims arising in the ordinary course of its business. The results of legal proceedings and claims cannot be predicted with certainty. Any disputes may have an adverse impact on the Target Group because of legal costs, diversion of management time and resources, and other factors.

Exposure to technology risk from systems used

The Target Group is exposed to technology risks from the loss of any systems, networks, power supply or infrastructure relating to their business operations. Such interruptions may result in business interruptions and a loss of customers and reputation. To mitigate such risks, the Target Group conducts vendor due diligence in accordance with the materiality of the service provided. Network resiliency and redundancy is also built in, where required, to minimise disruptions to operations. Business continuity plans are also put in place and exercises conducted regularly to ensure alternative/backup business operations are considered and familiar to staff members. It should be noted that the Target Group's relevant regulators have issued technology risk management guidelines to all its license holders.

RISKS RELATING TO THE PROPERTIES OF THE TARGET GROUP

The Target Group is exposed to economic and real estate market conditions (including increased competition in the real estate market or logistics properties market)

Most of the Target Group's properties are located in Singapore. As a result, the Target Group's gross revenue and results of operations depend on the performance of the Singapore economy. A decline in Singapore's economy could adversely affect the Target Group's results of operations and future growth. The performance of the Target Group may also be adversely affected by a number of local real estate market conditions, such as the competitiveness of competing logistics properties or an oversupply of logistics properties or reduced demand for logistics properties.

Factors which could adversely affect the Target Group's cost of ownership of logistics properties include the following:

- construction costs of logistics properties;
- costs of borrowing to fund construction costs;
- changes in tax allowance for capital expenditure;
- increases in land rentals or land costs;
- increases in the maintenance costs, including labour, subcontracted service cost, cleaning and landscaping cost;

- increases in property tax assessments and other statutory charges;
- changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- changes in direct or indirect tax policies;
- increases in the rate of inflation;
- defects affecting the Target Group's properties which need to be rectified;
- increases in costs relating to an adjustment of the customers mix;
- increases in insurance premium; and
- increases in the cost of utilities.

The gross revenue earned from, and the value of, the Target Group's properties may be adversely affected by a number of factors

The gross revenue earned from and the value of, the Target Group's properties may be adversely affected by a number of factors, including:

- the amount and extent to which the Target Group is required to grant discounts or rebates to customers;
- defects affecting the Target Group's properties which could affect the operations of clients resulting in the inability of such customers to make timely payments of charges or at all;
- customers seeking the protection of bankruptcy laws which could result in delays in the collection of revenue, inability to collect charges, or delays in the termination of the contract, or which could hinder or delay the re-deployment of the space in question or the sale of the relevant property;
- the local and international economic climate and real estate market conditions (such as oversupply of, or reduced demand for, space and changes in market service rates and operating expenses for the Target Group's properties);
- vacancies following the expiry or termination of contracts that lead to reduced utilisation rates;
- new contracts being agreed on terms being less favourable than those under current contracts;

- the Target Group's ability to provide adequate management and maintenance or to purchase or put in place adequate insurance;

- competition for customers/users from other logistics properties;

- revisions in laws and governmental regulations in relation to industrial land and real estate, including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance. Rights related to the properties may also be restricted by legislative actions, such as revisions to the laws relating to building standards or town planning laws, or the enactment of new laws related to redevelopment; and

- acts of God, wars, terrorist attacks, riots, civil commotions, widespread communicable diseases, natural disasters and other events beyond the control of the Target Group.

The Target Group may suffer material losses in excess of insurance proceeds in relation to its properties and its potential liabilities to third parties

The Target Group's properties face the risk of suffering physical damage caused by fire or natural disaster or other causes, as well as potential public liability claims, including claims arising from the operation of its properties.

In addition, certain types of risks (such as war risk, terrorist acts and losses caused by the outbreak of contagious diseases, contamination or other environmental breaches) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Currently, the Target Group's insurance policies for its properties do not cover acts of war, outbreak of contagious diseases, contamination or other environmental breaches.

Should an uninsured loss or a loss in excess of insured limits occur, the Target Group could be required to pay compensation and/or lose capital invested in the affected property as well as anticipated future revenue from that property. The Target Group may also be liable for any debt or other financial obligation related to that property. No assurance can be given that uninsured losses or material losses in excess of insurance proceeds will not occur.

In addition, should the Target Group fail to put in place or maintain adequate insurance in relation to the relevant properties and its potential liabilities to third parties, the Target Group may be exposed to various liabilities and losses to the extent that such assets and liabilities are not adequately insured.

Renovation or redevelopment works or physical damage to the Target Group's properties may disrupt the operations of its properties and collection of rental income or otherwise result in an adverse impact on the business, financial performance and financial condition of the Target Group

The quality and design of the Target Group's properties have a direct influence over the demand for space in, and the rental rates of, its properties. The Target Group's properties may need to undergo renovation or redevelopment works from time to time to retain their competitiveness and may also require unforeseen *ad hoc* maintenance or repairs in respect of faults or problems that may develop over structural defects or other parts of buildings or because of new planning laws or regulations. The costs of maintaining the Target Group's properties and the risk of unforeseen maintenance or repair requirements tend to increase over time as the buildings age. The business and operations of the Target Group's properties may suffer some disruptions and it may not be possible to collect the full rate of, or, as the case may be, any rental income on space affected by such renovation or redevelopment works.

In addition, notwithstanding that the Target Group has taken up insurance policies for business interruption, physical damage to the Target Group's properties resulting from fire or other causes may lead to a significant disruption to the business and operation of the properties and, together with the foregoing, may result in an adverse impact on the business, financial performance and financial condition of the Target Group.

The Target Group's properties may face increased competition from other properties

The Target Group's properties are located in areas that have other competing properties and new properties may be developed which may compete with the Target Group's properties.

The President of Singapore may, as lessor, re-enter the Target Group's properties upon breach of terms and conditions of the relevant State lease

Each of the Target Group's properties is, and any Singapore property to be acquired by the Target Group may be, held under a registered State lease issued by the President of Singapore as lessor. Each State lease contains terms and conditions commonly found in State leases in Singapore, including the President of Singapore's right as lessor to re-enter such property and terminate the lease (without compensation) in the event the lessee fails to observe or perform the terms and conditions of the relevant State lease.

The Target Group holds some of the properties on leases from Jurong Town Corporation ("JTC"), and these leases contain certain provisions that may have an adverse effect on the business, financial performance and financial condition of the Target Group

The Target Group holds some of the properties pursuant to separate leases from JTC, each of which contains a clause that requires the Target Group to surrender free of cost to the Singapore government portions of the respective properties that may be required in the future for certain public uses, such as roads, drainage and other public improvements. There have been previous instances in which lessees of land from JTC have been required to surrender portions of their land to the Singapore government for roads, without compensation, pursuant to similar provisions in the relevant land leases. If the Target Group is required to surrender a portion of one of its properties, or similar properties to be acquired where the Target Group is the lessee of land from JTC, to the Singapore government, it may have an adverse impact on the gross revenue and the value of the property portfolio of the Target Group.

JTC's lessees are subject to terms and conditions ordinarily found in building agreements or agreements for lease entered into or leases granted by JTC, such as provisions requiring the lessee:

- to pay a monthly or yearly rent to JTC;
- not to use or permit the property to be used otherwise than for such purposes as approved by JTC; and
- not to demise, assign, mortgage, let, sublet or underlet or grant a licence or part with or share the possession or occupation of the whole or part of the property without first obtaining JTC's prior written consent.

RISKS RELATING TO THIS CIRCULAR

Certain statistics, industry data and other information relating to general economy and industry environment contained in this Circular are derived from various publications by official governmental authorities, industry associations and other entities, and the Company and/or its Directors, agents and advisers cannot assure the accuracy and completeness of such statistics, data and information

Certain statistics, industry data and other information relating to the general economy and industry environment contained in this Circular were derived from various publications by official governmental authorities, industry associations and other entities. The statistics, data and information contained in these publications are provided through channels such as governmental authorities and industry associations. As such, the Company or its Directors, agents and advisers cannot assure or make any representation as to the accuracy or completeness of such statistics, data and information.

None of the Company or the Target Group, their respective legal advisers or any of their respective associates, directors, employees, agents or advisers has prepared or independently verified the accuracy or completeness of such statistics, data and information directly or indirectly derived from sources and channels such as official governmental authorities and industry associations. Due to the possibility of flawed collection methods, discrepancies in published information, different market practices or other problems, the statistics, industry data and other information relating to the general economy and industry environment derived from sources such as official governmental authorities and industry associations may be inaccurate or may not be comparable to statistics produced from other sources, and thus should not be unduly relied upon. Shareholders should give careful consideration as to how much weight or importance to attach or place on such statistics, industry data and other information relating to the general economy and the industries.

This Circular contains forward-looking statements by the Company relating to the Target Group's plans, objectives, expectations and intentions, which may not represent its actual performance for the periods of time to which such statements relate

This Circular contains certain forward-looking statements by the Company relating to the Target Group's plans, objectives, expectations and intentions. Such forward-looking statements involve known and possibly known risks, uncertainties and other factors which may cause actual performance or achievements of the Target Group to be materially different from the anticipated performance or achievements expressed or implied by the forward-looking statements in this Circular. Such forward-looking statements are based on numerous assumptions as to the Target Group's present and future business strategies and the environment in which the Target Group will operate in the future and the reasonableness and appropriateness of certain assumptions are subject to the risk that the information used by the Company to derive such assumptions may be inaccurate or inadequate. The actual performance or achievements of the Target Group may differ materially from those disclosed in this Circular.

INDUSTRY OVERVIEW

SOURCE AND RELIABILITY OF INFORMATION

Background of Ipsos

The Company commissioned an independent professional market research company, Ipsos, to assess the industry development trends, market demand and competitive landscape of the (i) global physical commodities marketing industry; (ii) logistics services industry in Singapore and China; (iii) engineering services and construction engineering services industries in Singapore and; (iv) financial services industry in Singapore and the United States. The cost of preparing the report is HK$3,180,000 which is reflective of the market rates for a report of this scope.

Ipsos is wholly-owned by Ipsos Group S.A.. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,000 personnel worldwide across 88 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

Research methodology

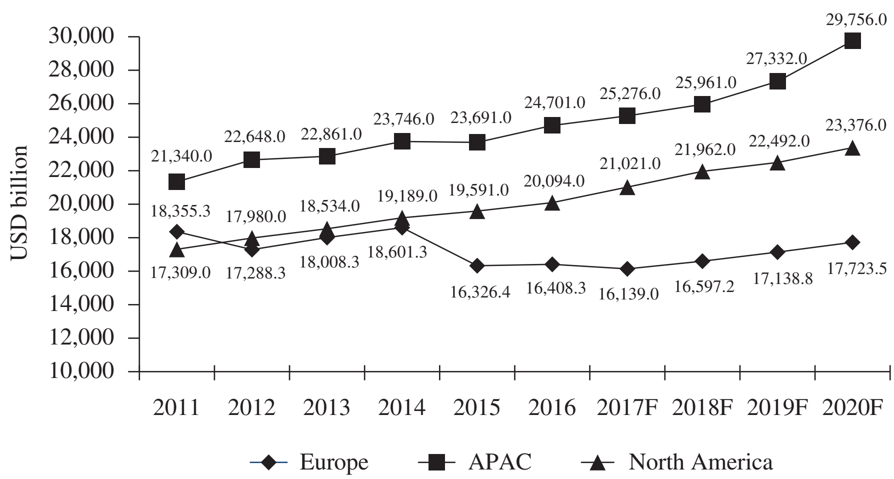
In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by: (i) conducting desk research covering government and regulatory statistics, industry and analyst reports, industry associations, industry journals and other online/offline sources and data from the research database of Ipsos; and (ii) conducting primary research by interviewing key stakeholders and industry experts. The information and statistics set forth in this section have been extracted from the Ipsos Report. Where feasible, actual data are used. In the event where the actual data are not available, Ipsos' estimates are based upon the best available information from primary and secondary information sources regarding industry structure, integration and practice. All statistics set forth in this section are approximate figures unless otherwise specified.

Assumptions used in the Ipsos Report

Forecast data were projected based on historical data regarding macro-economic factors as well as industry-specific drivers such as demand and the development of the individual industries. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Ipsos Report.

MACROECONOMIC ENVIRONMENT IN EUROPE, ASIA PACIFIC, APAC AND NORTH AMERICA

The chart below sets forth the GDP for Europe, Asia Pacific as well as North America, from 2011 to 2016 and forecast from 2017 to 2020:

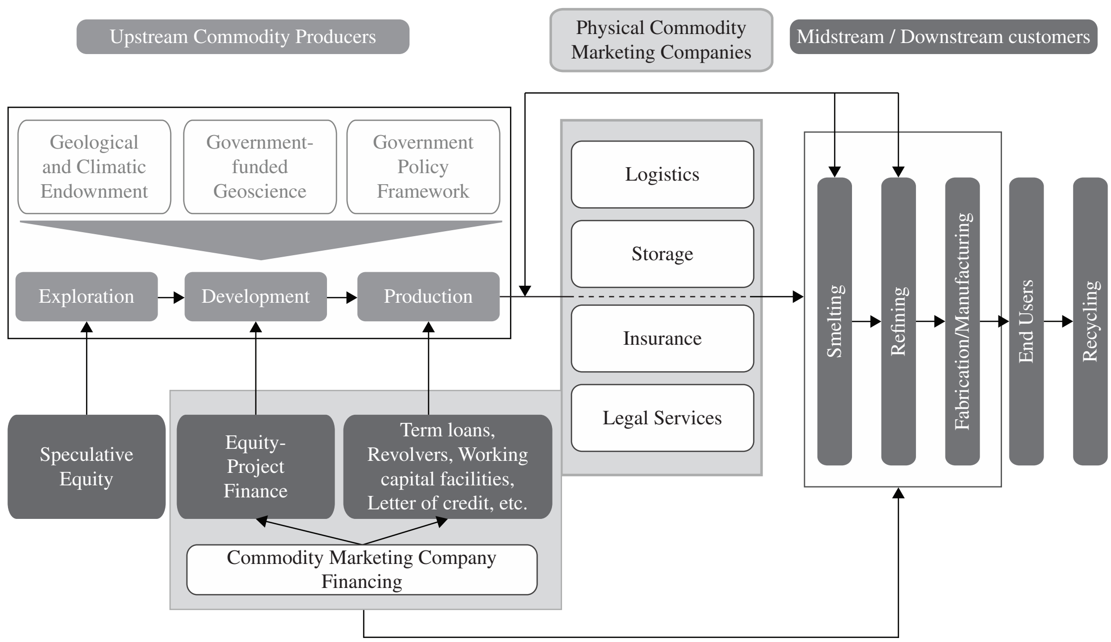


Source: International Monetary Fund

Europe's GDP decreased at a CAGR of -2.2% from USD18,355.3 billion in 2011 to USD16,408.3 billion in 2016 due to the continued recession in the Euro area and subsiding domestic demand in the region. In the forecast period, the GDP is forecast to increase at a CAGR of 3.2% to USD17,723.5 billion in 2020 from USD16,139.0 billion in 2017. The positive economic forecast is supported by improving labor markets and favourable monetary policy supporting the domestic economy. North America's GDP increased at a CAGR of 3.0% from USD17,309.0 billion in 2011 to USD20,094.0 billion in 2016 primarily driven by monetary easing in the region that prevented a worsening of the economic slowdown after the global financial crisis of 2008. In the forecast period, the GDP is forecast to increase at a CAGR of 3.6% to USD23,376.0 billion in 2020 from USD21,021.0 billion in 2017. The positive economic forecast is supported by low inflation, low unemployment and stronger housing sector. Asia Pacific's GDP increased at a CAGR of 3.0%, from USD21,340.0 billion in 2011 to USD24,701.0 billion in 2016. In the forecast period, the GDP is forecast to increase at a CAGR of 5.6%, to USD29,756.0 billion in 2020 from USD25,276.0 billion in 2017. The positive economic forecast is supported by the rising growth of the tourism sector in Asia Pacific, continuing infrastructure expansion and industrialization.

OVERVIEW OF THE GLOBAL PHYSICAL COMMODITY MARKETING INDUSTRY

The chart below shows the interrelationships among the participants within the global physical commodity marketing industry.



Source: Ipsos research and analysis

The main role of physical commodity marketing firms is to intermediate between upstream producers and downstream users.

- Upstream participants include energy, ore, minerals and agricultural commodity producers, which may be private, parastatal or public sector producers. The production stems from mines and fields that often are located in remote, inhospitable locations. Producers are exposed to the risk of adverse changes in government mineral policy, as well as to geological, pricing and climatic risks.

- Downstream participants include those in the midstream and downstream segments of the overall manufacturing process. Midstream customers are those who produce intermediate petrochemical products, smelted or semi-fabricated metals, as well as providers of infrastructure, transport, storage, blending and evaluation services. Downstream customers include metals and oil refiners, mills, and users of intermediate petrochemicals, as well as primary and secondary scrap aggregators.

The producers and users of commodities generally tend to lack sophisticated in-house marketing teams and broad geographical reach. They also tend to focus on optimising operations, rather than marketing efforts. Physical commodities marketing companies aim to provide market access, logistical and financial related services to upstream and downstream participants.

Physical commodity marketing firms source materials from upstream producers, transport the materials and provide them to downstream users of commodities. The services provided include logistics, warehousing and storage, blending and financing. Physical commodity marketing companies may also draw upon and may arrange or include additional services such as security, measurement and insurance. Physical commodities marketing companies also may invest in storage and transportation assets because controlling storage assets provides flexibility in meeting customers' needs.

In addition, physical commodity marketing companies may provide financing to clients. Common financing facilities provided include letters of credit and prepayments for material as well as term or project financing or strategic investment. Some physical commodity marketing companies provide clients with working capital facilities to assist them in funding the production of the commodity, and as a way to tie up a certain amount of production. Some companies may also take the strategic rationale even further, providing project financing to development-stage companies, entering into joint ventures, investing in project companies or acquiring companies that have multiple sources of production.

Suppliers for the physical commodity marketing industry can be categorised into commodities suppliers and specialised support services providers. From the commodities perspective, physical commodity marketing firms source material upstream from primary producers as well as further downstream from intermediate processors, smelters and semi-fabricators. In some instances, physical commodity marketing firms may source material that is available for recycling. From the specialised support services perspective, physical commodity marketing firms work closely with specialised services providers. These specialised support service providers include logistics services providers, insurance firms and measurement and security firms as well as financial institutions. In some instances, the services may be provided by the physical commodity marketing firms themselves.

Global physical copper commodity market

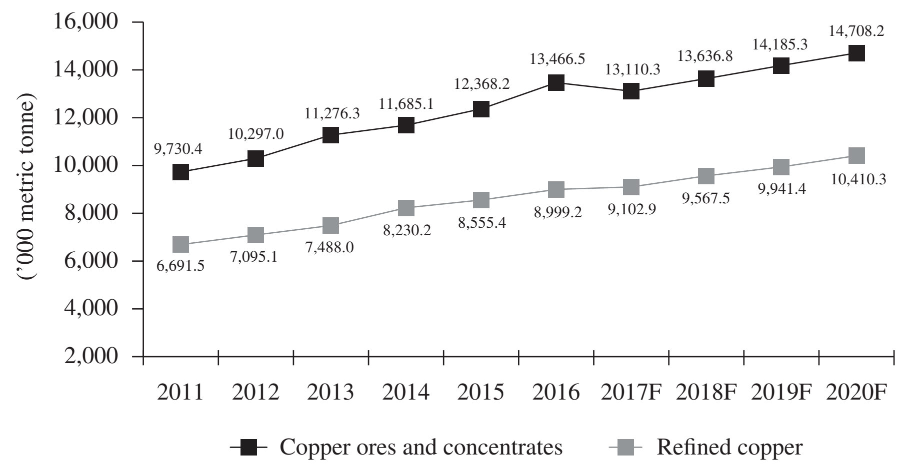
Copper is usually found in association with sulfur. Refined copper metal is generally produced from a multistage process, beginning with the mining and concentrating of low-grade ores containing copper sulfide minerals, and followed by smelting and electrolytic refining to produce a pure copper cathode. Oxide ores are subject to acid leaching to recover copper. Copper is used in building construction, transportation equipment, electric and electronic products, consumer and general products, and industrial machinery and equipment.

Global physical copper marketing

The global export of copper ores and concentrates grew at a CAGR of 8.3%, from 5,311.6 thousand metric tonnes in 2011 to 7,916.7 thousand metric tonnes in 2016. The growth in copper ores and concentrates exports primarily reflected additional output from new mines. Exports from Peru, Mexico and Mongolia grew at CAGRs of 19.8%, 24.4% and 21.3% over the 2011 to 2016 period, respectively. During the same period, global imports of copper ores and concentrates grew at a CAGR of 9.0% from 5,044.9 thousand metric tonnes in 2011 to 7,748.0 thousand metric tonnes in 2016. China was a significant importer of copper ores and concentrates, accounting for 61.5% of total global imports in 2016. China's imports of copper ores and concentrates grew rapidly at a CAGR of 21.6% over the 2011 to 2016 period, from 1,795 thousand metric tonnes to 4,765 thousand metric tonnes.

Global refined copper exports grew at a CAGR of 0.9% from 8,527.4 thousand metric tonnes in 2011 to 8,909.5 thousand metric tonnes in 2016. This growth was mainly driven by the Asian region, which exhibited strong growth in refined copper imports to meet demand over the 2011 to 2016 period. Five Asian countries ranked among the top 10 importing countries globally.

The chart below sets forth the global physical copper marketing volume from 2011 to 2016 and forecast from 2017 to 2020:



Source: Ipsos research and analysis

From 2011 to 2016, the global physical marketing volume for copper ores and concentrates grew at a CAGR of 6.7% from 9,730.4 thousand metric tonnes in 2011 to 13,466.5 thousand metric tonnes in 2016. During the period, the global physical marketing volume for refined copper grew at a CAGR of 6.1% from 6,691.5 thousand metric tonnes in 2011 to 8,999.2 thousand metric tonnes in 2016. The growth was mainly driven by increases in the production and consumption trends of copper, both in its ore and concentrates form as well as refined form.

It is forecast that the physical commodity marketing volume for copper ores and concentrates will increase at a CAGR of 3.9% from 13,110.3 thousand metric tonnes in 2017 to 14,708.2 thousand metric tonnes in 2020. The global physical refined copper marketing volume is forecast to be 9,102.9 thousand metric tonnes in 2017, and is forecast to grow at a CAGR of 4.6% to 2020, reaching 10,410.3 thousand metric tonnes. Growth in Chinese consumption and expected development along the Belt and Road trade corridor over the 2017 to 2020 period will create opportunities for physical commodity marketing companies to add new business. In addition, physical commodity marketing companies will also have opportunities to capture relationships with fabricators as refiners' annual supply contracts come up for renewal.

Global copper production and consumption

Global copper ores and concentrates production output grew at a CAGR of 5.0%, from 16,217.4 thousand metric tonnes in 2011 to 20,717.7 thousand metric tonnes in 2016. The top 4 and top 10 producing countries accounted for 53.8% and 77.5% of global production, respectively. The growth reflected investment policy framework improvements in countries such as Peru, DR Congo, Zambia and Canada and the reopening/expansion of old mines in USA. The global production of copper ores and concentrates is forecast to grow at a CAGR of 2.4% from 19,864.1 thousand metric tonnes in 2017 to 21,316.2 thousand metric tonnes in 2020 supported by continuing growth of the major producing countries such as Peru, whose output is expected to grow at CAGR of 9.5% from 2017 to 2020. Overall growth, however, may be constrained by declining ores grades, elevated water and power costs in countries such as Chile. In terms of consumption of copper ores and concentrates, essentially all of the global production of copper ores and concentrates is consumed in the production of refined copper, which on average amounted to 84.7% of refined copper production over the 2011 to 2016 period. The balance of refined production stemmed from mine production of solvent extraction and electrowinning copper and processing of primary and secondary scrap.

Global production of refined copper grew at a CAGR of 3.7% from 19,594.5 thousand metric tonnes in 2011 to 23,527.3 thousand metric tonnes in 2016. The global production of refined copper is forecast to grow at a CAGR of 2.4% from 23,461.0 thousand metric tonnes in 2017 to 25,176.0 thousand metric tonnes in 2020. Growth in refined copper production is forecast to be supported by steady growth in copper prices, which are forecast to increase at a CAGR of 1.5% from US$5,750 per tonne in 2017 to US$6,017 per tonne in 2020. Global consumption of refined copper grew at a CAGR of 3.6% from 19,565.6 thousand metric tonnes in 2011 to 23,331.1 thousand metric tonnes in 2016. From 2017 to 2020, the global consumption of refined copper is forecast to grow at a CAGR of 2.4% from 23,558.0 thousand metric tonnes in 2017 to 25,285.0 thousand metric tonnes in 2020. The expected growth is supported by forecast consumption growth in China at a CAGR of 3.7%. An increase in infrastructure investments, boosted by the Belt and Road initiative, will also support future demand for refined copper as well as manufactured capital goods that depend heavily on refined copper.

Global zinc commodity market

Zinc is the 23rd most abundant element in the earth’s crust. Zinc can be refined by froth flotation of sphalerite (the principal ore mineral containing zinc sulfide), roasting, and final extraction using electricity (electrowinning). About three-quarters of refined zinc is used mainly as a coating to protect iron and steel from corrosion (galvanized metal) while the remaining one-fourth is consumed as zinc compounds, mainly by the rubber, chemical, paint and agricultural industries.

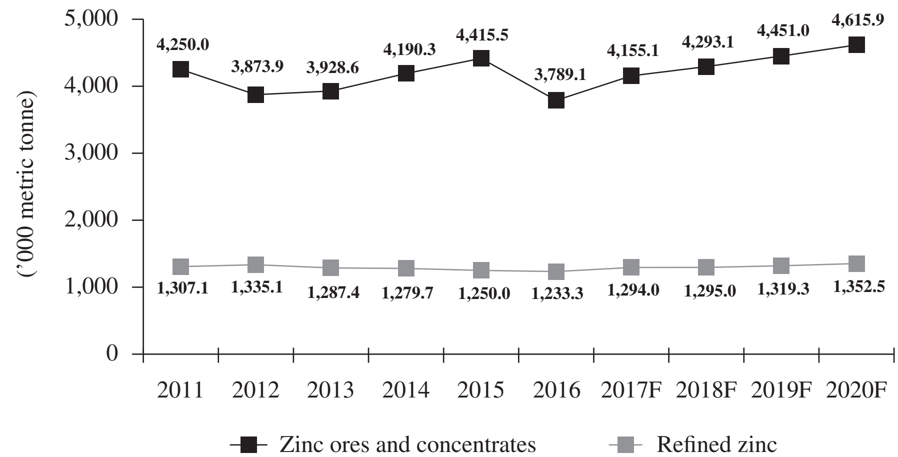
Global physical zinc marketing

The global export of zinc ores and concentrates declined at a CAGR of -3.3% from 5,467 thousand metric tonnes in 2011 to 4,628 thousand metric tonnes in 2016. The decline in global export volume was mainly attributable to major mine closures in Australia and Ireland. In Australia, the Century Mine's closure was the main contributor to a decline in Australia's export volume from 1,229 thousand metric tonnes in 2011 to 750 thousand metric tonnes in 2016, at a CAGR of -9.4%. The Lisheen Mine closure in Ireland caused a decline in Ireland's export volume from 330 thousand metric tonnes in 2011 to 142 thousand metric tonnes in 2016, at a CAGR of -15.5%. Although Mexico, Spain and Russia all increased their export volumes by 10.1%, 14.1% and 21.0%, respectively, during the same period the increases were not sufficient to offset the decreases from Australia and Ireland.

Globally, imports of zinc ores and concentrates declined at a CAGR of -1.6% from 5,389 thousand metric tonnes in 2011 to 4,963 thousand metric tonnes in 2016. Chinese imports of zinc ores and concentrates, which accounted for 16.5% of the total import volume in 2016, decreased by a CAGR of -8.1% from 1,245 thousand metric tonnes in 2011 to 817 thousand metric tonnes in 2016. Between 2011 and 2016, there were significant year-on-year variations that reflected fluctuating domestic demand conditions and temporary suspensions of operations at higher-cost smelters in China.

Global refined zinc exports declined at a CAGR of -1.2% from 4,308.3 thousand metric tonnes in 2011 to 4,058.9 thousand metric tonnes in 2016. During the period, Korean exports grew at a CAGR of 3.5% reflecting increased production driven by investment in additional refining capacity, while India's exports decreased at a CAGR of -11.5%, reflecting India's domestic zinc consumption growth at a CAGR of 3.5% over the period. During the same period, the global import volume of refined zinc remained relatively stable a CAGR of 0.2%, from 3,946.4 thousand metric tonnes in 2011 to 3,983.9 thousand metric tonnes in 2016. Chinese refined zinc consumption increasingly outstripped production of zinc ores and concentrates, with the shortfall met through the importation of zinc ores and concentrates and refined metal, the latter of which grew at a CAGR of 4.0%.

The chart below sets forth the global physical zinc marketing volume from 2011 to 2016 and forecast from 2017 to 2020:



Source: Ipsos research and analysis

The physical marketing volume for zinc ores and concentrates decreased at a CAGR of -2.3% from 4,250.0 thousand metric tonnes in 2011 to 3,789.1 thousand metric tonnes in 2016. However, it is forecast to recover at a CAGR of 3.6% from 4,155.1 thousand metric tonnes in 2017 to 4,615.9 thousand metric tonnes in 2020. Competition for zinc ores and concentrates is intense. While smaller mines are less inclined to commit staff to market output, smelters, which are very concerned about the scarcity of ores and concentrates feedstock, seek to enter into medium-term or long-term contracts. The available physical marketing volume represents the portion of total ores and concentrates production not produced by vertically-integrated firms. Zinc ores and concentrates available global physical marketing volume amounts to approximately four million metric tonnes of zinc in 2016. Physical marketing firms compete by taking advantage of opportunities to blend material to meet users' specifications.

The physical marketing volume for refined zinc decreased at a CAGR of -1.2% from 1,307.1 thousand metric tonnes in 2011 to 1,233.3 thousand metric tonnes in 2016. It is forecast the marketing volume will moderately increase at a CAGR of 1.5%, from 1,294.0 thousand metric tonnes in 2017 to 1,352.5 thousand metric tonnes in 2020. Refineries have standing relationships with offtakers, leaving few opportunities for physical marketing companies to add value.

Global zinc production and consumption

Between 2011 and 2016, global zinc ores and concentrates production increased at a CAGR of 0.5% from 12,550.0 thousand metric tonnes in 2011 to 12,848.0 thousand metric tonnes in 2016, while global refined zinc production increased at a CAGR of 0.9%, from 13,055.0 thousand metric tonnes in 2011 to 13,673.0 thousand metric tonnes in 2016. The slow growth was attributed partially to a fall in Chinese refined zinc production in 2011 and 2012, during which Chinese zinc smelters curtailed output in response to declining profitability, as well as a decrease in Australian output from about 1,583.0 thousand metric tonnes in 2015 to about 861.0 thousand metric tonnes in 2016, or by approximately 45.6% year-on-year as a result of the Century Mine's closure in 2015 and temporary production cutbacks at two other mines.

From 2011 to 2016, the global consumption of zinc ores and concentrates remained relatively constant at a CAGR of 0.5% from 12,550.0 thousand metric tonnes in 2011 and 12,848.0 thousand metric tonnes in 2016. It is forecasted that the global consumption of zinc ores and concentrates will increase at a CAGR of 2.0%, from 13,882.7 thousand metric tonnes in 2017 to 14,722.7 thousand metric tonnes in 2020, driven by the demand for refined zinc and related products.

The global production of refined zinc is forecast to increase at a CAGR of 2.0% from 14,064.0 thousand metric tonnes in 2017 to 14,915.0 thousand metric tonnes in 2020 supported by development initiatives such as the Belt and Road Initiative related infrastructure investment that will support China's demand for steel, and therefore zinc. During this period, global steel production is also forecast to grow at a CAGR of 0.5% from 1,629.3 million metric tonnes in 2017 to 1,656.1 million metric tonnes in 2020. However, global refined zinc production will be constrained by available zinc ores and concentrates. The shortage is expected to squeeze refiners' margins as they compete for material to process. However, in response to the growth in demand for refined zinc, the projected price is forecast to increase thereby incentivising miners to reopen shuttered operations and expand output.

Global lead commodity market

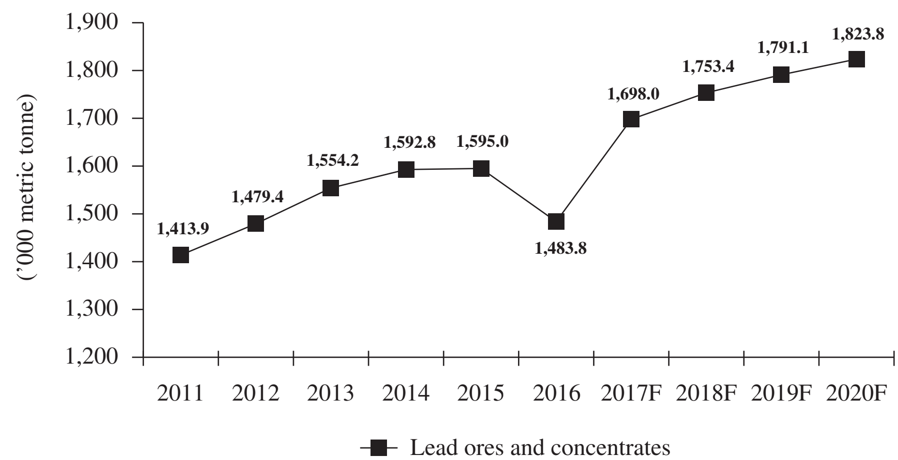
Lead is a very corrosion-resistant, dense, ductile, and malleable blue-gray metal. Lead can be refined from galena (a natural mineral form of lead sulfide) by crushing and grinding the ore, subjecting it to floatation processing, then smelting and refining. Lead is commonly used in construction, plumbing, batteries, bullets and shot, weights, solders, pewters, fusible alloys and radiation shielding.

Global physical lead ores and concentrates marketing

The global export of lead ores and concentrates increased at a CAGR of 1.2% from 1,603 thousand metric tonnes in 2011 to 1,704 thousand metric tonnes in 2016. Changes in lead ores and concentrates mine production was primarily responsible for the fluctuation in export volume by Peru, Mexico, USA and Australia. During this period, Peru, Mexico and USA reported export volumes grew by CAGRs of 7.0%, 8.8% and 8.9%, respectively. However, the export increases were partially offset by a decline at a CAGR of -17.3% in Australian exports between 2011 and 2016.

During the same period, the import of lead ores and concentrates increased at a CAGR of 2.3% from 1,545 thousand metric tonnes in 2011 to 1,734 thousand metric tonnes in 2016. Import growth mainly came from Korea, Canada, Kazakhstan and Italy, with CAGR growth rates of approximately 15.1%, 13.2%, 81.4% and 69.0%, respectively. The increase in demand stemmed primarily from lead smelter capacity additions, such as Glencore Xstrata's Portovesme smelter, which restarted operations in 2013, as well as increasing demand from Republic of Korea.

The chart below sets forth the global physical lead ores and concentrates marketing volume from 2011 to 2016 and forecast from 2017 to 2020:



Source: Ipsos research and analysis

From 2011 to 2016, the global physical marketing volume for lead ores and concentrates grew at a CAGR of 1.0% from 1,413.9 thousand metric tonnes in 2011 to 1,483.8 thousand metric tonnes in 2016. It is forecast that approximately 1,698.0 thousand metric tonnes and 1,823.8 thousand metric tonnes could be physically marketed in 2017 and 2020 respectively, representing a CAGR of 2.4%. The growth is mainly driven by the increase in the production and consumption trends of lead, both in its ore and concentrates as well as refined forms. Smaller mines are averse to spending money and committing staff in order to cope with market output. These mines may prefer not to be responsible for mining lead once it leaves their property and may seek to enter into medium-term to long-term offtake contracts. The available physical marketing volume represents the portion of total ores and concentrates production not produced by vertically-integrated firms. For example, lead ores and concentrates global physical marketing volume amounts to roughly 1.5 million tonnes of contained lead in 2016. Physical commodity marketing companies may be interested to recover other metals such as indium, silver and gold from concentrates, and may be better placed to blend ores to reduce concentrations of undesirable metals such as cadmium to maximum acceptable levels.

Global lead ores and concentrates production and consumption

Lead ores and concentrates production is highly concentrated, with China, Australia, USA and Peru responsible for over 75% of global output in 2016. Global lead ores and concentrates production output showed a slight increase from 4,617.0 thousand metric tonnes in 2011 to 4,702.0 thousand metric tonnes in 2016. Lead ores and concentrates consumption is generally assumed to equal production volume since all lead ores and concentrates are consumed in the production of refined lead. As such, it is forecast that global production, as well as consumption, of lead ores and concentrates will increase at a CAGR of 1.3% from 5,330.0 thousand metric tonnes in 2017 to 5,539.7 thousand metric tonnes in 2020.

Global nickel commodity market

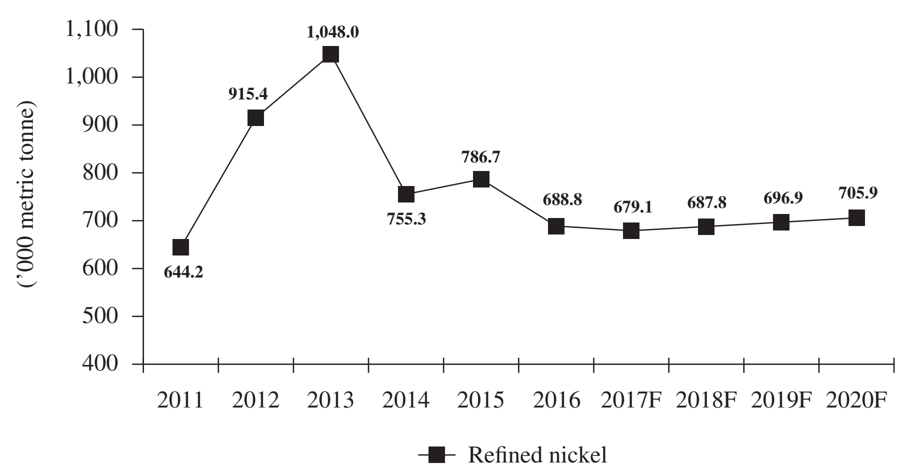
Nickel is produced from two types of ores, lateritic and sulfidic. Lateritic ores are normally found in tropical climates where weathering, in time, leaches and deposits the metal in layers at varying depths below the surface. Sulfidic ores, often found in conjunction with copper-bearing ores, are "hard rock" ores usually mined underground.

Fluid bed roasting and chlorine-hydrogen reduction produce high-grade nickel oxides (more than 95% nickel). Vapor processes such as the carbonyl process can be used to produce high-purity nickel pellets. 65% of the nickel produced is used to manufacture stainless steel. Another 20% is used in other steel and non-ferrous alloys, often for highly specialized industrial, aerospace and military applications. 9% is used in plating and 6% in other uses, including coins, electronics and in batteries for portable equipment and hybrid cars. In many of these applications there are no substitute for nickel without reducing performance or increasing cost.

Global physical refined nickel marketing

The global export of refined nickel increased at a CAGR of 5.4% from 1,374.1 thousand metric tonnes in 2011 to 1,787.2 thousand metric tonnes in 2016. The increase in global exports was supported by rapid increases in exported nickel from Indonesia, Brazil and Taiwan, reflecting refinery capacity increases. During the same period, global imports of refined nickel increased at a CAGR of 9.6% from 1,680.5 thousand metric tonnes in 2011 to 2,662.0 thousand metric tonnes in 2016.

The chart below sets forth the global physical refined nickel marketing volume from 2011 to 2016 and forecast from 2017 to 2020:



Source: Ipsos research and analysis

The available physical marketing volume represents the portion of total refined nickel not produced by large refiners that have physical marketing teams in-house and that is expected to be available to third-party physical marketing companies. From 2011 to 2016, the global physical marketing volume for refined nickel grew from 644.2 thousand metric tonnes in 2011 to 688.8 thousand metric tonnes in 2016, or at a CAGR of 1.3%. It is also forecast that 679.1 thousand metrics tonnes and 705.9 thousand metric tonnes could be physically traded in 2017 and 2020, respectively.

Global nickel production and consumption

Global production of nickel ores and concentrates increased at a CAGR of 1.8% from 1,810.3 thousand metric tonnes in 2011 to 1,980.7 thousand metric tonnes in 2016. The changes in nickel output over the 2011-2016 period primarily reflected new investment in New Caledonia, which grew at a CAGR of 9.8%, and offset by adverse policy developments in Indonesia and Cuba, where production decreased at CAGRs of -5.5% and -4.9%, respectively. The global production of refined nickel increased at a CAGR of 1.4% from 1,665.3 thousand metric tonnes in 2011 to 1,785.1 thousand metric tonnes in 2016. The increase in refined nickel production was mainly supported by New Caledonia's and Indonesia's production growth over the 2011 to 2016 period, which increased at a CAGR of 18.8% and 36.5%, respectively.

From 2017 to 2020, global production of refined nickel is forecast to grow at a CAGR of 1.3% from 1,953.0 thousand metric tonnes to 2,030.0 thousand metric tonnes. The main contributors to the growth are forecast to be from China and Indonesia, where Chinese investors are building nickel smelters. Tsingshan Group's project in Sulawesi is adding 1.2 million tonnes of nickel pig iron capacity. It is forecast that increased use of nickel pig iron in the steel industry will also temper demand for refined nickel.

Global gold commodity market

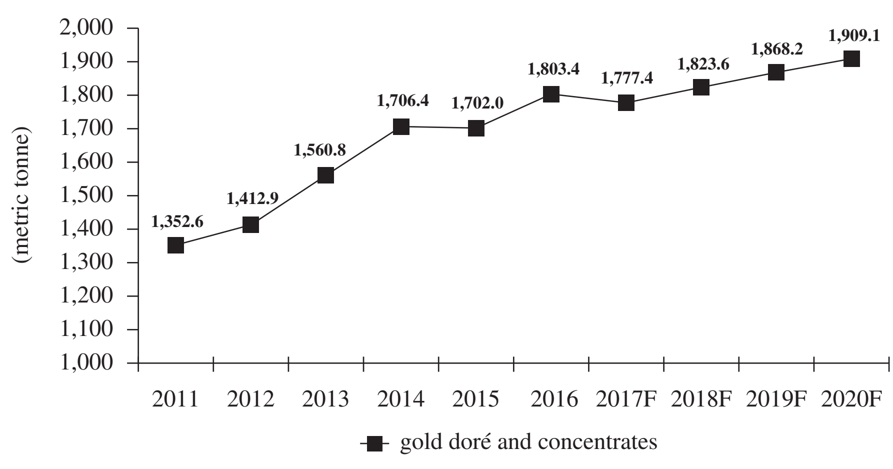
Gold is a bright, slightly reddish yellow, dense, soft, malleable, and ductile metal. Gold is recovered from oxide and sulfide ores by a variety of processes including cyanide leaching, floatation, pressure oxidation and biological leaching. Gold is used for coinage and jewelry, in corrosion resistant electrical connectors in all types of computerized devices (industrial use), infrared shielding, colored-glass production, gold leafing and tooth restoration.

Most gold produced by mines is in the form of doré. Doré is a high-unit-value amalgam, consisting mainly of gold, often in the range of 90% to 95%. The other elements present depend upon the metals contained in a particular mine's ore. Doré is moved from a mine via armored truck, helicopter, or fixed-wing aircraft to a secure vault from which it is further transported to a refinery for final processing. Mining companies normally are paid when the carrier confirms receipt of the doré bars. Gold doré is very quickly refined into high-purity gold, normally of 99.5% or 99.99% purity. Normally refining takes place within approximately two weeks of shipment from the mine gate.

Global physical gold doré and concentrates marketing

The global physical market for gold is distinctly different from that of base metals in that the vast majority of gold mine production is sold as doré, and the time required to transform the doré into refined gold is much shorter, generally just two to three weeks. In order to win business, a physical commodity marketing company usually must agree to pay a high proportion, if not all, of the estimated value of the gold in doré upon purchase. This occurs at the time a third-party, secured transportation carrier confirms receipt of the material at the mine gate. The payment is based on assays provided by the mining company. Once the doré bars arrive at a refinery and are assayed, a final payment is made, adjusting for any discrepancies among assays. A relatively small portion of gold mine production is contained in bulk concentrates, most often as a byproduct of copper, zinc and/or lead. Freeport McMoRan, which is a large producer of copper concentrates that are rich in gold, produced about 34.2 metric tonnes of gold in 2016, including material produced in slimes from its smelters. This amounts to just about 1.1% of global primary gold production. Aggregated data on gold in concentrates are not available. The global available primary physical marketing volume of gold doré and concentrates is that portion of total production not vended directly by mining companies to refiners or end users, which was estimated to be approximately 1,803.4 metric tonnes in 2016.

The chart below sets forth the global physical gold doré and concentrates marketing volume from 2011 to 2016 and forecast from 2017 to 2020:



Source: Ipsos research and analysis

Many opportunities exist for physical commodity marketing firms to move doré to market. The global physical marketing volume of available gold doré and concentrates was estimated to be 1,352.6 metric tonnes in 2011 and 1,803.4 metric tonnes in 2016. It is also estimated that the expected marketing volume of gold doré and concentrates will be approximately 1,777.4 metric tonnes and 1,909.1 metric tonnes in 2017 and 2020 respectively, representing a CAGR of 2.4%.

Global gold production and consumption

Global production of gold doré and concentrates grew at a CAGR of 4.1% from 2,635.1 metric tonnes in 2011 to 3,121.2 metric tonnes in 2015, before declining slightly to 3,226.9 metric tonnes in 2016, mainly as a result of the lagged response of production to refined gold market price changes. The price of recoverable gold contained in gold doré and concentrates is derived directly from the market price for refined gold as the costs of transportation from mine to refinery, insurance and refining are small relative to the metal's price. Between 2011 and 2016, the price for refined gold decreased at a CAGR of -4.5% from USD1,569.6 per ounce to USD1,248.6 per ounce.

From 2017 to 2020, the global production of gold doré and concentrates is forecast to increase at a CAGR of 2.4% from 3,231.7 metric tonnes in 2011 to 3,471.1 metric tonnes in 2020. The principal factors underpinning future production growth include a supportive gold price environment, anticipated Chinese offshore investment in gold mines via a USD16.0 billion mining fund set up in 2015 to develop gold mining projects along the Belt and Road Initiative infrastructure route and continuing cost management vigilance that will enable gold miners to expand production at flat gold prices.

Global naphtha commodity market

Naphtha is a flammable liquid hydrocarbon mixture that is produced from natural gas condensates, petroleum distillates, and the distillation of coal tar and peat. It is used primarily to produce high-octane elements of gasoline, as solvents and a feedstock to produce petrochemicals. Naphtha is also used as fuel in portable camping stoves, lanterns, blowtorches and cigarette lighters.

Global physical naphtha marketing

The global export of naphtha declined slightly at a CAGR of -0.3% from 96.7 million metric tonnes in 2011 to 95.7 million metric tonnes in 2015. Saudi Arabia is consistently ranked as the leading global exporter of naphtha. Saudi Arabia's exports grew at a CAGR of 3.3% from 14.4 million metric tonnes in 2011 to 16.3 million metric tonnes in 2015. The second largest exporter, the Netherlands, showed a slight decrease at a CAGR of -0.6% from 12.2 million metric tonnes in 2011 to 11.9 million metric tonnes in 2015.

Globally, imports of naphtha increased at a CAGR of 3.8% from 102.4 million metric tonnes in 2011 to 119.0 million metric tonnes in 2015. The Republic of Korea and Japan are consistently ranked as the world's leading naphtha importers, with imports of 24.2 million metric tonnes and 20.1 million tonnes, respectively in 2015. The Republic of Korea's naphtha imports increased at a CAGR of 2.2% from 22.2 million metric tonnes in 2011 to 24.2 million metric tonnes in 2015. During the same period, Japan's naphtha imports increased at a CAGR of 2.3% from 18.3 million metric tonnes in 2011 to 20.1 million metric tonnes in 2015.

Global naphtha production grew at a CAGR of 2.1% from 245.2 million metric tonnes in 2011 to 271.9 million metric tonnes in 2016. Naphtha production serves as feedstock primarily for the petrochemicals industry, for gasoline production and as ammonia feedstock for fertilizer production. Over the 2011 to 2016 period, Chinese and Russian production grew relatively rapidly, at a CAGR of 6.4% and a CAGR of 6.8%, respectively, in response to greater polymers demand in Russia and fuels and polymers demand in China. Global naphtha consumption grew at a CAGR of 3.6% over the 2011 to 2016 period, from 241.0 million tonnes to 288.0 million tonnes. During the 2011 to 2016 period, the Asia Pacific region led consumption growth, with at a CAGR of 3.9%, while European consumption grew at a CAGR of 2.4%. The use of naphtha in the production of chemicals experienced the most rapid industrial segment growth, at a CAGR of 3.9% during the same period.

Global naphtha production is forecast to grow at a CAGR of 0.9% from 274.1 million metric tonnes in 2017 to 282.0 million metric tonnes in 2020. The determinants of production over the 2017 to 2020 period include demand from the petrochemicals sector, rising energy demands of growing economies such as China and India and growth in demand for nitrogen fertilizers. The naphtha market over the 2017 to 2020 period is expected to be driven by such factors as growing demand for transportation and distributed electrical power generation, which consume liquid fuels, increasing demand for plastics, growing demand for fertilizers, and increasingly stringent emission regulations.

The estimation of the global naphtha marketing volume for the period 2011 to 2020 was not possible. Privately-held companies and vertically-integrated companies do not disclose the naphtha volumes traded within their companies or with other intermediaries. However, shifting consumption patterns may create new opportunities for global physical commodity marketing firms to intermediate between producers generating surplus naphtha and users that are not integrated upstream. The increases in consumption of naphtha in the production of chemicals will continue to be fastest growing industrial application with a CAGR of 3.4% from 2017 to 2020. Consequently, increases in the Asia Pacific region will lead the global growth of naphtha consumption, at a CAGR of 3.7% during the same period.

Global naphtha price declined at a CAGR of -15.4% from US$929.9 per metric tonne in 2011 to US$403.5 per metric tonne in 2016. The sharp decline in naphtha price after 2014 was primarily due to decreases in the cost of crude petroleum, with Brent crude falling from US$98.97 per barrel in 2014 to US$52.32 per barrel in 2016.

Global naphtha price is forecast to grow at a CAGR of 6.0% from US$419.6 per metric tonne in 2017 to US$500.0 per metric tonne in 2020. The forecast is based on the assumption of steady oil prices and the growing pace in naphtha consumption relative to production over the period of 2017 to 2020.

Consequently, new opportunities may arise to capture business in the changing Asia market as well as in Africa and South American markets. For example, China has begun granting crude import licenses to large private refineries. The US has begun allowing crude exports. Downstream naphtha users in Latin America and Africa are also less integrated and therefore more willing to take naphtha from physical commodity marketing firms. In some cases, they also sell products that are not required to meet rigorous environmental standards. This enables them to take material that cannot be sold in other regions without further treatment.

COMPETITIVE ANALYSIS OF THE GLOBAL PHYSICAL COMMODITY MARKETING INDUSTRY

The physical commodities marketing industry consists of a relatively small number of very large, global players and a large number of smaller firms. The largest firms, about a dozen in number, tend to focus either on agricultural commodities and certain energy niches or on minerals, metals and energy. The smaller firms tend to specialize regionally or in a particular commodity.

Many firms are privately held. Firms tend to concentrate their offices in regional trading hubs. These include Geneva, Singapore, Houston, New York, Stamford and London. An increasingly popular business strategy is to integrate upstream, downstream or in both directions to gain greater flexibility to address marketing opportunities.

The table below sets forth the top five companies in the global physical commodity marketing industry in 2016[1]:

Rank	Company	Headquarter Location	Ownership	Revenue in 2016[2]	Commodities Traded in 2016
				(USD billion)	*(million metric ton)*[3]
1	Company A	Baar, Switzerland	Public	153	N/A
2	Company B	Geneva, Switzerland	Private	152	351
3	Company C	Geneva, Switzerland	Private	98	264
4	Company D	Geneva, Switzerland	Private	91	322
5	Company E	Hong Kong	Public	47	222

Notes:

1. The ranking table and the analysis of competitive landscape focus on companies that specialise in energy, minerals and metals trading. They exclude firms that are primarily focused on agricultural or soft commodities.

2. Revenue is obtained from published company financial data and interviews with industry participants.

3. Total volume of commodities (regardless of the type of commodities) traded as reported by the respectively companies.

Source: Ipsos research and analysis

Global physical commodities marketing companies compete on the basis of their strengths in logistics, deep and enduring customer relationships, ability to access credit and employ leverage and operate effectively across diverse geographies and markets. The industry is supported by a raft of services providers in logistics, measurement and verification, insurance, credit, and other professional services such as accounting and legal specialists. The industry, traditionally secretive, is under increasing scrutiny by the public, NGOs and governments. Requirements for transparency and compliance with numerous know-your-customer, anti-money-laundering and anti-terrorist-financing regulations may increase.

Market drivers and opportunities

Key suppliers focus on optimising their highly-technical operations, without having to manage the marketing of the materials produced or used

Primary commodity producers' corporate strategies typically focus on being low-cost producers, and they seek to minimise production costs. Producers therefore may rely on others for access to downstream markets. Producers also typically do not want to carry the overhead or devote the resources necessary to deal with sales of production.

Technological advances change the nature of commodities demand

As the amount of metals contained in industrial and consumer goods changes in response to continued technological innovation, the demand for commodities in certain applications may decrease. Consumer savings from cheaper consumer products can generate greater spending power for other goods and services, creating new opportunities for physical commodity marketing firms.

China's Belt and Road Initiative to provide new opportunities

China's Belt and Road Initiative will further increase the demand for the services of global physical commodities marketing firms that have strong roots in countries along the trade corridor. The focus on infrastructure and industrial development will generate demand for metals for rail systems, pipelines, power grids, industrial machinery, transportation equipment and durable consumer goods.

Threats and challenges

Uncertainties related to financial and environmental regulations heighten business risks

Non-governmental organisations continue to push for higher standards and greater accountability regarding the impact of multinational companies' business activities on local environments and communities. Global physical commodity marketing companies have become subject to this pressure. Governments in which companies' headquarters are based have commenced inquiries and have considered implementing new oversight. In China, where attention to air quality and mine safety have increased, government actions may curtail or cease the operations of mines. Such actions could disrupt trade patterns, but also may lead to the creation of new import opportunities for physical commodity marketing firms.

Providers of credit may decrease their availability

Global physical commodities marketing firms are highly dependent on access to credit. Absolute trading profits can be quite slim in relation to the amount of capital at risk. Market firms, therefore, must use substantial leverage to achieve satisfactory rates of return. Changes in the external financial environment can cause sources of credit to curtail its availability, thereby heavily impacting firms' performance. Firms attempt to reduce this risk by maintaining access to a large pool of providers of credit facilities.

Risks management

The global physical commodities marketing firms must have the ability to manage different types of risks to be successful in the industry. These risks include client and operational risks, market and financing risks, location risks, and systems risks. Failure to manage these risks could negatively impact physical commodity marketing firms.

Entry barriers

Specialised expertise

Firms must possess highly-sophisticated, arcane knowledge and experience. Specialised expertise is required to source, transport, blend and provide clients bespoke products that meet exacting process requirements. Skill sets must include strong capabilities in logistics, data management, engineering, trading, hedging, contract management, insurance, inspection and finance. It would be difficult for a new entrant to attract and assemble a critical mass of talent, and to adequately incentivise, remunerate, and manage the requisite diverse employee base.

Access to credit and strong relationships with a diverse group of financial institutions

Commodity marketing firms require very substantial amounts of credit from very large sets of relationships and diverse groups of financial institutions. Leverage enables firms to generate attractive returns on equity. Access to vast amounts of credit requires a successful track record, large scale, an unblemished reputation, careful and limited disclosure of sensitive information regarding client and provider relationships and substantial time and relationship management.

Capital investment on costly assets

Control over costly assets positions commodity marketing companies to extract greater returns from the flow of materials. Control over sources of supply enables firms to serve as preferential suppliers. Control of transportation assets positions firms to responsively meet customer demand. Storage capacity and the ability to blend products contribute material competitive advantages in tailoring inputs to customers' exacting requirements.

Future trends in the global physical commodity marketing industry

Industry could consolidate, especially for small and medium players

Scale factors could push the global physical commodities marketing industry to consolidate as size can equate to reach, both deeper into supply chain niches and wider across global markets. Superior information management systems, which are costly to build and maintain, can help staff to capitalise on market opportunities. Scale also plays a crucial role in risk management. With increases in scale, overhead costs can be spread across a larger business base.

Investment in assets and/or acquisitions

Investment in assets and/or acquisitions that lead to upstream, midstream and downstream integration can yield increased agility to meet customers' needs and, therefore, market power.

Changes in the US dollar exchange rate may impact demand for commodities marketing opportunities

In international markets, commodity prices are denominated in US dollars. A strengthening US dollar increases the cost in local currencies of commodities for consumers located outside the US. Concurrently, a strengthening US dollar reduces production costs for non-US-based producers. The converse would also be the case.

Increased external scrutiny may require that greater attention be paid to corporate social and environmental responsibility issues

Companies will need to continue adapting to higher corporate governance standards and increases in transparency, reporting, accountability, external auditing and regulatory compliance.

The industry's dependence on highly talented and motivated staff is likely to continue

Growth in global minerals trade has slowed, and is expected to grow more slowly going forward. In a lower-growth environment the need for highly-specialised staff will continue to challenge the industry. However, many talented, well-educated individuals are available to meet staffing needs. To the extent that opportunities in physical commodities marketing yield adequate returns, resources to attract the talent pool would be expected to be available.

OVERVIEW OF THE LOGISTICS SERVICES INDUSTRY

Logistics services include warehousing, transportation, freight forwarding and cargo consolidation, supply chain management services such as procurement, inventory management, packing and other value added services and delivery to end customers, collateral management services, surface preparation of metal materials for corrosion control and container management services.

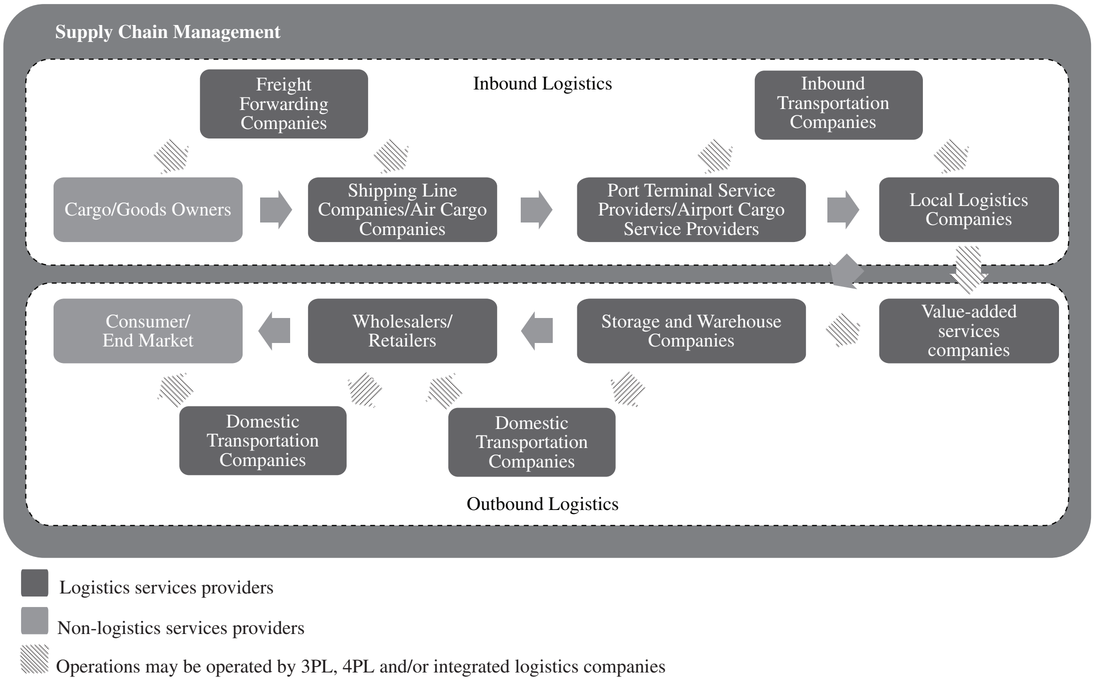
The global logistics services industry is categorised by five major types of business model as shown in the table below.

Logistics Services Business Model	First Party Logistics (1PL)	The manufacturer or shipper does not outsource transport and logistic activities to third parties. These functions are carried out by its logistics department which is within the company structure.
	Second Party Logistics (2PL)	The manufacturer or shipper hires a carrier or warehouse service provider as a subcontractor for transport or logistic functions. The logistics management remains the responsibility of the manufacturer. The arrangement is often cost-driven and short-term.
	Third Party Logistics (3PL)	A business process through which companies outsource logistics and distribution functions to a logistics service provider that specialises in handling logistics functions such as transportation, warehousing, and freight and forwarding.
	Fourth Party Logistics (4PL)	A supply chain integrator that aims to manage people, process and technology. It assembles and manages all resources, capabilities and technology of an organisation's supply chain and its providers. The objective of 4PL is to increase the efficiency of the supply chain.
	Fifth Party Logistics (5PL)	Services provide innovative logistical solutions and concepts. A 5PL service provider develops and implements, preferably in close consultation with the client, the best possible supply chains or networks. 5PL is often linked to E-business.

Source: Ipsos research and analysis

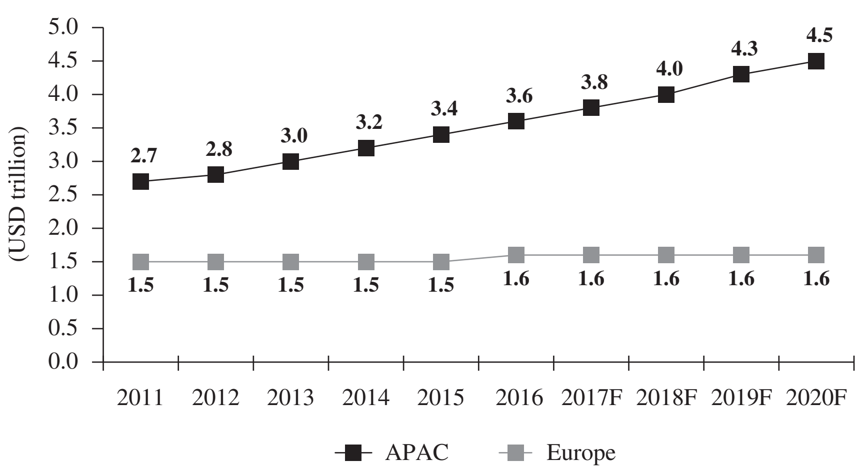
3PL is the most common business model in the logistics industry as it offers lower capital expenditures and greater flexibility, as well as enables customers to focus on their core businesses. It reduces the overall logistics costs related to the transportation and warehousing of goods.

The chart below shows the typical value chain of the logistics services industry.



Logistics Industry in Asia Pacific and Europe

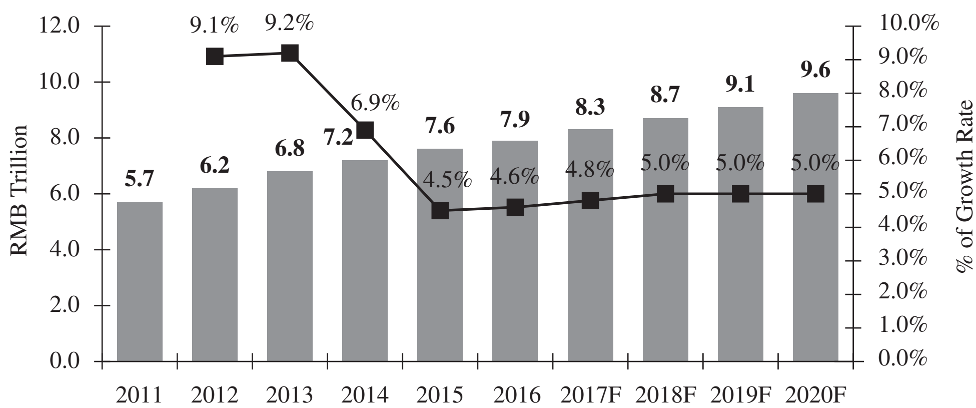
The chart below sets forth the market size for the Asia Pacific and Europe logistics services industry from 2011 to 2016 and forecast from 2017 to 2020:



The Asia Pacific logistics market grew at a CAGR of 5.9% from USD2.7 trillion in 2011 to USD3.6 trillion in 2016. The Europe logistics market grew at a CAGR of 1.3% from USD1.5 trillion in 2011 to USD1.6 trillion in 2016. The Asia Pacific logistics market is forecast to grow at a CAGR of 5.8% from USD3.8 trillion in 2017 to USD4.5 trillion in 2020. In contrast, the European logistics industry is forecast to remain unchanged at USD1.6 trillion from 2017 to 2020.

Logistics Industry in China

The chart below shows the revenue of the logistics services industry in China from 2011 to 2020.



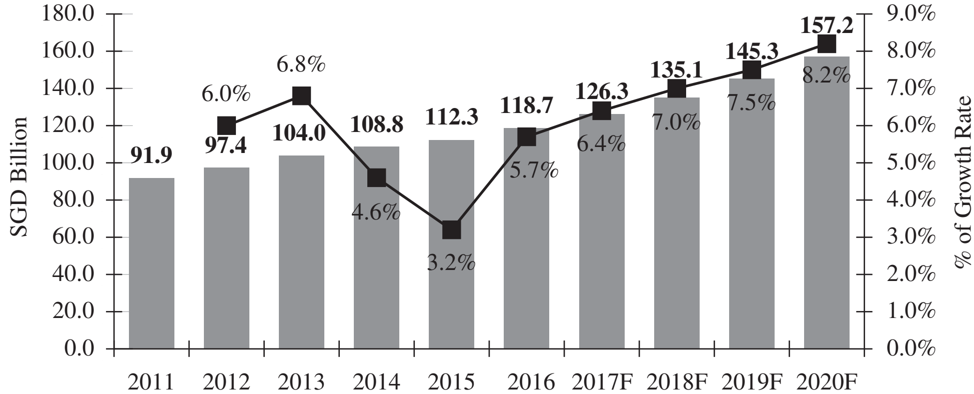
Source: Ipsos research and analysis

The revenue of the logistics services industry in China increased at a CAGR of 6.8% from RMB5.7 trillion in 2011 to RMB7.9 trillion in 2016 supported by policies outlined in the 11th Five-Year Plan in 2005. The issuance of the Logistics Industry Restructuring and Revitalization Plan《物流業調整和振興規劃》 by the Chinese State Council supported the rapid growth of the logistics services industry in China by increasing service capacity, investing in infrastructure and improving the regulatory environment.

The logistics services market is forecast to grow at a CAGR of 5.0% from RMB8.3 trillion in 2017 to RMB9.6 trillion in 2020. The decrease in the growth rates from 9.1% in 2012 to 4.5% in 2015 was mainly due to the slowdown of China's GDP growth from 9.5% in 2011 to 6.9% in 2015.

Logistics Industry in Singapore

The chart below shows the revenue of the logistics services industry in Singapore from 2011 to 2020.



Source: Ipsos research and analysis

The revenue of the logistics services industry increased at a CAGR of 5.3% from SGD91.9 billion in 2011 to about SGD118.7 billion in 2016.

In 2015, the logistics services industry generated SGD112.3 billion. Water transport was the largest segment within the industry, contributing 64.7% of total revenue. Air transport and land transport came in second and third by contributing 17.9% and 6.0%, respectively, to the industry's total revenue. The remaining 11.4% comprised of other transport, warehousing & storage and post & courier, representing about 7.0%, 2.5% and 1.8%, respectively.

The revenue of the logistics industry is forecast to increase at a CAGR of 7.6% from SGD126.3 billion in 2017 to SGD157.2 billion in 2020.

Following the launch of the Logistics Industry Transformation Map (ITM) in November 2016, the revenue of the logistics industry in Singapore is forecast to increase by SGD38.5 billion from SGD118.7 billion in 2016 to SGD157.2 billion in 2020. According to the Ministry of Trade and Industry, ITM has identified strategies to catalyse enterprise level efforts to transform and grow the industry through improved productivity and innovation.

COMPETITIVE LANDSCAPE OF LOGISTICS SERVICES INDUSTRY IN CHINA

The table below shows the Top 5 listed logistics services companies in China in 2016.

Rank	Company	Headquarter Location	Revenue in 2016[1] *(RMB million)*	% of Market Share
1	Company A	Xiamen	118,293.1	1.5%
2	Company B	Shanghai	71,926.6	0.9%
3	Company C	Shenzhen	57,913.7	0.7%
4	Company D	Shenzhen	57,141.4	0.7%
5	Company E	Shenzhen	52,162.9	0.7%
Others			7,564,338.7	95.5%
Total			7,921,776.4	100.0%

Note:

1. Revenue is derived from published company financial data.

Source: Ipsos research and analysis

The logistics services industry in China is highly fragmented. Low entry barriers is one of the main reasons for the fragmentation. This is especially the case in the road transportation segment where companies tend to compete on price. Advanced logistics services such as supply chain management, inventory management, logistics consulting and data analytic are still under-developed with the majority of the logistics services providers not capable of offering full supply chain management services. It is estimated that 3PL services providers in China still generate approximately 85% of their income from basic logistics services while value-added services such as information and financing services only account for approximately 15% of their income.

Market drivers and opportunities

Regulatory supports

China is in the process of developing a diverse transportation system including highway and railway systems, air and sea transportation networks to provide more options to shippers. China's Belt and Road Initiative is also expected to invest heavily in the logistics services infrastructure, especially in the railway system between Europe and China. Trade agreements and infrastructure development along the Belt and Road Initiative corridor will significantly drive more trading activities among nations, and in turn, drive the demand for logistics services.

Urbanisation and consumption upgrade

With increased consumption by urban and rural residents, the demand for specialised logistics services handling critical and time-sensitive items such as perishables, seafood and fresh cut flowers will continue to grow. Since the cold chain logistics sector in China is still under-developed, this will likely to provide additional growth opportunities for logistics services providers in the future.

Structural shifts toward outsourcing

China is facing over-capacity issues and companies will continue to outsource their logistics functions to 3PL services providers to reduce operating cost.

Increase in e-commerce

Continued development in e-commerce will drive demand for logistics services in areas such as inventory management and express delivery services. With the exception of the largest e-commerce companies, most companies will not invest and build their own logistics systems. Consequently, the demand for 3PL service providers is expected to increase significantly, especially in 3rd to 6th tier cities where the demand for logistics services has been increasing.

Threats and challenges

Infrastructure limitations

The current infrastructure in China is insufficient to meet the demand for advanced logistics services. Warehouses in China operate with outdated equipment and many were remodeled from obsolete factories. The ground infrastructure in China currently does not efficiently connect to many of the logistics hubs, preventing the establishment of advanced intermodal logistics operations.

Shortage in logistics experts

The development of the logistics services industry in China continues to lag behind many other developed countries as there are limited numbers of highly trained professionals available in the industry. The lack of logistics professionals with experience limits the pace of development of the industry.

Regulatory issues

The logistics services industry is governed by the National Development and Reform Commission, the Ministry of Transportation, the Ministry of Railways and the Ministry of Commerce, and various provinces and cities may also have their interpretation of national policies. Differences in policies among government authorities necessitate that logistics services providers employ additional administrative and management resources. As a result, regulatory discontinuity may limit the pace of development of the Chinese logistics services industry.

Traditional self-served logistics services

Many traditional companies in China still prefer to retain their own logistics operations. Often, due to integrity concerns, the simple contractual relationship of entrusting a logistics services provider to assist in the procurement of raw materials and sales of products requires a long selection and negotiation process, restricting the development of both the companies and the logistics services industry.

Entry-barriers

Technology requirement

Integrated logistics services providers rely heavily on information technology in areas such as transportation management, warehouse management, inventory management and other logistics processes. The capital and expertise required in order to build and operate effective integrated information systems are barriers for new entrants to the industry.

Experienced management team

An experienced management team with strong expertise in logistics is necessary for companies to successfully compete within the logistics services industry. However, as there is a limited supply of experienced management in China's logistics services industry, new entrants must provide considerable incentives to recruit experienced management individuals from established companies.

Reputation and client relationships

Integrated logistics services providers build their brand reputations over time through clients' experience. New entrants' lack of brand reputation makes them difficult to convince clients to trust their competence. Since logistics services can be highly integrated with clients' operations from the sourcing of raw materials to inventory management and the delivery of final products, the risk for selecting a less well known logistics services provider can be very high.

COMPETITIVE LANDSCAPE OF LOGISTICS SERVICES INDUSTRY IN SINGAPORE

The table below shows the Top 5 listed logistics services companies in Singapore in 2015.

Rank	Company	Headquarter Location	Revenue in 2015[1] *(SGD million)*	% of Market Share
1	Company A	Singapore	2,045.0	1.8%
2	Company B	Singapore	1,093.4	1.0%
3	Company C	Singapore	878.7	0.8%
4	Company D	Singapore	464.8	0.4%
5	Company E	Singapore	421.6	0.4%
Others			107,347.7	95.6%
Total			112,251.2	100.0%

Note:

1. Revenue is derived from published company financial data.

Source: Ipsos research and analysis

The logistics services industry is an important pillar of the Singaporean economy, both as an industry vertical comprised of freight forwarding, warehousing and storage, contract logistics and goods delivery transportation, and as an enabler of Singapore's transportation and storage sector.

The transportation and storage sector provided approximately 7.6% contribution towards Singapore's GDP in 2015 and accounted for approximately 7% of the total employment in Singapore in 2016. As at 31 December 2015, over 12,000 establishments in Singapore were involved in the logistics services industry. It was previously estimated that small and medium enterprises (SMEs) accounted for over 90% of the companies in the logistics services industry in Singapore.

The logistics services industry in Singapore is considered to still be in a developing and consolidating phase as the overall industry undergoes rapid evolution. The new strategy blueprint for the logistics services industry implemented by the Government and authority bodies is expected to be assistance in moving the industry towards a paradigm shift and further development.

Market drivers and opportunities

Growth in the demand for customised solutions

Singapore's logistics services companies and supply chain management firms have been adapting slowly to the changing logistics environment and have started to develop customised solutions in order to handle specialised logistics services. Logistics services companies are looking beyond traditional logistics services by offering specialised logistics with capabilities in, for instance, the perishables sector. This drives logistics services companies to innovate their services in order to cater niche markets, to gain more market share and to stay competitive.

More companies are adapting to the e-commerce landscape

As the e-commerce market in Singapore grows, many companies, particularly the online retailers, may grab the opportunity to venture into the logistics services industry, as it plays a significant role in their businesses. With customers expecting next-day, if not two-hour deliveries, it is important for online retailers to deliver items in a timely manner to end customers in order to create value.

Some online retailers may start to create their own supply and logistics chains including having their own fleets of delivery vehicles and customised delivery times, and partnering with brick-and-mortar firms to provide pick-up points. This drives the logistics services companies to innovate the ways they conduct their businesses in order to cater such market demands.

Availability of world-class infrastructure

Apart from being strategically located at the crossroads of major trade lanes and strong air transportation linkages, Singapore provides common and specialised logistics based infrastructure to further enhance logistics operations within the country. Singapore's sea and air ports are readily accessible through a well-planned domestic road network. They are equipped with world class technology and capacity, planned and developed ahead of time to handle the latest demands of the logistics industry and the needs of consumers locally and globally.

Healthy logistics business environment

According to the recent 2017 Ease of Doing Business Study by the World Bank, in which Singapore ranked second out of 190 countries, it obtained the highest score in four areas – dealing with construction permits, starting a business, registering property and paying taxes. All of the latter three areas are vital to the logistics services industry and its players in further developing their businesses and industry's overall competitiveness and offerings. Furthermore, Singapore is aligned with international security conventions and has introduced the Secured Trade Partnership program, Advanced Export Declaration Scheme and the establishment of

Mutual Recognition Agreement with major trading partners including Canada, Japan, China and the Republic of Korea. These agreements enable Singapore-based logistics services companies to enjoy a higher level of facilitation at clearance among the member countries.

Technologies will drive the emergence of new logistics business models

Many logistics e-platforms and start-ups have begun to adopt the asset-light business model by using digital technology to conduct their business operations. The asset-light business model exploits digital technology to offer interactive benchmarking of freight rates, and to match shippers with available capacity. It also provides quotes more quickly and increases price transparency. These drive the logistics services companies to adopt these technologies, which will help to boost their material handling and supply chain management systems, allowing them to achieve greater productivity and faster delivery times.

Logistics real estate investments on the rise

Another aspect of the emerging sub-sectors within the logistics industry is logistics real estate investments and developments. Examples include stand-alone storage and warehouse facilities and integrated development of logistics operations hubs. Logistics real estate operators and managers are turning towards logistics real estate investments, betting on demand from the rise of e-commerce and the burgeoning middle class in South East Asia.

Omni-channel strategy

With the rise of e-commerce, Singaporean shoppers are increasingly using both online and offline channels to order, pay for, collect and return purchases. This is forcing manufacturers and retailers to adapt and to implement new solutions. Consumer demand is the main driver behind the omni-channel trend in Singapore and the wider region. Logistics services companies are crucial to the success of omni-channel implementation by meeting consumer's expectations and having teams capable of working across channels. The emerging environment provides many potential opportunities for logistics services companies in Singapore to serve the growing e-commerce and retail customers in the country.

Rise of self-storage services

With the rise of urban dwellers and the demand for more residential and commercial space, more consumers, be they businesses or individuals, are turning towards self-storage services to hold their valuable goods and items. Businesses find these services useful for storing goods while undergoing an expansion, to minimise costs during a temporary cutback on warehousing commitments, to act as a distribution point for stock that may be required around the clock, and to achieve other purposes. Businesses tend to consume storage space at a more consistent level compared to individual users, using storages a temporary solution as they expand their operations. Furthermore, due to the steady rise in the start-up scene in Singapore, a large number of entrepreneurs who operate their business from home are relying on outsourcing for their storage needs. Together, these factors generate a higher level of demand for self-storage space and services that cater tow business needs.

Optimistic growth forecasted for air freight

The 2016 Logistics Performance Index report forecasted optimistic growth for air freight in Asia Pacific region. This is in line with the outlook for air freight in Singapore. Changi Airport's new SGD140 million DHL South Asia Hub facility, completed in 2016, supports the growing demand for express cargo and e-commerce cargo within the region. Similarly, SATS Limited invested in an e-commerce hub at Changi Airport to tap into the region's e-commerce market with SingPost as its anchor customer.

China's Belt and Road Initiative

China's Belt and Road Initiative is expected to mutually benefit Singapore and China in terms of economic integration, infrastructural cooperation and people-to-people linkages, both among the two countries and with other countries within the region. As a key transportation and trading hub in the region, Singapore is well-positioned to serve as a base for Chinese enterprises venturing into Southeast Asia. Singapore's logistics services companies can benefit by collaborating with this growing pool of Chinese transport and logistics companies that are venturing into the region. Moreover, various provinces in China have rolled out infrastructure and development plans to support the initiative, resulting in greater opportunities for Singapore companies in various sectors, particularly for the transport and logistics sector to invest and expand their expertise and services into China.

Growth in Singapore's commodity market

In addition to Singapore's political neutrality and stability, Singapore is strategically located in the middle of the key global trade flows. The city-state is projected to turn into the largest trading hub globally by 2026. Major traders are involved in the oil and gas, metal, minerals and agriculture commodities sectors. Robust growth of the commodity markets will provide more opportunities for the logistics services companies to play a part in supporting and providing their services to the commodity traders in Singapore and throughout the region. Logistics services companies are able to expand their business base, services offerings and presence across the wider region.

Threats and challenges

Oversupply of cargo vessels and containers

As the growth of container fleet outpaced demand from 2011 to 2016, ship-owners were left with the options of either acquiring better and bigger container ships, and/or undercutting their competition with even lower rates. This resulted in an environment of ship-owners offering low rates to their customers, which eventually resulted in the bankruptcy of the world's 7th biggest container carrier, Hanjin, in 2016. The oversupply of carriers and vessels is projected to continue to overshadow the global container shipping market up to 2019-2020 despite the international carriers' efforts to realign alliances to optimize their cargo carriers and vessels.

Shortage of qualified employees

In Singapore and across the globe, there is the shortage of qualified employees in the logistics services industry at all occupational levels including at the operations, administration, supervisory and managerial levels. The evolving supply chain models in countries like Singapore are expected to create a huge demand for creative new supply chain talents. As many qualified staffs moved out of 3PL into in-house logistics teams of companies, logistics services companies are finding it challenging to retain their employees and attract new talent.

Emergence of disruptive models driven by new technologies

As more organizations and service providers turn to serve the e-commerce market, the needs increase for logistics providers to manage distribution and deliveries more efficiently and to minimise their distribution and deliveries costs. e-Supplier organisations that use internet/e-commerce and free-lance transporters as their operating platforms are offering their services to retailers and manufacturers at lower costs compared to medium and large scale logistics services organisations. These e-suppliers are able to offer lower costs due to their low overheads and minimal assets. Many new entrants, medium and large scale logistics services organisations are faced with challenges within the logistics services industry in Singapore to provide their services at a similar cost in order to maintain their customers and market share.

Entry barriers

Consumer brand recognition

Unestablished brand identity may provide an entry barrier for new firms entering the logistics services industry in Singapore. Consumers who are time conscious may be more inclined to use more reputable and established logistics services providers. With the increased demands from the marketplace, delivery needs to be done faster, yet accurately as consumers expect same-day or even time-definite deliveries. Consumers may put more trust in reputable logistics services providers as they may think they are more capable to do so.

High capital requirements for logistics facilities and activities

High capital requirements for logistic facilities, such as warehouses, may pose an entry barrier for new entrants, particularly the small and medium-scaled ones. With the increased demands from the marketplace, companies in many cases will need state-of-the-art warehouses to store goods. However, land in Singapore is finite, encouraging developers or bidders to drive up land prices. This makes it very expensive for logistics services providers like cold chain operators to develop sites and facilities needed to provide logistics services.

Established customer bases and high experience levels

Many of the logistics services providers that are conducting their operations in Singapore have been in the industry for many years. These established top industry players have secured relationships with industrial customers and a large consumer base by delivering consistent quality in their products and services. Due to their long presence and significant influence in the logistics services industry, these top industry players also have more experience in handling and conducting business in the fast-paced logistics services industry. Instead of choosing new entrants as their logistics services partners, consumers may be more inclined to continue using these top industry players.

ENGINEERING AND CONSTRUCTION ENGINEERING SERVICES INDUSTRIES IN SINGAPORE

Singapore is a host to varied service types within the engineering services industry. The engineering services industry includes sub-segments such as general building and construction engineering services, process and industrial-related plant engineering services, clean/renewable energy engineering services, environmental engineering services, infrastructure engineering services and petroleum related services. Each of these sub-segments requires specialised skills sets and capabilities in order to address complex compliance and safety related issues. These industries include builders, construction companies, industrial and manufacturing plants, petroleum companies, government and defense services as well as transportation and logistics.

The engineering services industry as a whole grew at a CAGR of 5.2% from SGD6.3 billion in 2011 to SGD8.1 billion in 2016. The engineering services industry in Singapore is forecast to grow at a CAGR of 5.5% to SGD10.1 billion by 2020. The growth in the engineering services industry is primarily driven by the government's focus on infrastructural development, as well as regional development related to global initiatives such as Belt and Road Initiative.

As a sub-sector, the Singapore construction engineering services industry caters to a range of customer types from builders and construction companies to more complex projects from the Government, defense services and industrial plants sectors. The demand in the construction fell at a CAGR of -1.4% from SGD39.8 billion in 2012 to SGD37.7 billion in 2016. The construction sector, as a whole, declined between 2014 and 2016 primarily due to decline in contract awarded for both public and private sectors during this period. Consequently, the fall in construction demand translated to a slight decrease in demand for the construction engineering services industry. The construction engineering services industry slowed at a CAGR of -0.8% from SGD1.0 billion in 2011 to SGD0.96 billion in 2016. However, the demand in construction is forecast to recover at a CAGR of 2.5% from 2017 to 2020, reaching SGD47.4 billion in 2020. The public sector is expected to drive approximately 70% of the construction project demand from 2017 to 2020. The demand for construction engineering services is forecast to rise from SGD1.1 billion in 2017 to SGD1.3 billion in 2020, supported by the key construction related projects in the residential, commercial, industrial and civil related projects.

Market drivers and opportunities

Public sector spending on construction and infrastructure

The Smart Nation initiative by the Singapore Government is expected to provide significant opportunities to engineering service providers in the construction and infrastructure domains. For example, plans to expand existing infrastructures such as the Changi airport and Mass Rapid Transit (MRT) lines are major drivers for the construction engineering services industry.

Focus on sustainable building technology to drive growth opportunities

Singapore's government has identified over 35 key technology initiatives under seven research and development clusters to enable sustainable, productive improvements within the infrastructure sector. These initiatives will drive opportunities for engineering service providers.

China's Belt and Road Initiative to provide new opportunities

Singapore's key role in China's Belt and Road Initiative will relate to services in the areas of infrastructure, connectivity, transport, financial services and trade. Singaporean construction engineering service providers have developed expertise across the infrastructure value chain, including masterplanning, procurement, and construction.

Threats and challenges

Insufficient skilled manpower

Engineering services is a highly-specialised industry that requires skilled manpower. Singapore is currently facing a scarcity of technical professionals. Even with the Singapore government's efforts to improve the supply situation, this may still pose a significant threat to the engineering services sector in the long run if demand continues to outpace the supply of skilled professionals.

Depleting natural resource base for oil exploration

Singapore has witnessed a slowdown in oil rig construction. Continuation of low petroleum prices is a potential threat for engineering service providers, as such a trend could reduce demand for such services. Moreso, increased costs for oil exploration could lead to delayed decision-making for construction of deep sea oil rigs.

Slowdown in real estate segment

Underutilisation of office, residential and retail space can have a negative effect on construction engineering services, as builders may delay real estate development initiatives.

FINANCIAL SERVICES INDUSTRY IN SINGAPORE

The financial services industry in Singapore grew at a CAGR of 7.5% from SGD37.4 billion in 2011 to SGD53.7 billion in 2016. The robust growth during the period was primarily driven by international trade, macro-economic growth and infrastructure development. The industry is forecast to grow at a CAGR of 3.1% from 2017 to 2020, reaching SGD60.2 billion in 2020. The growth will mainly be supported by opportunities in such area as financial technology, commodities financing services and alternative assets under management such as real estate.

Market drivers and opportunities

Commodity trade financing

Singapore is supporting the development of deeper and more liquid commodity markets in Asia. The Singapore Stock Exchange and Shanghai Futures Exchange will jointly explore areas of cooperation in development of derivatives for energy, metals, chemicals and commodity indexes, creating opportunity for financial institutions to participate in the expected increase in commodity trading globally and regionally.

Internationalisation of Renminbi (RMB)

Singapore ranks second after Hong Kong as an offshore RMB hub. The RMB is now one of the top five traded currencies in Singapore and the prospects remain positive in the medium-term, providing opportunities for Singapore financial institutions to continue to participate in the growing adoption of offshore RMB transactions.

Digitalisation

Financial institutions need to adapt to the changing times and will have to invest in developing digital infrastructure to provide seamless experiences to customers.

Threats and challenges

Large exposures to China

Loans to China accounted for 9.2% of total lending by the Singapore's banking sector in 2013. Changes in financial regulations in China and/or contraction of the Chinese economy may adversely affect the Singapore's financial services sector in the forms of bad loans.

Digitalisation is a threat for traditional financial institutions

Traditional financial institutions in Singapore have invested heavily in physical infrastructure (network expansion). The increased consumers' preference for online transactions and services may adversely affect financial institutions which have invested heavily in physical assets but not in electronic services.

FINANCIAL SERVICES INDUSTRY IN THE US

The US financial services industry has approximately 16,000 financial institutions composed of commercial banks, savings institutions, licensed life insurance companies, credit unions and registered brokerage firms. The US financial services industry is estimated at USD1,299.2 billion in 2016, which has grown at a CAGR of 4.5% from 2011 to 2016 supported by increase in efficiency and diversity of financial system, strong reforms post the global financial crisis which began in 2007, better risk management and lower cost of capital. The financial services industry in the US is forecast to grow at a CAGR of 3.0% between 2017 and 2020 to reach USD1,469.7 billion in 2020 supported by opportunities such as fintech and commercial banking.

Market drivers and opportunities

Commodity volatility

Commodity price volatility impacts all industrial and consumer activities. The demand for derivatives hedging to protect against or speculate on changes in commodity prices will continue to generate significant industry revenues. Volatility in commodity prices could boost derivatives trading, in turn, benefiting firms that participate in such transactions.

Digitalisation

Financial institutions are optimising their processes by incorporating fintech solutions such as P2P lending, payment gateway integrations for easing out transactions through multiple devices aimed at user convenience.

Threats and challenges

Regulation of the commodity brokerage industry

Regulators are focusing on the US and global financial markets following the US subprime crisis. Over-the-counter (OTC) derivatives trading, or trading not done through an exchange has been subject to additional regulation. While this has provided additional transparency, it has increased the cost of transactions for the commodity brokerage industry.

Pace of innovation

Fintech poses considerable threats to traditional retail banks and institutions in the US financial services industry, especially if financial institutions cannot innovate their banking processes and business models at a sufficient pace.

REGULATIONS ON THE TARGET GROUP'S BUSINESS IN SINGAPORE

Set out below is a summary of certain aspects of Singapore legal and regulatory provisions relating to the Target Group's operations and business. These laws and regulations are subject to change. The summary below is for general guidance only and does not constitute legal advice.

Workplace Safety and Health

The primary legislation governing workplace health and safety in Singapore is the Workplace Safety and Health Act, Chapter 354A of Singapore ("**WSHA**"). Under the WSHA, every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of its employees at work, including providing and maintaining a work environment which is safe, without risk to health, and adequate as regards facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer, developing and implementing procedures for dealing with emergencies that may arise while those persons are at work and ensuring that the person at work has adequate instruction, information, training and supervision as is necessary for that person to perform his work.

More specific duties imposed by the relevant regulatory body, the Ministry of Manpower ("**MOM**"), on employers are laid out in the Workplace Safety and Health (General Provisions) Regulations of Singapore ("**WSHR**"). Pursuant to the WSHR, the following equipment are required to, amongst others, be tested and examined by an authorised examiner ("**Authorised Examiner**") before they can be used, and thereafter, at specified intervals:

(i) hoists or lifts;

(ii) lifting gears; and

(iii) lifting appliances and lifting machines.

Upon examination, the Authorised Examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination shall be kept available for inspection. Under the WSHR, it is the duty of the occupier of a workspace in which the equipment is used to comply with the foregoing provisions of the WSHR, and to keep a register containing the requisite particulars with respect to the lifting gears, lifting appliances and lifting machines.

For hoists and lifts not powered with mechanical power, a thorough examination of the hoist or lift shall be carried out at least once every year by an Authorised Examiner. For other hoists and lifts used in a workplace, they shall be thoroughly examined by an Authorised Examiner at least once every 6 months or at such other intervals as the Commissioner for Workplace Safety and Health ("**CWSH**") may determine.

In addition to the above, under the WSHA, inspectors appointed by the CWSH may, among others, enter, inspect and examine any workplace, inspect and examine any machinery, equipment, plant, installation or article at any workplace, make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with, take samples of any material or substance found in a workplace or being discharged from any workplace for the purpose of analysis or test, assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and require any person to produce any article which is relevant to any investigation or inquiry under the WSHA and to take into custody any such article.

Any person who breaches his duty under the WSHA shall be guilty of an offence and shall be liable on conviction, in the case of a body corporate, to a fine not exceeding S$500,000 and if the contravention continues after conviction, the body corporate shall be guilty of a further offence and shall be liable to a fine not exceeding S$5,000 for every day or part thereof during which the offence continues after conviction. For repeat offenders, where a body corporate has on at least one previous occasion been convicted of an offence under the WSHA that causes the death of any person and is subsequently convicted of the same offence that causes the death of another person, the court may punish the body corporate with a fine not exceeding S$1 million and, in the case of a continuing offence, with a further fine not exceeding S$5,000 for every day or part thereof during which the offence continues after conviction.

Under the WSHA, the CWSH may serve a remedial order or a stop-work order in respect of a workplace if he is satisfied that:

(i) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any work or process carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of the persons at work;

(ii) any person has contravened any duty imposed by the WSHA; or

(iii) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work.

The remedial order shall direct the person served with the order to take such measures, to the satisfaction of the CWSH, to, amongst others, remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work and specify the date on which and the period within which any step required by the order shall be taken, whilst the stop-work order shall direct the person served with the order to immediately cease to carry on any work or process indefinitely or until such measures as are required by the CWSH have been taken, to the satisfaction of the CWSH, to remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

The Workplace Safety and Health Council has approved codes of practice for the purpose of providing practical guidance with respect to the requirements of the WSHA relating to safety, health and welfare at the workplace.

Pursuant to the Workplace Safety and Health (Risk Management) Regulations, the employer in a workplace is supposed to, amongst others, conduct a risk assessment in relation to the safety and health risks posed to any person who may be affected by his undertaking in the workplace, take all reasonably practicable steps to eliminate or minimise any foreseeable risk, and where it is not reasonably practicable to eliminate the risk, implement measures and safe work procedures to control the risk, specify the roles and responsibilities of persons involved in the implementation of any measure or safe work procedure and inform workers of the same, maintain records of such risk assessments and measures or safe work procedure implemented for a period of not less than 3 years, and submit such records to the CWSH when required by the CWSH from time to time.

Work Injury Compensation

Work injury compensation is governed by the Work Injury Compensation Act, Chapter 354 of Singapore ("**WICA**"), and is administered by the MOM. The WICA applies to employees (who are engaged under a contract of service or apprenticeship) in respect of injury suffered by them in the course of their employment and sets out, amongst others, the amount of compensation that they are entitled to and the method(s) of calculating such compensation.

The WICA provides that if an employee dies or sustains injuries in a work-related accident or contracted occupational diseases in the course of the employment, the employer shall be liable to pay compensation in accordance with the provisions of the WICA. An injured employee is entitled to claim medical leave wages, medical expenses and lump sum compensation for, amongst others, permanent incapacity or death, subject to certain limits stipulated in the WICA.

Further, the WICA provides that, amongst others, where any person (referred to as the principal) in the course of or for the purpose of his trade or business contracts with any other person (referred to as the employer) for the execution by the employer of the whole or any part of any work undertaken by the principal, the principal shall be liable to pay to any employee employed (by the employer) in the execution of the work any compensation which he would have been liable to pay if that employee had been immediately employed by the principal.

Employers are required to maintain work injury compensation insurance for two categories of employees engaged under contracts of service, unless exempted. The first category includes all employees doing manual work. The second category includes all non-manual employees earning S$1,600 or less a month. An employer who breaches the above provisions shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S$10,000 or to imprisonment for a term not exceeding 12 months or to both.

Employment Act

The Employment Act, Chapter 91 of Singapore ("**EA**") is administered by the MOM and sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees who are covered under the EA.

In particular, Part IV of the EA sets out requirements for rest days, hours of work and other conditions of service for workmen who receive salaries not exceeding S$4,500 a month and employees (other than workmen) who receive salaries not exceeding S$2,000 a month.

Section 38(8) of the EA provides that an employee is not allowed to work for more than 12 hours in any one day except in specified circumstances, such as where the work is essential to the life of the community, defence or security. In addition, section 38(5) of the EA provides that an employee is not permitted to work overtime for more than 72 hours a month.

Employers may seek the prior approval of the Commissioner for Labour ("**CL**") for exemption if they require an employee or class of employees to work for more than 12 hours a day or overtime for more than 72 hours a month. The CL may, after considering the operational needs of the employer and the health and safety of the employee or class of employees, by order in writing exempt such employees from the overtime limits subject to such conditions as the CL thinks fit. Where such exemptions have been granted, the employer shall display the order or a copy thereof conspicuously in the place where such employees are employed.

An employer who breaches the above provisions shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S$5,000, and for a second or subsequent offence to a fine not exceeding S$10,000 or to imprisonment for a term not exceeding 12 months or to both.

Central Provident Fund Act

In Singapore, employers are required by law to contribute to the Central Provident Fund ("**CPF**"). Under the scheme, employers are to ensure that CPF contributions are paid monthly for its employees, who are Singapore citizens or Singapore permanent residents, at the rates set out in the Central Provident Fund Act, Chapter 36 of Singapore.

Employment of Foreign Manpower Act

The employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act, Chapter 91A of Singapore ("**EFMA**"), which is administered by the MOM.

In Singapore, under section 5(1) of the EFMA, no person shall employ a foreign employee unless the foreign employee has a valid work pass. In addition, the employment of a foreign employee must be in accordance with the conditions of the foreign employee's work pass. Any person who fails to comply with or contravenes section 5(1) of the EFMA shall be guilty of an offence and shall (a) be liable on conviction to a fine not less than S$5,000 and not more than S$30,000 or to imprisonment for a term not exceeding 12 months or to both; and (b) on a second or subsequent conviction, (i) in the case of an individual, be punished with a fine of not less than S$10,000 and not more than S$30,000 and with imprisonment for a term of not less than one month and not more than 12 months; or (ii) in any other case, be punished with a fine of not less than S$20,000 and not more than S$60,000.

An employer of foreign workers is also subject to, amongst others, the provisions set out in the EA, the EFMA, the Immigration Act, Chapter 133 of Singapore and the regulations issued pursuant to these statutes.

Factory Registration

In Singapore, any person who desires to occupy or use any premises where any building operation or works of engineering construction is or are being carried out by way of trade or for purposes of gain is required to apply to the CWSH to register the premises as a "factory" pursuant to the Workplace Safety and Health (Registration of Factories) Regulations 2008 ("**WSH Factories Regulations**"). On registration, the CWSH may issue a certificate of registration subject to such conditions as the CWSH may think fit to impose. The certificate of registration shall be valid for a period as stated in the WSH Factories Regulations. Upon expiry of the certificate of registration (if applicable), it may be renewed by payment of an applicable fee.

Any person who desires to occupy or use any premises as a factory not falling within the classes of factories described within the First Schedule of the WSH Factories Regulations shall, before the commencement of operation of the factory, submit a notification to the CWSH informing the CWSH of his intention to occupy or use those premises as a factory. However, in the event that the CWSH is of the view that the factory in respect of which a notification has been submitted poses or is likely to pose a risk to the safety, health and welfare of persons at work in the factory, the CWSH may, by notice in writing, (i) specify the date from which the notification shall cease to be valid; and (ii) direct the occupier of the factory to register the factory notwithstanding that the factory does not fall within any of the classes of the factories described in the First Schedule of the WSH Factories Regulations.

Fire Safety

In Singapore, under the Fire Safety Act, Chapter 109A of Singapore ("**FSA**"), the owner or occupier of certain designated buildings is required to apply and obtain a fire certificate. An application for the issue or renewal of the fire certificate shall be accompanied by, amongst others, such certifications as the Commissioner of Civil Defence ("**CCD**") may require from the relevant qualified persons (being a person who is (a) registered as an architect under the Architects Act, Chapter 12 of Singapore who has in force a practising certificate issued under the Architects Act; or (b) a professional engineer who is registered under the Professional Engineers Act, Chapter 253 of Singapore and who has in force a practising certificate issued under the Professional Engineers Act) that they have examined the building or part thereof and that the fire safety works in the building are in good working condition and in conformity with the FSA and the regulations made thereunder.

In addition, under the FSA, no person shall store or keep, or cause to be stored or kept, any class of petroleum or any flammable materials, except, inter alia, under the authority of and in accordance with the provisions of a storage licence from the CCD and every condition specified therein, and such licence shall be applied for in accordance with the Fire Safety (Petroleum and Flammable Materials) Regulations ("**FS(PFM)R**"). Under the FS(PFM)R, a separate licence is required for the storage of petroleum or flammable material at each location in which petroleum or flammable material will be stored.

Pursuant to the FS(PFM)R, the storage licensee is required to, amongst others:

(i) keep and maintain up-to-date records of all petroleum and flammable materials stored or kept at the licensed premises;

(ii) ensure that the ventilation, means of escape, structural fire precautions, fire prevention and extinguishing systems of the licensed premises are constructed and installed in accordance with the provisions of the Fire Safety (Building and Pipeline Fire Safety) Regulations and an accepted code of practice;

(iii) take all practicable steps to prevent the occurrence on the licensed premises of accidents through fire, explosion, leakage or ignition of any petroleum or flammable material or vapours thereof or other causes;

(iv) not do or allow the doing of any act in or on those licensed premises that may cause fire, explosion or any other dangerous occurrences, unless it is reasonably necessary for the purpose of, or incidental to, the storage or keeping of petroleum or flammable material at those licensed premises;

(v) so far as is reasonably practicable, take necessary steps to ensure that:

   (a) all the entrances, passageways, exits and other means of escape in the licensed premises are free from obstruction at all times; and

   (b) those licensed premises are accessible at all times to fire engines, ambulances or other emergency vehicles;

(vi) take all practicable precautions to prevent persons from entering the licensed premises or having access to any petroleum or flammable material in or on the licensed premises, except with the licensee's permission;

(vii) provide, implement and maintain such fire protection, detection and mitigation measures, materials and equipment in the licensed premises as the CCD may reasonably require for the purposes of fire safety;

(viii) establish and maintain a competent in-house, on-site emergency response team comprising such number of persons as the CCD may direct;

(ix) adopt such security measures as the CCD considers fit for the licensed premises; and

(x) prepare and keep up-to-date an emergency response plan to deal effectively with any spillage, leakage, accidental discharge or emergency which may arise from the storage of petroleum or flammable material at the licensed premises.

In addition, under the FS(PFM)R, the transport of any class of petroleum or any flammable material in excess of the respective quantities specified in the Second Schedule of the FS(PFM)R shall require a licence to transport. A separate application for a licence to transport any petroleum or flammable material is required for each particular vehicle in which the petroleum or flammable material or both are to be transported. In addition, an application for a Hazardous Materials Transport Driver Permit shall be made by a licensee who is the holder of a licence to transport any petroleum or flammable material or both; and on behalf of each driver employed by the licensee to drive any vehicle used or to be used to transport any petroleum or flammable material or both.

Pursuant to the FS(PFM)R, the holder of a licence to transport petroleum or flammable materials is required to, amongst others, (i) before using any vehicle to transport any petroleum or flammable materials in package, check the vehicle and ensure that it meets all the applicable requirements under the FS(PFM)R; and (ii) ensure that the transport is carried out in accordance with the requirements specified in an accepted code of practice, the FS(PFM)R and any other condition that the CCD may consider necessary in the interests of public safety. No petroleum or flammable material shall be transported by the holder of a licence to transport any petroleum or flammable material, or by the holder of a permit to drive a vehicle transporting any petroleum or flammable material, except along such routes as are approved by the CCD.

Environmental Laws and Regulations

In Singapore, the Environmental Public Health Act, Chapter 95 of Singapore ("**EPHA**") requires a person to take reasonable precautions to prevent danger to the life, health or well-being of persons using any public places from flying dust or falling fragments or from any other material, thing or substance during, inter alia, the erection, alteration, construction or demolition of any building or at any time.

In addition, the EPHA regulates, inter alia, the disposal and treatment of industrial waste and public nuisances. The Director-General of Public Health (the "**Director-General**") is empowered under the EPHA to serve a nuisance order on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances that are liable to be dealt with summarily under the EPHA include any premises or part thereof of such a construction or in such a state as to be a nuisance or injurious or dangerous to health, factory or workplace which is not kept in a clean state, any place where there exists or is likely to exist any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes and any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance.

The National Environment Agency controls environmentally hazardous chemicals under, amongst others, the Environmental Protection and Management Act, Chapter 94A of Singapore ("**EPMA**"), and the Environmental Protection and Management (Hazardous Substances) Regulations ("**EPM(HS)R**"). Under the EPM(HS)R, a person shall not use, keep or have in his possession or under his control any hazardous substance specified in the Schedule to the EPM(HS)R unless he holds a permit to store and use such hazardous substances or where he holds a licence granted under the EPMA to deal in hazardous substances. The storage or use of the hazardous substance must be effected in accordance with the provisions of the permit and with any condition specified therein. A permit to store and use hazardous substances shall be valid for such period as the Director-General may specify in the permit.

Electricity Installation License

Under the Electricity Act, Chapter 89A of Singapore, no person shall use, work or operate or permit to be used, worked or operated any electrical installation without an electrical installation license granted by the Energy Market Authority. The licensee is required to ensure that the electrical installation is properly maintained and inspected in accordance with the terms of the license. Any licensee who fails to comply with the terms of such electrical installation license may be guilty of an offence and may be liable on conviction to monetary fines and/or custodial sentences. An electrical installation license shall be valid for the period stated therein unless it is revoked before the expiry of that period. Upon expiry of the license, it may be renewed by payment of an applicable fee.

Licensing of Explosive Precursors

Under the Arms and Explosives Act, Chapter 13 of Singapore ("**AEA**"), no person shall, unless authorised thereto by licence, and in accordance with the conditions of the licence and such other conditions as may be prescribed, have in his possession or under his control, import, export, manufacture or deal in any explosive precursor. Anyone who breaches the aforementioned provision may be guilty of an offence and may be liable on conviction monetary fines and/or custodial sentences.

In addition, under the AEA, no person shall store or keep any explosive precursor except in or on premises licensed for the storage or keeping of such explosive precursor and in accordance with the conditions of the licence and such other conditions as may be prescribed; or in any warehouse or store so authorised under the AEA.

Licensing of Warehouses

Under the Customs Act, Chapter 70 of Singapore, no person shall store, keep or have in his possession any dutiable goods except under customs control. "Dutiable goods" means any goods subject to the payment of customs duty or excise duty on entry into customs territory or manufactured in Singapore (including any free trade zone) and on which customs duty or excise duty has not been paid. For the purposes of the Customs Act, goods shall be deemed to be under customs control while they are deposited or held in any free trade zone, Government warehouse, licensed warehouse, or bottling warehouse or post office or in any vessel, train, vehicle or aircraft or any place from which they may not be removed except with the permission of the proper officer of customs.

Under Section 51 of the Customs Act, the Director-General of Customs (the "**Director-General**") may, in his discretion, on payment of prescribed fees, grant a licence to any person for warehousing goods liable to duty in a place or places specified in that licence. Any such licence shall be for such period and subject to such conditions as the Director-General may specify in the licence. Any person who does not comply with the provisions of the Customs Act and/or any conditions and restrictions subject to, or upon which, any licence or permit granted under the Customs Act may be guilty of an offence and may be liable on conviction to monetary fines and/or custodial sentences.

Food Storage Warehouse Registration

Under the Agri-Food and Veterinary Authority Act, Chapter 5 of Singapore (the "**AVA Act**"), the Agri-Food and Veterinary Authority of Singapore ("**AVA**") has the powers to do anything for the purpose of discharging its functions under the AVA Act, including the regulation of the importation, production, processing, storage and distribution of food and products related to or connected with the agri-food and veterinary sectors. In Singapore, all food storage warehouses are required to be registered with the AVA. AVA defines "food storage warehouse" as any building, facility, structure, or premise, in whole or in part, where food is stored for the sale or distribution to other processors, wholesalers or any other business selling or distributing to the ultimate consumer. Warehouse operators (being persons engaged in the business of operating or controlling a food storage warehouse) are required to apply online with the AVA for the registration to operate a food storage warehouse.

Licensing of Cold Stores

The use of premises to operate a cold store is regulated under the Wholesale Meat and Fish Act, Chapter 349A of Singapore (the "**WMFA**") and the Wholesome Meat and Fish (Processing Establishments and Cold Stores) Rules (the "**WMF(PECS)R**"). Under the WMFA, no person shall use any premises or permit any premises to be used as a processing establishment or a cold store except under and in accordance with the conditions of a licence granted by the Director-General, Agri-food and Veterinary Services. Under the WMFA, "cold store" means any chiller, freezer, cold room or other refrigerated facility used for the storage of meat products or fish products and includes any refrigerated conveyance used for transportation of meat products or fish products in the course of any trade or business. Any person who contravenes or fails to comply with the aforementioned provision may be guilty of an offence and may be liable on conviction to monetary fines and/or custodial sentences.

Under the WMF(PECS)R, The Director-General, Agri-food and Veterinary Services may, from time to time, issue to licensees such written directives as he thinks necessary for the proper control and management of licensed processing establishments or cold stores. Any licensee who, without lawful excuse, fails to comply with any such written directive shall be guilty of an offence and shall be liable on conviction to a monetary fine.

Capital Markets Intermediaries

Capital markets intermediaries are licensed and regulated under the Securities and Futures Act of Singapore ("**SFA**"). Under the SFA, a corporation that carries on a business in any of the following regulated activities in Singapore would need to hold a capital markets services licence ("**CMSL**"):–

(a) Dealing in securities;

(b) Trading in futures contracts;

(c) Leveraged foreign exchange trading;

(d) Advising on corporate finance;

(e) Fund management;

(f) Real estate investment trust management;

(g) Securities financing;

(h) Providing custodial services for securities; and

(i) Providing credit rating services.

Any person who contravenes the abovementioned provision may be guilty of an offence and may be liable on conviction to monetary fines and/or custodial sentences. In addition, individuals who are employed by the capital markets intermediaries to carry out such regulated activities are required to be representatives under the SFA.

Criteria for the grant of a CMSL include, amongst others, that the applicant is a reputable entity that has an established track record in the proposed activity to be conducted in Singapore or in a related field, for at least the past 5 years; the applicant and its holding company or related corporation, where applicable, has good ranking in its home country; the applicant satisfies the Monetary Authority of Singapore ("**MAS**") that it will discharge its duties efficiently, honestly and fairly; and the applicant, its officers, employees, representatives and substantial shareholders are fit and proper, in accordance with the criteria set out in the Guidelines on Fit and Proper Criteria issued by the MAS.

A CMSL shall only be granted if the applicant meets such minimum financial and other requirements as the MAS may prescribe, including base capital requirements for its proposed regulated activities, as set out in the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations.

The MAS may grant a CMSL subject to such conditions or restrictions as it thinks fit. Any CMSL holder who contravenes any condition or restriction in its licence shall be guilty of an offence. Any change in effective control of the licensed entity may trigger approval or notification requirements from the MAS. Under the SFA, no person shall enter into any arrangement in relation to shares in a CMSL holder that is a company to obtain effective control of the CMSL holder, unless he has obtained the prior approval of the MAS to his entering into the arrangement.

Commodity Trading

The conduct of commodity trading business in Singapore is regulated under the Commodity Trading Act, Chapter 48A of Singapore ("**CTA**") and the Commodity Trading Regulations 2001. Under the CTA, no person, whether as principal or agent, shall carry on business as a commodity broker or hold himself out as carrying on such a business, unless he is licensed as a commodity broker under the CTA and trades in accordance with the business rules and practices of a commodity market on which the trading takes place. If a person contravenes the aforementioned provision, he may be guilty of an offence and may be liable on conviction to monetary fines and/or custodial sentences.

International Enterprise Singapore ("**IE Singapore**") may grant the commodity broker's licence subject to such conditions or restrictions as it thinks fit and for such period as it may determine. Any change in effective control of the licensed entity may trigger approval or notification requirements from IE Singapore. Under the Commodity Trading Regulations 2001, no person shall enter into an agreement to acquire the shares of licensee who is a body corporate to obtain effective control of the licensee, unless he has notified IE Singapore of his intention to enter into the agreement and has obtained the approval of IE Singapore in writing.

Licensing of Builders

Builders who carry out building works in Singapore are governed by the Building Control Act, Chapter 29 of Singapore ("**BC Act**"), which is administered by the Building and Construction Authority ("**BCA**") of Singapore. Under section 29B of the BC Act, no person shall (a) carry on the business of a general builder in Singapore unless he is in possession of a general builder's licence; (b) carry on a business carrying out, or undertaking to carry out, (whether exclusively or in conjunction with any other business) general building works and minor specialist building works or minor specialist building works only, unless he is in possession of a general builder's licence; or (c) carry on the business of a specialist builder in Singapore unless he is in possession of a specialist builder's licence. Any person who contravenes the aforementioned provisions may be guilty of an offence and may be liable on conviction to monetary fines and/or custodial sentences. In addition, any person who carries out any general building works or specialist building works without a general builder's licence or specialist builder's licence (as the case may be) shall not be entitled to recover in any court any charge, fee or remuneration for the general building works or specialist building works so carried out.

Under the BC Act, a license may be granted to a builder to authorise the builder to:–

(i) carry on the business of a general builder generally, known as a Class 1 general builder's license;

(ii) carry on the business of a general builder restricted to contracts or engagements for an estimated final price each of not more than S$3 million, or such other amount as the Minister may by order in the Gazette specify in lieu thereof, known as a Class 2 general builder's license; or

(iii) carry on the business of a specialist builder specified therein, known as a specialist builder's license of that class.

The Commissioner of Building Control may grant a builder's licence subject to such other conditions as the Commissioner of Building Control thinks fit and may at any time vary any existing conditions (other than those specified in the BC Act) of such a licence or impose additional conditions.

BCA Contractor Registration

In Singapore, the BCA administers the Contractors Registration System ("**CRS**") to serve procurement needs of Singapore government departments, statutory bodies and other public sector organizations including first level sub-contractors involved in government projects. Business entities which wish to participate in construction tenders or carry out construction projects (as main or sub-contractors) for the public sector need to register with CRS. Business entities which are not registered with BCA are not restricted from conducting business as contractors or suppliers outside the public sector.

Company laws and regulations

CWT is a public company limited by shares, incorporated and governed under the provisions of the Companies Act and its regulations.

The Companies Act generally governs, amongst others, matters relating to the status, power and capacity of a company, shares and share capital of a company including issuances of new shares (including preference shares), treasury shares, share buybacks, redemption, share capital reduction, declaration of dividends, financial assistance, directors and officers and shareholders of a company (including meetings and proceedings of directors and shareholders, dealings between such persons and the company), protection of minority shareholders' rights, accounts, arrangements, reconstructions and amalgamations, winding up and dissolution.

In addition, members of a company are subject to, and bound by the provisions of the constitution of the company. The constitution of a company contains, inter alia, provisions relating to some of the matters in the foregoing paragraph, transfers of shares as well as sets out the rights and privileges attached to the different classes of shares of the company (if applicable).

Take-Over Obligations

Take-overs and mergers in Singapore are subject to non-statutory rules in the Singapore Takeovers Code, which is administered by the SIC. Under Rule 14 of the Singapore Takeovers Code, where any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a Singapore public company (the "**Offeree**"); or any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of 6 months additional shares carrying more than 1% of the voting rights, such person (the "**Offeror**") must extend a takeover offer immediately to the other shareholders of the Offeree. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

Where such a mandatory takeover offer is triggered, the takeover offer must comply with the strict rules of the Singapore Takeovers Code, including as to timing, price, and the consideration. In the event that any of the above mentioned thresholds is reached, the person acquiring an interest must make a public announcement stating, inter alia, the terms of the offer and its identity. The Offeror must normally post an offer document not earlier than 14 days but not later than 21 days from the date of the offer announcement. An offer must initially be open for at least 28 days after the date on which the offer document is posted.

The Singapore Takeovers Code is non-statutory in that it does not have the force of law. The failure of any party to observe any of the provisions of the Singapore Takeovers Code shall not of itself render that party liable to criminal proceedings but any such failure may, in any proceedings whether civil or criminal, be relied upon by any party to the proceedings as tending to establish or to negate any liability which is in question in the proceedings. However, the SIC is not prohibited from invoking such sanctions (including public censure) as it may decide in relation to breaches of the Singapore Takeovers Code by any party concerned in a take-over offer or a matter connected therewith. In addition, Section 139 of the SFA states that where the SIC has reason to believe that any party concerned in a take-over offer, or any person advising on a take-over offer, is in breach of the provisions of the Singapore Takeovers Code or is otherwise believed to have committed acts of misconduct in relation to such take-over offer or matter, the SIC has the power to enquire into the suspected breach or misconduct.

Specific requirements and sanctions in relation to take-overs are set out in Section 140 of the SFA as follows:–

(a) A person who has no intention to make an offer in the nature of a take-over offer shall not give notice or publicly announce that he intends to make a take-over offer.

(b) A person shall not make a take-over offer or give notice or publicly announce that he intends to make a take-over offer if he has no reasonable or probable grounds for believing that he will be able to perform his obligations if the take-over offer is accepted or approved, as the case may be.

A contravention of any of the above will make the relevant person (and, where the person is a corporation, every officer of that corporation) guilty of an offence (on conviction, liable to monetary fines and/or custodial sentences).

Personal Data Protection

The main data protection rules in Singapore are set out in the Personal Data Protection Act 2012, No. 26 of 2012 of Singapore ("**Personal Data Protection Act**"). The Personal Data Protection Act governs the collection, use and disclosure of individuals' personal data by organisations in a manner that recognises both the right of individuals to protect their personal data and the need of organisations to collect, use or disclose the same for purposes that a reasonable person would consider appropriate in the circumstances. Under the Personal Data Protection Act, personal data is defined as data, whether true or not, about an individual (whether living or deceased) who can be identified (a) from that data; or (b) from that data and other information to which the organisation has, or is likely to have access. Generally, the Personal Data Protection Act imposes the following obligations on organisations collecting, using or disclosing personal data of individuals ("**relevant persons**"): obligations of obtaining consent, giving notification and access and correction rights to the relevant persons, purpose limitation in respect of use of, and retention limitation and transfer limitation in respect of personal data collected, ensuring accuracy and protection of data collected and openness in making information available on its privacy policies and procedures relating to protection of personal data.

Taxation

Income Tax

Corporate taxpayers (whether Singapore tax resident or non-Singapore tax resident) are generally subject to Singapore income tax on all Singapore source income, and on foreign source income received or deemed received in Singapore (unless specified conditions for exemption are satisfied). Foreign income in the form of dividends, branch profits and service fee income received or deemed received in Singapore by a Singapore tax resident corporate taxpayer may however be exempt from Singapore tax if specific conditions are met.

The prevailing corporate income tax rate is 17.0% with partial tax exemption for normal chargeable income of up to S$300,000 as follows:

(i) 75.0% exemption of up to the first S$10,000; and

(ii) 50.0% exemption of up to the next S$290,000.

Newly incorporated Singapore tax resident companies will also, subject to certain conditions and exceptions, be eligible for 100.0% exemptions on their normal chargeable income of up to S$100,000 and 50.0% exemption of up to the next S$200,000 a year for each of the company's first three years of assessment.

A company is regarded as a tax resident in Singapore for a year of assessment if control or management of its business is exercised in Singapore.

Dividend Distributions

Dividends paid by a Singapore tax resident company would be considered as sourced from Singapore. Dividends received from a Singapore tax resident company by either Singapore tax resident or non-Singapore tax resident shareholders are not subject to Singapore withholding tax.

All Singapore-resident companies are currently under the one-tier corporate tax system ("**one-tier system**"). Under the one-tier system, the tax on corporate profits is final and dividends paid by a Singapore-resident company are tax exempt in the hands of shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

Withholding Tax

Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

Stamp Duty

No stamp duty is payable on the subscription and issuance of CWT Shares.

Stamp duty is payable on documents executed for share transfers. If applicable, stamp duty is payable on agreements for the sale and purchase of shares or on the instrument of transfer of shares at the rate of 0.2% of the purchase price or net asset value of the shares, whichever is higher. The purchaser is liable for stamp duty, unless otherwise agreed by the parties to the transaction. Where there is no document executed for electronic transfers of CWT Shares through the CDP (being The Central Depository (Pte) Limited established by the SGX-ST, which as bare trustee operates the Central Depository System for the holding and transfer of book-entry securities), stamp duty is not payable.

Estate Duty

Singapore estate duty was abolished with effect from 15 February 2008.

Goods and Services Tax ("GST")

GST in Singapore is a consumption tax that is levied on import of goods into Singapore, as well as nearly all supplies of goods and services in Singapore at a prevailing rate of 7%.

The Goods and Services Tax (General) Regulations provides for the suspension of GST payment on importation of non-dutiable goods by GST-registered persons who qualify for the Major Exporter Scheme ("**MES**"). A person granted MES status may import non-dutiable goods without paying GST to Singapore Customs in certain permissible scenarios.

Tax Treaties between Hong Kong and Singapore

There is no comprehensive double tax treaty entered into between Hong Kong and Singapore.

BUSINESS

Overview

The Target Group provides integrated logistics solutions in Singapore and internationally. It also has diversified businesses built around its core logistics competencies. The Target Group operates in four business segments: logistics services, commodity marketing, engineering services and financial services. CWT is a company incorporated in Singapore in 1970 whose shares are listed on SGX-ST since 1993.

Business Segments of the Target Group

Logistics services segment includes warehousing, transportation, freight forwarding and cargo consolidation, supply chain management services such as procurement, inventory management, packing and other value added services and delivery to end customers and container management services. The Target Group, being a one-stop logistics provider, views all logistics services as total logistics solutions provided to customers. The Target Group is an integrated logistics solutions provider according to customers' requirements. While the solutions provided could be 2PL, 3PL or 4PL, the Target Group is largely a 3PL provider. These logistics services are aggregated into a single operating segment since the aggregated operating results of this segment are regularly reviewed by the GCEO to make decisions about resources to be allocated to it and to assess its performance.

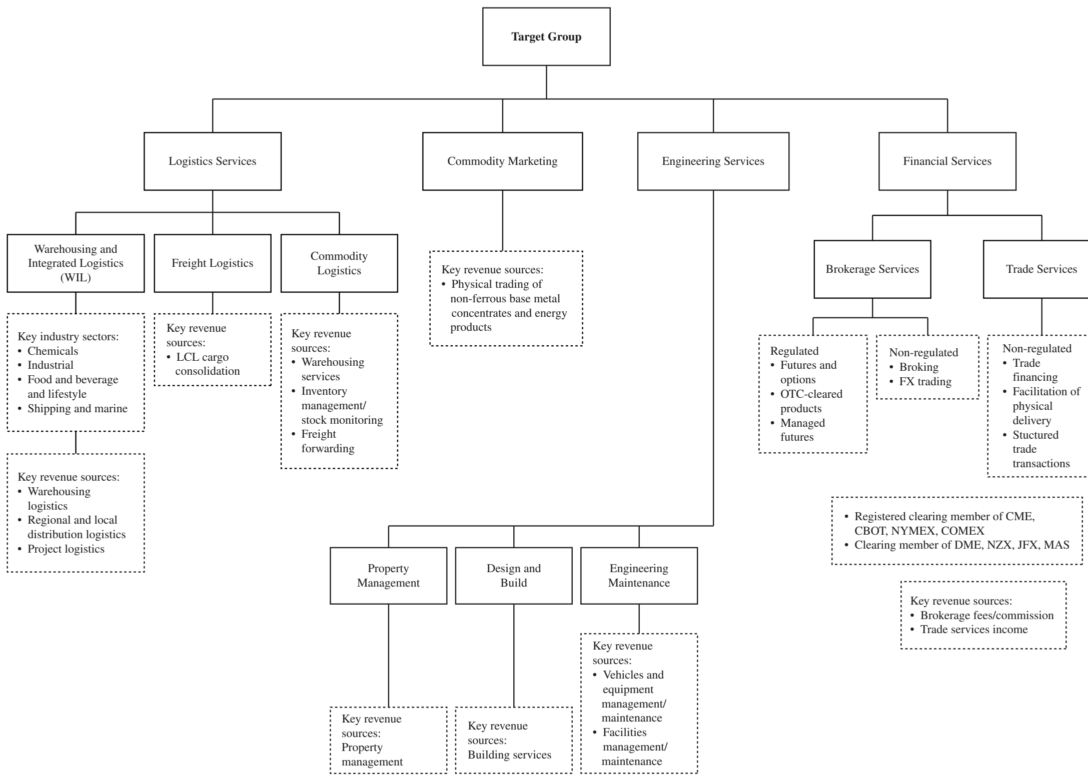
Commodity marketing segment includes physical trading and supply chain management of base metal non-ferrous concentrates with predominant focus on copper, lead, zinc and other minor metals and energy products like naphtha and distillates; and physical trading and structured trade services of refined base metals and other exchange tradable products.

Engineering services segment includes management and maintenance of facilities, vehicles and equipment, supply and installation of engineering products, property management, and design-and-build solutions for logistics properties.

Financial services segment includes financial brokerage services, structured trade services and asset management services.

Logistics services and commodity marketing segments are managed on a worldwide basis and operate principally in Singapore, China, other parts of Asia Pacific, Europe and Africa. Engineering services activities are primarily in Singapore. Financial services segment operates mainly in China, Singapore and North America.

The diagram below sets out an overview of the Target Group's business operations:



The following table sets out the segmental breakdown of the Target Group's revenue during the Track Record Period:

	Year ended 31 December					
Revenue	**2014**	**% to total revenue**	**2015**	**% to total revenue**	**2016**	**% to total revenue**
	S$'000 (Restated)		*S$'000*		*S$'000*	
Logistics Services	896,492	6.32	868,196	8.74	831,800	8.99
Commodity Marketing	12,934,546	91.12	8,793,567	88.54	8,161,343	88.21
Engineering Services	161,311	1.14	141,004	1.42	129,739	1.40
Financial Services	202,003	1.42	128,852	1.30	128,972	1.40
Total revenue	14,194,352	100.00	9,931,619	100.00	9,251,854	100.00

Logistics Services

The Target Group's logistics services business was founded in 1970 as a private arm of the Port of Singapore Authority, to provide warehousing and container trucking services in support of the onset of container terminal operations in Singapore.

The Target Group's core logistics services include warehousing and inventory management, land-based transportation and distribution, and freight management and LCL consolidation, which also form part of the Target Group's key sources of revenue in this business segment. CWT provides integrated logistics solutions to major customers in virtually all key industry sectors, with a focus on niche market verticals such as commodities, chemicals, industrials, F&B and wine, shipping and value-adding within each vertical, and relies on key suppliers for the provision of warehouse space and construction, land rental and port and freight services, among others. Other main players in logistics services industry include Xiamen Xiangyu Co., Ltd and COSCO Shipping Holdings Co., Ltd in China.

Logistics services consist of the following main divisions: warehousing logistics; freight logistics; commodity logistics; integrated logistics and contract logistics.

Warehousing Logistics

The Target Group is a leading warehouse operator and the market leader in developing and providing ramp-up warehouses for higher operating efficiency in Singapore. The Target Group operates warehouses for commodities, chemicals and petrochemicals, cold chain, bonded/dutiable cargo and general cargo. As of 31 December 2016, the Target Group owns 6.3 million sq.ft. of warehouse space in Singapore and 3.2 million sq.ft. overseas. It also leases 4.0 million sq.ft. of warehouse space in Singapore and 2.9 million sq.ft. overseas. The Target Group's leased 6.9 million sq.ft. of warehouse space is on a fixed-term basis and is non-cancellable.

The Target Group's self-owned warehouse space in Singapore includes its 2.4 million sq.ft. multi-storey mega integrated logistics hub which is under construction. The Target Group obtained T.O.P. for Levels 1 and 2 of the warehouse on 16 February 2017, while Levels 3, 5, 6 and 7 obtained T.O.P. on 2 May 2017. Construction of the warehouse is targeted to be completed by the third quarter of 2017. The mega hub is expected to house essential interrelated logistics and supporting activities under a single roof to create an 'hub within a hub' ecosystem of logistics clusters and sub-clusters for optimal resource utilisation and flow synergy, resulting in economies of scale, higher operating efficiency and cost effectiveness for the Target Group's customers and the supply chain industry. The Target Group's owned warehouse spaces outside of Singapore are located in Malaysia, The Netherlands, Belgium, UK, Slovenia, Ghana, Egypt and the United Arab Emirates. Major costs of services and expenses in this division include direct costs, such as freight documentation costs, repairs and maintenance, and staff costs.

Freight Logistics

The Target Group's freight logistics division focuses on international sea-freight forwarding and provides freight management and related services including LCL consolidation, container freight station operations, dangerous goods cargo handling, sea-air services, buyer's consolidation and general freight forwarding.

The Target Group does not have its own fleet or carriers, but works with more than ten international carriers to service its international forwarding customers. The Target Group does not have long-term contracts with these international carriers but instead, operate on a transactional basis with them. The Target Group does not rely on any single carrier for its services.

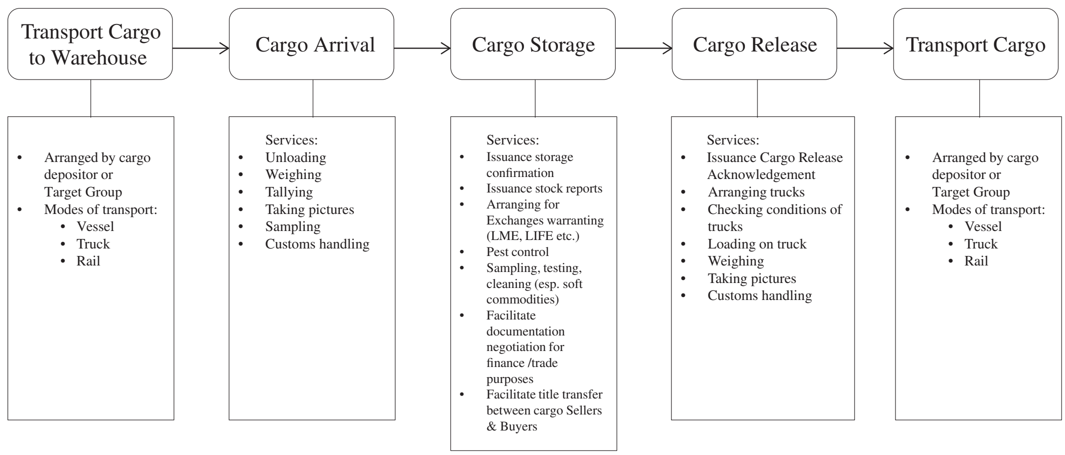
The division is among the top NVOCC leaders for LCL globally, with a significant network effect in Asia Pacific. The Target Group's freight logistics division connects its customers to approximately 200 direct ports and 1,600 inland destinations through its regional offices and worldwide network of service partners. As of 31 December 2016, the division has more than 100 offices across 29 countries. Major costs of services and expenses in this division include direct costs, such as freight costs and terminal handling charges.

Commodity Logistics

The Target Group's commodity logistics division specialises in the storage and handling of soft and hard commodities through the provision of warehouse management services. The division is a prominent player in LME warehousing operations in Asia, Europe and the Middle East, and a leading provider of inventory management services in Asia. It also offers a wide range of logistics services for soft commodities in Europe and Africa and is approved by Intercontinental Exchange/Chicago Mercantile Exchange for the storage of cocoa beans and coffee.

The division offers its commodity logistics services to international traders, producers and trade and commodity finance banks. It operates regional offices in 15 countries and through its network of service partners in Asia, Europe, Africa and the US. Major costs of services and expenses in this division include direct costs such as storage and handling costs, and staff costs.

The diagram below sets out the business model and operation of the Target Group's commodity logistics:



Integrated Logistics

The Target Group's integrated logistics division provides distribution and container services which serve customers largely from the downstream market. Its distribution services include warehousing and 3PL management with value-add packing and packaging solutions, container trucking and local distribution, and cross-docking hub management.

For container services, the division provides storage, maintenance and repair services for all types of marine containers including general purpose containers, refrigerated containers and ISO tanks. Some of the Target Group's container depot facilities are equipped with state of the art ISO tank cleaning stations and environmental-friendly waste treatment systems for the cleaning of chemicals in ISO tanks.

Contract Logistics

The Target Group's contract logistics division offers regional distribution hub and onsite logistics services. It specialises in cold chain logistics, chemical logistics, bonded logistics, wine logistics and industrial & consumer logistics services.

The division provides a comprehensive range of supply chain solutions such as temperature-controlled and dangerous goods logistics facilities and inventory management, freight management, local distribution, and primary value-added services like liquid drumming and blending, packing and packaging.

Competitive Strengths and Strategies

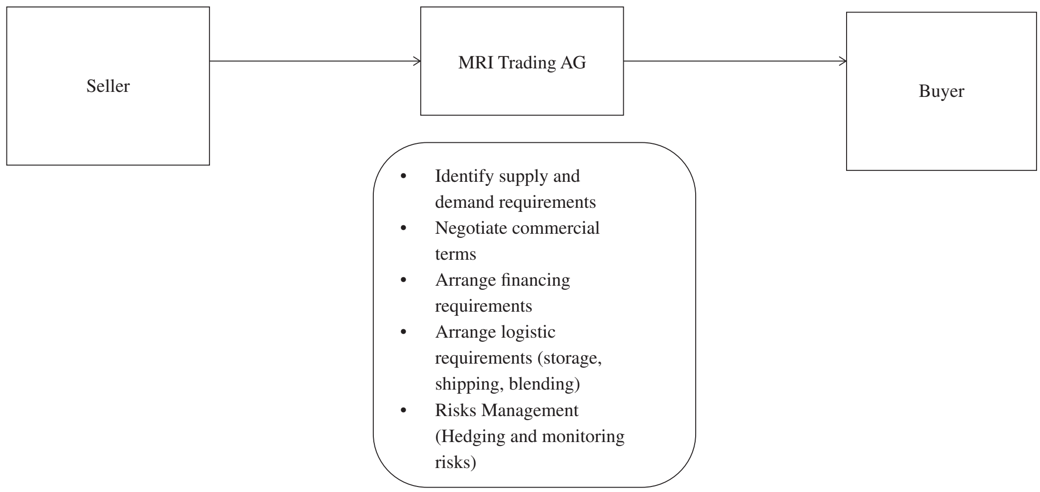
The Target Group currently manages a large portfolio of warehouses in Singapore, with self-owned high-quality logistics facilities to provide better support for the logistics and supply chain operations of its customers. The Target Group also operates self-owned container depots with capabilities of handling different types of containers in the shipping and marine industry, and a large container trucking fleet backed by an integrated transportation hub in Singapore to deliver trucking productivity for its customers. In addition, the Target Group operates a global sea freight network connecting customers to approximately 200 direct ports and 1,600 inland destinations.

Commodity Marketing

The Target Group's commodity marketing business was set up in 2011 when the Target Group acquired MRI Trading AG, first engaging in the physical trading of base metals concentrates and later expanding into physical energy products trading.

The Target Group's commodity marketing business primarily provides commodity supply chain management services as a global supply chain manager of metals and minerals, which specialises in commodity marketing of non-ferrous ores (primarily copper, lead and zinc), concentrates, refined and precious metals and their related by-products for mainly global smelting and processing customer base. The Target Group also provides end-to-end supply chain management including sourcing and fulfilment of energy products such as diesel, gasoline, petrochemicals and naphtha, servicing major customers in the chemical and energy sectors. Integral to these business lines is often the provision of a number of services to the Target Group's diversified customer base, including major customers trading in metals and commodities, ranging from logistical support, structured trade finance to risk management. Other global key players in the commodity marketing industries include Glencore plc, Vitol Group, Trafigura Group Pte Ltd, Mercuria Energy Trading and Louis Dreyfus Company.

The diagram below sets out the business model and operations of the Target Group's commodity marketing services:



Major costs of services and expenses for the Target Group's commodity marketing business primarily include direct costs such as purchase costs of materials, storage and freight handling costs.

Types of arbitrage strategies

The Target Group's commodity marketing business sources a diversified range of physical commodities from third party suppliers. These commodities are sold, often with value added services such as freight, insurance, financing and/or storage, to a broad range of consumers and industrial commodity end users, with many of whom the Target Group enjoys long-term commercial relationships.

Many of the physical commodity markets in which the Target Group operates are fragmented or periodically volatile. As a result, discrepancies generally arise in respect of the prices at which the commodities can be bought or sold in different geographic locations or time periods, taking into account the numerous relevant pricing factors, including freight and product quality. These pricing discrepancies can present the Target Group with arbitrage opportunities whereby the Target Group is able to generate profit by sourcing, transporting, blending or storing the relevant commodities. Whilst the strategies used by the Target Group to generate such margin vary from commodity to commodity, the main arbitrage strategies can be generally described as follows:

Geographic: where the Target Group leverages its relationships and logistical capabilities in order to source physical commodities from one location and deliver them to another location where such commodities can command a higher price (net of transport and/or other transaction costs);

Product-related: where it is possible to exploit the blending or multi-use characteristics of the particular commodities being marketed, such as concentrates, in order to supply products which attract higher prices than their base constituents, or exploit existing and/or expected price differentials; and

Time-related: where it is possible to exploit a difference between the price of a commodity to be delivered at a future date and the price of a commodity to be delivered immediately, where the available storage, financing and other related costs until the future date are less than the forward pricing difference.

The Target Group uses market information made available by its marketing teams across its many locations to identify arbitrage opportunities. The Target Group's marketing activities and relationships with producers and consumers of raw materials are supported by a global network of 12 own offices and various local agents providing sourcing and commodity marketing.

Types of marketing activities

The Target Group's marketing activities can be categorised in order of focus as follows:

Base supply chain activities: The Target Group's primary marketing activities are those performed in the ordinary course of its global sourcing and distribution of commodities, including the provision of multiple value-added services, such as the provision of trade finance solutions to both suppliers and consumers, physical material blending, storage positioning, as well as the provision of efficient freight forwarding from origination point to final destination, across the full supply chain and seeking arbitrage opportunities as they frequently arise.

Event-driven activities: The Target Group also seeks to optimise around an event or an anticipated event such as unexpectedly good or bad weather conditions, transport bottlenecks or failures or a labour or production issue as its global network alerts it to the possibility of such an event occurring or implications where such event has occurred. These types of events often cause global and/or regional "market tightness" (that is, a situation where available supply is insufficient to meet demand in a particular market) and the Target Group's marketing operations will often be able to derive enhanced returns from such market conditions. These situations are, of course, not predictable, but generally occur reasonably frequently during any particular year.

Types of contractual arrangements

The Target Group's marketing activities can be further segmented according to how much risk the Target Group takes on a particular transaction:

Purchase/off-take agreements: Under these arrangements, representing the substantial majority of transactions, the Target Group markets commodities which it purchases as principal (that is, commodities of which the Target Group becomes the legal owner) and will receive nothing if it is unable to sell the commodity. The Target Group ordinarily hedges or sells forward these commodities, meaning that it does not assume all the price or selling risk.

Competitive Strengths and Strategies

The Target Group is an independent non-ferrous base metal concentrates trader without owning mining assets. For this business segment, the Target Group's focus has been to expand its product mix, leverage off structured finance and identify strategic investment and end-to-end supply chain opportunities.

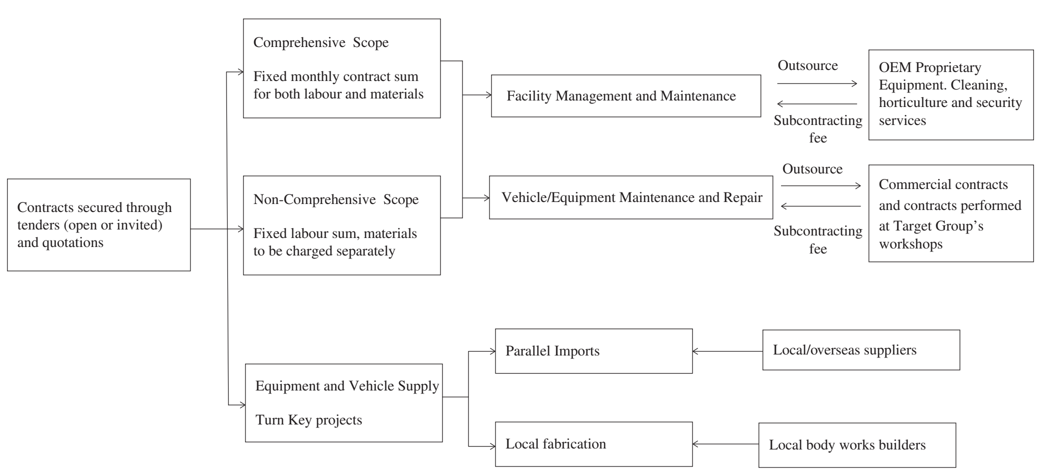
Engineering Services

The Target Group extended its engineering services business in 2006 when it acquired Indeco Engineers (Pte) Ltd to provide facility and vehicle fleet maintenance services. Since 2010, this has been further expanded to include property management services and in 2011 to include design and build services for logistics properties.

The Target Group's engineering services business primarily provides the following services:

- Property management;
- Facilities management and maintenance;
- Vehicle and equipment fleet management and maintenance;
- Supply and installation of engineering products; and
- Design and build for logistics properties.

The diagram below sets out the business model and operation of the Target Group's engineering services:



Major customers are located in the aviation, government, institutional, commercial and military sectors. The Target Group relies on major suppliers primarily for its design and build services and maintenance services. Other main players in the engineering services industry in Singapore include Engie Services.

Major costs of services and expenses for the Target Group's engineering services business include direct costs relating to its design (further elaborated below) and build projects and staff costs.

Property Management

The Target Group has a stake in Cache Property Management Pte. Ltd., which is engaged in the property management of Cache Logistics Trust, a Singapore-based REIT. Cache Logistics Trust principally invests in and manages income-producing real estate used for logistics purposes, as well as real estate related assets across Asia Pacific. As of 31 December 2016, Cache Logistics Trust manages over a GFA of 7.5 million sq.ft. of high quality warehouse logistics facilities in Singapore, China and Australia. CWT indirectly owns 60.0% of the property manager of Cache Logistics Trust.

Facilities Management and Maintenance

The Target Group's facility management and maintenance services mainly include mechanical engineering maintenance, electrical engineering maintenance, building custodian maintenance, air conditioning and mechanical ventilation and road tunnel maintenance in Singapore.

The Target Group primarily provides facilities management and maintenance services in the aviation industry, such as for airport passenger terminal buildings and airfield lighting systems in Singapore. It also provides facilities management and maintenance services for government buildings, health facilities and education facilities in Singapore.

In 2016, the Target Group managed and maintained facilities of a built-up GFA of more than 10 million sq.ft. The Target Group's clients are reputable and include Singapore Government departments/authorities or agencies, organisations from the aviation, defence and health industries.

Vehicle and Equipment Maintenance

The Target Group provides maintenance services to a wide range of vehicles and mechanical equipment in Singapore. These services include predictive, preventive and corrective maintenance, corrosion protection, crash repairs, spray-painting, upgrading and fabrication works, and overhauling works. The sectors served by the Target Group include aviation (airport ground equipment and utility vehicles), home security (police armoured and patrol vehicles), and military (military trucks and specialised vehicles) customers. In 2016, the Target Group managed and maintained a vehicle and equipment fleet of more than 10,000 assets.

Design and Build

The Target Group provides design and construction solutions for logistics properties, leveraging the Target Group's logistics infrastructure building experience in Singapore. In 2016, the Target Group completed S$38.0 million worth of logistics projects.

Competitive Strengths and Strategies

The Target Group's engineering services business has a track record of serving both civil aviation and military sectors, and is equipped with in-house electrical maintenance capabilities for buildings and facilities. It is also able to provide in-house expertise and know-how for design-and-build solutions for logistics properties. Part of the Target Group's strategy in this business segment includes identifying opportunities in regional markets and new sectors. In addition, the Target Group also collaborates with REITs and other logistics companies and end-users in certain of its design-and-build projects.

Financial Services

The Target Group's financial services business began in 2010 through the founding of Straits Financial Services Pte Ltd ("**SFSPL**") to provide brokerage services and structured trade finance services to major customers such as equity funds, and the co-founding of Cache Logistics Trust.

Services offered under the Target Group's financial services segment include:

- Trust and asset management; and
- Brokerage and financial services.

Other main players in REIT fund management in Singapore include AIMS AMP Capital, ARA Asset Management, while other key asset management companies in the United States include BlackRock and The Vanguard Group.

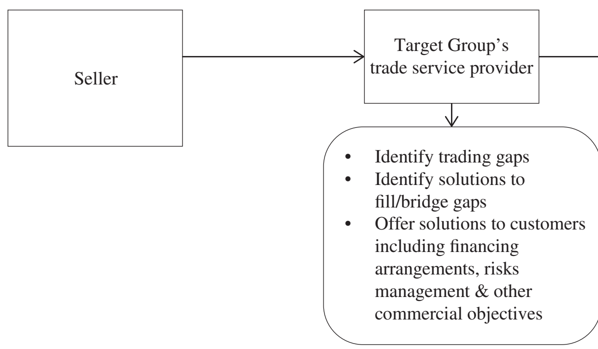
Trust and asset management

The Target Group has a 40% equity interest in ARA-CWT Trust Management (Cache) Ltd, which provides trust and asset management services to Cache Logistics Trust. ARA-CWT Trust Management (Cache) Ltd has been granted a CMSL for the regulated activity of real estate investment trust management, which it requires for the management of Cache Logistics Trust. Trust management services provided include sourcing and management of funds for Cache Logistics Trust. Asset management services provided include deploying, managing, maintaining, upgrading, and disposing of assets held by in a cost-effective manner.

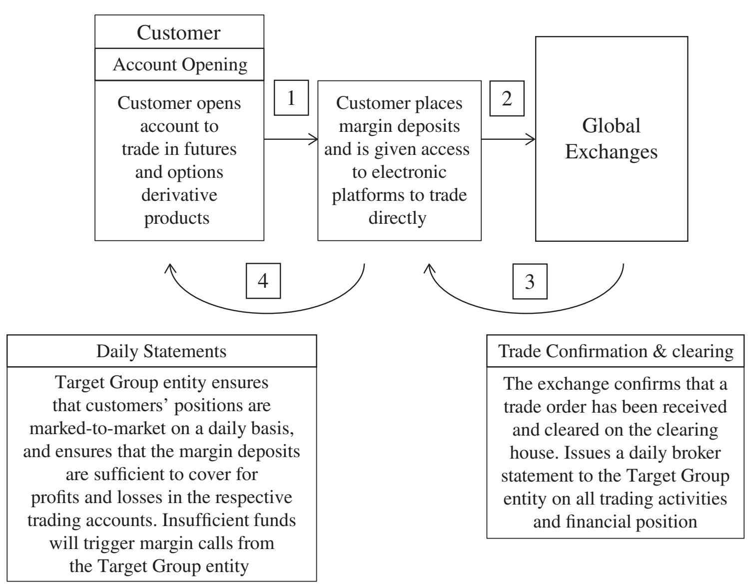
Brokerage and financial services

The Target Group's subsidiary Straits Financial Group Pte Ltd ("**SF Group**"), through its subsidiaries in Asia and North America, provides brokerage, trading and financial services relating to physical commodities, commodities futures and options, over the counter broking business, managed funds, principal and bilateral forward contracts. The Target Group also provides collateralised trade financing services for physical cargo.

The diagram below set out the business model and operation of the trade services:



The diagram below sets out the business model and operation of the brokerage services:



Straits Financial LLC (a majority owned subsidiary of SF Group) ("**SFLLC**"), is a member of National Futures Association of the United States and also a registered Futures Commission Merchant ("**FCM**"). It is a full clearing member of the Chicago Mercantile Exchange, the Chicago Board of Trade, the New York Mercantile Exchange, the Commodity Exchange, the Dubai Mercantile Exchange, and the New Zealand Exchange. With the aforementioned memberships, SFLLC offers trading and clearing services to its customer. Its sister companies are also able to provide trading and clearing services to their respective customer through an omnibus account opened with SFLLC.

SFSPL, a wholly owned subsidiary of SF Group, is licensed by MAS as a Capital Market Intermediary for trading in futures contracts. SFSPL is also a holder of Commodity Broking Licence issued by IE Singapore. With the aforementioned two licences and through its sister company SFLLC, SFSPL is able to offer trading, broking, and clearing services for wide spectrum of products listed on various exchanges to its customer.

Besides SFLLC and SFSPL, SF Group has two subsidiaries in Hong Kong and Indonesia, namely Straits Financial (Hong Kong) Limited and P.T Straits Futures Indonesia, that are licensed by their respective local authority to provide trading and clearing services.

The table below sets out the Target Group's licences in its financial services segment and the respective issuing authorities.

Target Group	**Name of Licence**	**Issuing/Regulating/ Registering Authority**
SFSPL	Commodity Broker's Licence	International Enterprise Singapore
SFSPL	Capital Markets Services Licence to conduct trading in futures contracts	Monetary Authority of Singapore
SFLLC	Futures Commission Merchant and Swaps Firm	CFTC, NFA
Straits Financial Managed Futures LLC	Commodity Trading Advisor	CFTC, NFA
Straits Financial Fund Management LLC	Commodity Pool Operator	CFTC, NFA
PT Asia Commodity Marketplace	Auction Market Organizer Licence	Commodity Futures Trading Agency of Indonesia
PT Asia Commodity Clearing House	Clearing and Guarantee Institution Licence	Commodity Futures Trading Agency of Indonesia
Straits Financial Hong Kong	Type 2 Regulated Activities	Hong Kong Securities and Futures Commission

Major costs of services and expenses for the Target Group's financial services business include direct costs of clearing and exchange fees, transaction and execution fees, electronic platform fees, and commissions to brokers.

Competitive Strengths and Strategies

The Target Group's financial services business is well-established as a niche service provider focusing on high-value relationships, maintaining extensive high-value customer networks in Asia and the United States and providing an integrated platform comprising brokerage, risk management, logistics support and trade financing services.

Major Customers

Overall, the Target Group's businesses have a large and diverse customer base on a collective basis. The Target Group does not have any material reliance on a particular customer within any of its business segments. For each of the years ended 31 December 2014, 2015 and 2016, the Target Group's aggregate sales to its five largest customers, who are all customers of the Target Group's commodity marketing business, combined comprised less than 30% of its total revenue.

Logistics Services

The major customers of the Target Group's logistics services business include oil and gas companies, chemical companies, diesel engines manufacturer, market expansion services companies, major shipping lines, international freight forwarders and commodities producers and traders.

Commodity Marketing

The major customers of the Target Group's commodity marketing business include industrial consumers, such as smelters, petrochemical processing industries and other trading companies.

Engineering Services

The major customers of the Target Group's engineering services business include airport operators with respect to passenger terminal buildings and airfield lighting systems in Singapore. It also provides facilities management and maintenance services for government buildings, health and education facilities, as well as military facilities and industrial and commercial facilities in Singapore.

Financial Services

The Target Group, through ARA-CWT Trust Management (Cache) Ltd, provides trust and asset management services to Cache Logistics Trust with respect to its trust and asset management business.

The Target Group's subsidiary SF Group through its subsidiaries in Asia and North America provides brokerage, trading and financial services relating to physical commodities, commodities futures and options, over the counter broking business, managed funds, principal and bilateral forward contracts to institutional investors and individual investors.

Major Suppliers

Overall, the Target Group's businesses have a large and diverse supplier base on a collective basis. For each of the years ended 31 December 2014, 2015 and 2016, the Target Group's aggregate purchases from its five largest suppliers, who are all suppliers of the Target Group's commodity marketing business, combined comprised less than 30% of its total purchases.

Logistics Services

The major suppliers of the Target Group's logistics services business include government agencies, the manager of REITs, Port of Singapore and logistics service subcontractors.

Commodity Marketing

The major suppliers of the Target Group's commodity marketing business include the third-party miners and producers of metals, concentrates and energy products worldwide and other trading companies.

Engineering Services

The major suppliers of the Target Group's engineering services business include vehicle maintenance subcontractors, facilities maintenance subcontractors and equipment suppliers. Key suppliers include warehouse builders such as Precise Development Pte Ltd, Time Builders Pte Ltd & Precise Projects Pte Ltd and engineering maintenance contractors such as Mirai Trading Enterprise.

The Target Group has a long-standing strategic partnership with one of its key engineering suppliers, which provides warehouse construction services to the Target Group's warehousing unit and design-and-build business. The Target Group's partnership with this supplier has allowed its logistics property construction business unit to control access to the Target Group's trade secrets in logistics property designs and business solutions. However, the Target Group does not have a material reliance on such supplier as the Target Group is free to engage any other such suppliers.

Financial Services

The major suppliers of the Target Group's financial services business include reputable brokers or banks.

Properties

The Target Group owns and leases properties in Singapore and overseas jurisdictions for warehousing and office space purposes. As of 31 December 2016, the Target Group managed approximately 10.3 million sq.ft. of owned and leased warehousing space in Singapore, which includes 2.4 million sq.ft. of the under-construction mega integrated logistics hub in Singapore that is expected to be completed in the third quarter of 2017. The Target Group also managed approximately 6.1 million sq.ft. of warehouse space outside of Singapore. Please refer to the valuation report set forth in the Appendix VI to this circular for further details of the Target Group's major properties.

Employees

As at 31 December 2016, the Target Group had 6,358 employees. The Target Group has devised and implemented human resource policies and practices which create a positive and inclusive workplace and an accident-free environment with a culture of safety for its employees. Appropriate performance-oriented schemes or incentive schemes are in place to encourage and reward good performance which creates a performance-oriented culture.

The following table sets out the breakdown of employees of the Target Group by business segment and job function as at 31 December 2016:

Category/Level of Employment	Job Function	Logistics Services	Commodity Marketing MRI	Engineering Services Maintenance and Property Management	Financial Services Straits Financial Group	Total Headcount	%
Senior Management	Senior Business Head, Deputy Business Head (e.g. CEO, Executive Vice President, SVP, MD, Director)	9	1	–	1	11	0.2%
Management/ Seasoned Professional	Deputy Division Head, Senior Manager, Division/ Department Manager (e.g. General Manager, Deputy General Manager, Chief Information Officer, Chief Financial Officer, Assistant Vice President, Assistant General Manager, Manager, Assistant Manager	657	13	29	52	751	11.8%
Executive/Professional	Senior Executive, Executive (e.g. Senior Executive, Executive, Accountant, Engineer, Systems Analyst Officer)	1,681	49	135	58	1,923	30.2%
Non-Executive	Senior Administration, Admin Support, Services & Technical (e.g. Senior Administrative Assistant/Clerk/ Technician/Tally Clerk, Coordinator, Equipment Operator/Assistant)	3,057	77	535	4	3,673	57.8%
Grand Total:		5,404	140	699	115	6,358	100.0%
% by Segment		85.00%	2.20%	11.00%	1.80%	100%	

Licenses and Permits

The Target Group's operations are subject to international, country, state and/or local rules and regulations and the laws of the other jurisdictions and countries in which it operates and which govern various aspects of the Target Group's business. For instance, the Target Group's commodity logistics division under the logistics services segment requires an LME licence to provide licensed storage facilities for LME-warranted cargo. As a logistics service provider of soft commodities in Europe, it is essential for the Target Group's warehouses to be LIFFE-approved for the storage of cocoa and robusta coffee. The Target Group is also "EKO" licensed for the storage and handling of organic commodities which enable the Target Group to provide services to the major food and agricultural companies in the European Union.

The Target Group's contract and other logistics division under the logistics services segment also requires various licences and permits to carry on its business. These include a flammable material storage licence from the Singapore Civil Defence Force, a hazardous substances permit from the National Environment Agency of Singapore, a licensed warehouse licence from Singapore Customs and various other licences from the Agri-Food & Veterinary Authority of Singapore to provide logistics solutions for its chemical and petrochemical, consumer, food and beverage and cold chain customers.

The Target Group's financial services business segment also requires licences in the respective countries in which it operates. For further details, please refer to the table set out on page I-88 of this circular.

Risk Management

Effective risk management is a fundamental aspect of the Target Group's business. The Target Group operates internationally and is exposed to foreign currency risks arising from various currency exposures. Where possible, the Target Group seeks to minimise its foreign currency exposure in its operations by matching its exposure to foreign currency receivables to its exposure to foreign currency payables. The Target Group may also explore using derivatives to hedge its foreign exchange risk.

The Target Group seeks to minimise its foreign currency exposures in foreign subsidiaries, associates and joint ventures by repatriating their earnings, where practicable. The Target Group also requires the foreign subsidiaries, associates and joint ventures to maintain their borrowings in the relevant foreign currencies which match their respective functional currencies.

In respect of the other monetary assets and liabilities held in currencies other than the functional currencies, the Target Group reviews the balances periodically to ensure the net exposure is kept at an acceptable level. For the other financial risks that the Target Group's business operations are subject to, please refer to the accountant's report of the Target Group set forth in the Appendix II to this circular.

The U.S. and other jurisdictions, including the European Union and Australia, maintain broad and comprehensive economic sanctions targeting certain countries, including, without limitation, Crimea area of Ukraine, Cuba, Iran, North Korea, Sudan and Syria (the "**Sanctioned Countries**"). Certain types of business with Sanctioned Countries, if undertaken by the Target Group, could attract economic sanctions imposed by the U.S., European Union or other jurisdictions. U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with the Sanctioned Countries or their governments and with certain persons or businesses that have been specially designated by the U.S. Department of

Treasury's Office of Foreign Assets Control ("**OFAC**") or other U.S. government agencies. In addition, certain U.S. sanctions laws apply on an entirely extraterritorial basis to non-U.S. companies that engage in certain forms of prescribed activity. In particular, these sanctions, sometimes called "secondary sanctions", seek to deter non-U.S. companies such as the Target Group, and non-U.S. financial institutions from dealings with certain sectors of sanctioned countries such as Iran and Sudan, dealings with these sanctioned countries in certain types of materials, dealings with certain other designated entities and transactions that might facilitate nuclear proliferation, human rights abuses or certain weapons acquisitions by these sanctioned countries. Other governments and international or regional organisations also administer similar economic sanctions. The Target Group does not believe that it has engaged in any project or business that would subject the Target Group to secondary sanctions or designation by OFAC. In order to control, monitor and minimise such risks, the Target Group has established internal compliance systems.

Insurance

The Target Group maintains insurance coverage over its assets and properties with insurance provided by reputable insurance companies and with commercially reasonable deductibles and limits on coverage, which are normal for the type and location of the assets and properties to which they relate. To carry on business effectively, the Target Group has procured industrial all-risk, machinery and equipment all-risk, public liability, insurance for stock deterioration, fidelity guarantee, transport operator and directors' and officers' liability policies. The Target Group has also procured general insurance for workmen's compensation, term life, group hospital and surgical, personal accident, business travel and motor vehicles.

Legal Proceedings

The Target Group is party to various legal proceedings in the ordinary course of its business. However, the Target Group does not expect any proceeding, if determined adversely against the Target Group, to have a material adverse effect on its consolidated financial position and the results of operations. The Target Group vigorously defends all claims and makes provision for potential liabilities when probable and reasonably estimable, based on the state of proceedings, currently available information and legal advice received from time to time.

Competition

The Target Group is a leading integrated logistics solutions provider and is also engaged in commodity marketing, engineering services and financial services. The Target Group competes with different companies across each business segment and geographical area. In the commodity marketing segment, the Target Group competes with a wide variety of physical commodity companies or supply chain managers but many of these are niche players that focus on specific commodities or geographical areas and hence competition is very sector specific. The competition in the financing services industry varies for different markets and services but is generally highly competitive. Please see the section headed "Appendix I – Information About the Target Group – Industry Overview" for details.

SENIOR MANAGEMENT OF THE CWT GROUP

Subject to normal business considerations, the Offeror does not intend to make major changes to the management team of CWT upon completion of the Acquisition. Upon completion of the Acquisition, the following persons are expected to remain as the senior management of the Target Group.

Name	Age	Position held with CWT and other members of Target Group	Date of joining Target Group	Date of appointment as senior management	Principle Roles and responsibilities in Target Group
Mr. LOI Pok Yen	47	Target Group CEO	November 2004	January 2005	Development and expansion of Target Group
Mrs. Lynda GOH	62	Deputy Target Group CEO & Target Group CFO	October 1991	July 2008	Assist Target Group CEO; corporate finance and general management; development and expansion of engineering business
Mr. Adam SLATER	54	Deputy Target Group CEO & CEO, Commodity Logistics	October 2006	July 2012	Development and expansion of supply chain management business and commodity logistics business
Mr. TAN Choon Wei	66	Executive Chairman, CWT Globelink Group	April 1988	January 2003	Oversee freight consolidation business
Mr. Alan KUEK	44	CEO, Commodity Marketing	February 2012	May 2013	Development and expansion of commodity marketing business
Mr. Jeremy ANG	60	CEO, Financial Services	April 2011	April 2011	Development and expansion of financial services business

Mr. Loi joined the board of CWT in November 2004. He is also Target Group CEO since January 2005. Mr. Loi was appointed Target Group CEO in January 2005 after privately-owned logistics company C & P Holdings Pte Ltd acquired CWT. With his extensive experience in strategic and logistics business management, Mr. Loi leads the executive team in strengthening the Target Group's businesses and competitiveness for the long-term success of the Target Group. Prior to joining CWT, Mr. Loi was responsible for the construction of warehouses and running the logistics business operations at C & P Holdings Pte Ltd. From 1995 to 1997, he helped oversee and build Myanmar International Terminals Thilawa (MITT), Myanmar's largest port. In 2013, he was named EY Entrepreneur of the Year – Logistics Winner. Mr. Loi graduated from the National University of Singapore with a Bachelor of Business Administration (Hons) degree.

Mrs. Goh was appointed Deputy Target Group CEO & Group CFO in July 2008. She held various senior positions in CWT since 1991, including Financial Controller, General Manager, Corporate Services and CFO. In her current capacity, Mrs. Goh's key role is to assist the Group CEO in the corporate development and strategic expansion, corporate finance and general management of the CWT Group of companies. She is also responsible for managing the Target Group's engineering business, investments, treasury, financial, human resource and corporate affairs. In 2013, she was named Best CFO for listed companies in the mid cap category at the Singapore Corporate Awards in recognition of her financial leadership. Mrs. Goh is a Chartered Accountant of Singapore and Fellow of Chartered Certified Accountant (UK).

Mr. Slater joined CWT as CEO, Commodity Logistics in October 2006 and was promoted to Deputy Target Group CEO in July 2012. In his current capacity, he oversees the development and expansion of Supply Chain Management business of the Target Group. He is also responsible for the day-to-day management of the commodity logistics related businesses across Asia, Europe, Africa, the Middle East, North & South America and Oceania. Mr. Slater has been working in the commodity logistics industry since 1997. Prior to that, he was a metal trader in China for five years. Mr. Slater holds a Bachelor of Art in East Asian Studies from McGill University and also studied Chinese language at Fudan University.

Mr. Tan is Executive Chairman of CWT Globelink Group since 2003 and held the position of CEO, Freight Logistics from 2005 to 2015. He spearheads and oversees the freight consolidation business of CWT Group. Mr. Tan joined CWT in 1988 and brought to Target vast industry domain knowledge and experience, having worked in the logistics and marine related industry since 1973. Prior to joining CWT, Mr. Tan held various senior positions with PSA in Container Terminal, conventional wharves, bulk cargo operations and warehousing business.

Mr. Kuek was appointed CEO, Commodity Marketing in May 2013 and heads the MRI Group. Mr. Kuek has been working in origination and structured financing in banks and commodity traders since 1997. He joined MRI in February 2012 as Global Head of Structured Commodity Finance and Origination. Prior to joining MRI, he held senior positions with Trafigura and BNP Paribas Singapore, where one of his transactions was awarded Deal of the Year by Trade and Forfaiting Review in 2008. Mr. Kuek graduated from the National University of Singapore with a Bachelor of Social Science (Hons) in Economics.

Mr. Ang was appointed CEO, Financial Services in April 2011. He heads Straits Financial Group, the financial services arm of the CWT Group engaged in the offering of futures and derivatives trade, forex, bullion and Over-the-Counter (OTC) brokerage services. Mr. Ang has worked in the futures industry since 1980. Prior to joining CWT, he held leadership positions with the Singapore Exchange (SGX), Singapore Commodity Exchange (SICOM), DBS Vickers Securities (Singapore) and the REFCO Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis on the Target Group for the three years ended 31 December 2014, 2015 and 2016, which shall be read in conjunction with the accountants' report on the Target Group as set out in Appendix II to this Circular, respectively. For more updated information, please refer to financial results of the Target Group ended 31 March 2017.

Business Overview

The Target Group provides integrated logistics solutions in Singapore and internationally. It also has diversified businesses built around its core logistics competencies. The Target Group operates in four business segments: logistics services, commodity marketing, engineering services and financial services. CWT is a company incorporated in Singapore in 1970 and listed on the Singapore Exchange since 1993.

Results of Operations

The following table sets forth selected items of the consolidated statements of profit or loss for the years indicated:

	Year ended 31 December		
	2014	**2015**	**2016**
	S$'000	*S$'000*	*S$'000*
	(Restated[1])		
Revenue	14,194,352	9,931,619	9,251,854
Cost of sales	(13,863,549)	(9,595,421)	(8,931,045)
Gross profit	330,803	336,198	320,809
Other income	6,795	13,297	11,872
Administrative expenses	(168,077)	(184,067)	(191,498)
Other operating expenses	(12,740)	(25,899)	(11,870)
Profit from operations	156,781	139,529	129,313
Net finance costs	(37,143)	(21,957)	(36,750)
Share of profit of associates and joint ventures, net of tax	12,010	14,148	12,238
PROFIT BEFORE TAXATION	131,648	131,720	104,801
Income tax	(17,787)	(17,801)	(25,781)
PROFIT FOR THE YEAR	113,861	113,919	79,020
Attributable to:			
Owners of the Target Company	112,411	108,911	73,559
Non-controlling interests	1,450	5,008	5,461
PROFIT FOR THE YEAR	113,861	113,919	79,020

(1) The Target Group's financials for the year ended 31 December 2014 were restated due to an exercise in 2015 to ascertain the appropriate accounting presentation of specific transactions undertaken by the commodity marketing subsidiaries, ensuring that the accounting presentation is consistent with the contractual terms and commercial objectives of these trades and providing a more appropriate reflection of the nature underlying economics of these transactions. The specific transactions refer to structured trade finance transactions. As a result of the net presentation where the revenue was netted off by the cost of sales in accordance with the relevant accounting standards, the Target Group's both reported revenue and cost of sales from commodity marketing for the financial year ended 31 December 2014 was reduced by S$1,000,135,000, which resulted in no impact on the gross profit for the financial year ended 31 December 2014. Please refer to note 48 of the Target Group's audited financial statements for the year ended 31 December 2015 for further information. The change in presentation did not have any effect on the Group's reported profit for the year, earnings per share, statement of financial position and statement of cash flows.

Description of Selected Items in the Consolidated Statement of Profit or Loss

Revenue

During the Track Record Period, the Target Group primarily generated revenue from its four business segments, namely logistics services, commodity marketing, engineering services and financial services.

The following table sets out the breakdown of the Target Group's revenue by each of the Target Group's business segments during the Track Record Period:

	Year ended 31 December					
Revenue	**2014**	**% to total revenue**	**2015**	**% to total revenue**	**2016**	**% to total revenue**
	S$'000 (Restated)		*S$'000*		*S$'000*	
Logistics services	896,492	6.32	868,196	8.74	831,800	8.99
Commodity marketing	12,934,546	91.12	8,793,567	88.54	8,161,343	88.21
Engineering services	161,311	1.14	141,004	1.42	129,739	1.40
Financial services	202,003	1.42	128,852	1.30	128,972	1.40
Total revenue	14,194,352	100.00	9,931,619	100.00	9,251,854	100.00

Revenue from logistics services

The Target Group's revenue from logistics services decreased by S$28.30 million or 3.16% from S$896.49 million for the year ended 31 December 2014 to S$868.20 million for the year ended 31 December 2015. The decrease was mainly due to lower shipping freight rates and lower volume of commodity logistics business as a result of the downturn in commodity sector and decline in general logistics business volume in 2015.

The Target Group's revenue from logistics services decreased by S$36.40 million or 4.19% from S$868.20 million for the year ended 31 December 2015 to S$831.80 million for the year ended 31 December 2016, mainly due to the lower volume experienced in freight logistics and general logistics which more than offset the increase in the revenue of the warehousing logistics and commodity logistics in 2016.

Between the years ended 31 December 2015 and 2016, freight volume and freight revenue decreased by 3% and 8.5%, respectively, due to (i) greater competition in China resulting in lower selling prices and (ii) the depreciation of certain currencies such as the Indian rupee and Egyptian pound in the financial year ended 31 December 2016.

The following table sets out the breakdown of the volume of the Target Group's freight logistics business and general logistics business for the Track Record Period:

Freight Logistics	**Year ended 31 December**		
	2014	**2015**	**2016**
	TEUs	*TEUs*	*TEUs*
LCL Volume	147,587	142,831	138,407
General Logistics	**2014**	**2015**	**2016**
	m^3	**m^3**	**m^3**
General Cargo Volume Handled	3,770,000	4,361,473	3,202,149

Revenue from commodity marketing

The following table sets out the Target Group's revenue breakdown by commodity type:

	Year ended 31 December		
Revenue	**2014**	**2015**	**2016**
	S$'000	*S$'000*	*S$'000*
Base Metals	7,096,546	6,982,567	7,177,343
Energy Products(1)	5,838,000	1,811,000	984,000
Total	12,934,546	8,793,567	8,161,343

(1) This comprises mainly naphtha.

The Target Group's revenue from commodity marketing decreased by S$4,140.98 million or 32.01% from S$12,934.55 million for the year ended 31 December 2014 to S$8,793.57 million for the year ended 31 December 2015. The decrease was mainly due to lower trading volume of naphtha and a general drop in commodity prices amidst a downturn in the commodities market in 2015.

The Target Group's revenue from commodity marketing decreased by S$632.22 million or 7.19% from S$8,793.57 million for the year ended 31 December 2015 to S$8,161.34 million for the year ended 31 December 2016, which was mainly due to substantial decrease in naphtha trading volume and a general drop in commodity prices in 2016.

Revenue from engineering services

The following table sets out the number of projects undertaken by the Target Group's engineering services business:

	Year ended 31 December		
Projects	**2014**	**2015**	**2016**
Design-and-build	3	3(1)	2(1)
Consultancy	1	3	2
Total	4	6	4

(1) Smaller projects handled in 2015 and 2016.

The Target Group's revenue from engineering services decreased by S$20.31 million or 12.59% from S$161.31 million for the year ended 31 December 2014 to S$141.00 million for the year ended 31 December 2015, which was mainly due to smaller design and build projects handled in 2015.

The Target Group's revenue from engineering services decreased by S$11.27 million or 7.99% from S$141.00 million for the year ended 31 December 2015 to S$129.74 million for the year ended 31 December 2016, which was mainly due to the fewer design and build projects handled in 2016.

Revenue from financial services

The Target Group's revenue from financial services decreased by S$73.15 million or 36.21% from S$202.00 million for the year ended 31 December 2014 to S$128.85 million for the year ended 31 December 2015. The decrease was mainly due to a decrease in structured trade deals under the Target Group's trade services but was partly offset by higher trading volumes from new and existing customers of its derivatives brokerage business.

The Target Group's revenue from financial services was S$128.97 million for the year ended 31 December 2016 which remained stable compared to S$128.85 million for the year ended 31 December 2015 as business volumes of both its derivatives brokerage business and structured trade services remained stable.

Cost of sales

During the Track Record Period, the Target Group's cost of sales amounted to S$13,863.55 million, S$9,595.42 million and S$8,931.04 million, respectively. The following table sets out the breakdown of the Target Group's cost of sales by nature during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	S$'000 (Restated)	*%*	*S$'000*	*%*	*S$'000*	*%*
Purchase of goods and services	13,286,840	95.84	9,196,997	95.85	8,328,517	93.25
Staff costs	121,899	0.88	120,389	1.25	119,256	1.34
Depreciation and amortisation	27,011	0.19	33,590	0.35	34,537	0.39
Rental of land and premises	103,064	0.74	125,470	1.31	121,132	1.35
Others	324,735	2.35	118,975	1.24	327,603	3.67
Total	13,863,549	100	9,595,421	100	8,931,045	100

During the Track Record Period, the Target Group's cost of sales primarily consisted of the purchase of goods and services which primarily relate to the purchase of commodities under the Target Group's commodities marketing business.

Gross profit and gross profit margin

The following table sets out the gross profit generated for each of the Target Group's business segments during the Track Record Period:

	Year ended 31 December					
	2014		2015		2016	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Logistics services	131,482	39.75	119,757	35.62	120,206	37.47
Commodity marketing	134,955	40.80	131,497	39.11	117,698	36.69
Engineering services	24,218	7.32	22,055	6.56	16,594	5.17
Financial services	40,148	12.13	62,889	18.71	66,311	20.67
Total	330,803	100	336,198	100	320,809	100

The following table sets out the Target Company's gross profit margin by business segment during the Track Record Period:

	Year ended 31 December		
Gross profit margin	**2014**	**2015**	**2016**
	%	%	%
Logistics services	17.4	14.6	16.0
Commodity marketing	0.6(1)	1.2(1)	1.1(1)
Engineering services	15.1	15.7	12.8
Financial services	19.3(1)	41.4(1)	46.1(1)

(1) Includes trade finance income and expenses.

For each of the three years ended 31 December 2014, 2015 and 2016, the Target Group's overall gross profit margin was 2.33%, 3.39% and 3.47%, respectively. The improvement of gross profit margin from 2014 to 2015 was mainly due to better profit margins by its financial services, freight logistics and commodity marketing. The improvement of gross profit margin from 2015 to 2016 was mainly due to the higher contribution in gross profit from financial services.

For its logistics services, the Target Group's gross profit margin fell between the financial years ended 31 December 2014 and 2015, mainly as a result of (i) reduced business volumes on the London Metal Exchange storage business, (ii) decreased contribution from inventory management services as the Target Group exited from its collateral management business in China and (iii) a fall in the volume of tobacco logistics in Africa due to poor harvest results. The London Metal Exchange storage business and inventory management services generally entailed a relatively high gross profit margin in the Target Group's logistics services segment. Therefore, the decrease of the transaction volumes of the London Metal Exchange storage business and inventory management services largely resulted in the decrease of the Target

Group's gross profit margin in 2015. The Target Group's gross profit margin increased between the financial years ended 31 December 2015 and 2016 mainly as a result of (i) increased gross profit margin of the London Metal Exchange warehousing operations and (ii) higher cargo volume handled by the Target Group's Europe operations.

For its engineering services, the Target Group's gross profit margin fell between the financial years ended 31 December 2015 and 2016, mainly as a result of (i) a lower number of design and build projects with relatively low gross profit margin handled by the Target Group in 2016 and (ii) a significant marketing commission earned in 2015 by the Target Group's property management subsidiary on the renewal of a master lease for a warehouse in Singapore.

For its financial services, the Target Group's gross profit margin increased between the financial years ended 31 December 2014 and 2015, primarily due to the structured trade services in 2014 involved transactions with relatively high revenue and high cost of sales, which resulted in low gross profit margin. Comparatively, the structured trade services transacted in 2015 were mainly services with low cost of sales, which resulted in relatively higher gross profit margin.

Other income

The following table sets out the breakdown of the Target Group's other income during the Track Record Period:

	Year ended 31 December		
	2014	**2015**	**2016**
	S$'000	*S$'000*	*S$'000*
Gain on disposal of subsidiaries, joint ventures and associates	17	425	–
Gain on disposal of property, plant and equipment	526	1,133	381
Government grants	1,710	2,899	3,602
Legal case recovery	–	1,592	860
Sales of waste products	–	1,839	1,298
Others	4,542	5,409	5,731
	6,795	13,297	11,872

Other income of S$6.80 million, S$13.30 million and S$11.87 million in 2014, 2015 and 2016, respectively, were mainly from government grants (in particular special employment credits to support employers in an initiative to raise employability of older persons), legal case recovery and sales of waste products incidental to the Target Group's ordinary soft commodity logistics operations.

Administrative expenses

The following table sets out the breakdown of the Target Group's administrative expenses during the Track Record Period:

	Year ended 31 December					
	2014		**2015**		**2016**	
	S$'000	*%*	*S$'000*	*%*	*S$'000*	*%*
Staff cost	111,835	66.54	126,743	68.86	134,390	70.18
Professional fees	10,005	5.95	10,364	5.63	9,788	5.11
Premises costs	6,983	4.15	7,199	3.91	6,483	3.39
Travelling and transport charges	8,620	5.13	8,250	4.48	7,282	3.80
Depreciation and amortisation	4,806	2.86	4,788	2.60	4,139	2.16
Others(1)	25,828	15.37	26,723	14.52	29,416	15.36
	168,077	100.00	184,067	100.00	191,498	100.00

(1) Others include utilities, insurance expenses, information technology expenses and bank charges.

The Target Group's administrative expenses mainly comprise staff costs.

For each of the three years ended 31 December 2014, 2015 and 2016, the Target Group incurred administrative expenses of S$168.08 million, S$184.07 million and S$191.50 million, respectively, representing approximately 1.18%, 1.85% and 2.07% of the Target Group's total revenue, respectively. The Target Group's administrative expenses increased from S$168.08 million to S$184.07 million between the years ended 31 December 2014 and 2015, mainly due to the incurrence of S$21.8 million or cost arising from an on-going project which was classified as staff costs.

The Target Group's staff costs increased from S$111.8 million to S$126.7 million between the financial years ended 2014 and 2015, mainly due to (i) an increase in the number of administrative and management staff to handle the expanded operations of the Target Group's financial services segment and (ii) higher performance bonuses paid to staff for improved performance and other recognitions during 2015. The Target Group's staff costs further increased to S$134.4 million in the financial year ended 31 December 2016 due to a provision of retention bonus payment for key personnel and management staff dedicated to the execution of the Target Group's corporate project relating to the Acquisition while concurrently handling and managing the Target Group's ongoing business.

Other operating expenses

The following table sets out the breakdown of the Target Group's other operating expenses during the years indicated:

	Year ended 31 December		
	2014	**2015**	**2016**
	S$'000	*S$'000*	*S$'000*
Depreciation and amortisation	8,815	9,267	6,753
Impairment losses on intangible assets	636	3,069	–
Impairment losses on property, plant and equipment	–	1,281	–
Loss on disposal of subsidiaries, joint ventures & associates	1,215	64	–
Loss on disposal of property, plant and equipment	487	504	312
Loss from Tianjin explosions on 12 Aug 2015 (Assets loss net of estimated insurance claims)(1)	–	8,853	–
Others	1,587	2,861	4,805
	12,740	25,899	11,870

(1) The Tianjin explosions occurred on 12 August 2015 at a warehouse near the Target Group's warehouse in Tianjin's Binhai New District. The explosions destroyed the Target Group's warehouse and all the equipment therein. The Target Group's loss of assets was estimated to be S$8.85 million, net of insurance claim, which was accounted for in the Target Group's financials for the year ended 31 December 2015.

For each of the three years ended 31 December 2014, 2015 and 2016, the Target Group incurred other operating expenses of S$12.74 million, S$25.90 million and S$11.87 million, respectively, representing approximately 0.09%, 0.26% and 0.13% of the Target Group's total revenue, respectively. Other operating expenses increased in particular for the year ended 31 December 2015 due to a S$8.9 million loss from the Tianjin explosions and the recognition of a S$3.1 million impairment loss on intangible assets. Other operating expenses for the year ended 31 December 2016 increased due to a provision for damages in 2016 awarded in favor of the defendant by the court in relation to a legal action a subsidiary of the Target Group had brought against a customer and broker in the United States in 2011 for a deficit in the customers' hedge account, interest and attorney fees, respectively.

Finance income and expenses

The following table sets out the breakdown of the Target Group's finance income and expenses during the Track Record Period:

	Year ended 31 December 2014	2015	2016
	S$'000	*S$'000*	*S$'000*
Exchange gain, net	–	72	–
Gain on disposal of wealth management product	–	–	3,549
Gain on disposal of available-for-sale financial assets	1,772	7,432	–
Gain on fair value adjustment of derivative financial instruments	386	106	204
Dividend income from available-for-sale financial assets and financial assets designated at fair value through profit or loss	5,276	4,303	2,773
Interest income:			
– Cash and cash equivalents	1,058	3,339	3,168
– Held to maturity financial assets	–	198	990
– Finance leases	4	–	–
– Joint ventures, associates and related parties	177	204	175
– Interest charge to suppliers	5,416	5,730	3,715
– Interest charge to customers	9,515	6,078	4,075
– Interest charge to third parties	168	687	584
– Others	329	864	352
Finance income	24,101	29,013	19,585
Bank commissions	(11,598)	(10,342)	(9,912)
Exchange loss, net	(9,247)	–	(1,068)
Loss on fair value adjustment of derivative financial instruments	–	(382)	(222)
Loss on fair value change of financial assets	–	–	(9)
Interest expense:			
– Bank borrowings and other banking facilities	(24,432)	(23,532)	(28,202)
– Medium term notes	(5,952)	(11,892)	(10,290)
– Unwind of discount on deferred consideration	(963)	(158)	–
– Hire purchase and finance lease liabilities	(155)	(132)	(172)
– Related parties	(245)	(223)	(203)
– Others	(2,097)	(1,088)	(400)
Other finance cost	(6,555)	(3,221)	(5,857)
Finance expenses	(61,244)	(50,970)	(56,335)
Net finance costs recognised in profit or loss	(37,143)	(21,957)	(36,750)

Finance income of S$24.10 million, S$29.01 million and S$19.59 million in 2014, 2015 and 2016, respectively, were mainly interest charge to customers and suppliers, gain on disposable of available-for-sale financial assets, dividend income from available-for-sale financial assets and financial assets designated at fair value through profit or loss, and interest income of bank deposits. Finance expense of S$61.24 million, S$50.97 million and S$56.34 million in 2014, 2015 and 2016, respectively, were mainly interest expenses on project loans, trade financing, working capital loans and other banking facilities, medium term notes, and bank commissions.

Share of profit of associates and joint ventures, net of tax

Share of profit of associates and joint ventures, net of tax mainly comprised the profit generated from Globelink West Star Shipping LLC and CWT-SML Logistics LLM established in United Arab Emirates and other associates and joint ventures of the Target Group. Share of profit of associates and joint ventures, net of tax amounted to S$12.01 million, S$14.15 million and S$12.24 million in 2014, 2015 and 2016, respectively.

Income tax expense

The following table sets out the breakdown of the Target Group's income tax expenses during the Track Record Period:

	2014	2015	2016
	S$'000	*S$'000*	*S$'000*
Current tax expense	19,737	29,120	24,477
Deferred tax (credit)/expense	(1,950)	(11,319)	1,304
Total income tax expense for the year	17,787	17,801	25,781

For each of the three years ended 31 December 2014, 2015 and 2016, the Target Group incurred income tax expense of S$17.79 million, S$17.80 million and S$25.78 million, respectively. The Target Group incurred a withholding tax expense of S$7.62 million for dividend declared by an overseas subsidiary for the year ended 31 December 2016. Excluding the S$7.62 million withholding tax for dividends declared by an overseas subsidiary in the year ended 31 December 2016, the Target Group's effective tax rate was 13.5%, 13.5% and 17.33% in 2014, 2015 and 2016, respectively. In the year ended 31 December 2015, the Target Group experienced a significant increase in deferred tax expenses primarily due to the reversal by MRI Trading AG of temporary differences on general reserves on inventories and receivables for the year ended 31 December 2014, which is permitted under the tax laws of Switzerland.

REVIEW OF HISTORICAL RESULTS OF OPERATION

Revenue

The Target Group's revenue decreased by S$4,262.73 million or 30.03% from S$14,194.35 million for the year ended 31 December 2014 to S$9,931.62 million for the year ended 31 December 2015. This decrease was mainly a result of the decrease in each of its four business segments, as discussed above.

The Target Group's revenue decreased by S$679.77 million or 6.84% from S$9,931.62 million for the year ended 31 December 2015 to S$9,251.85 million for the year ended 31 December 2016. This decrease was mainly because the decrease in commodity marketing, logistics and engineering segments as discussed above.

Cost of sales

The Target Group's cost of sales decreased by S$4,268.13 million or 30.79% from S$13,863.55 million in 2014 to S$9,595.42 million in 2015, and decreased by S$664.38 million or 6.92% from S$9,595.42 million in 2015 to S$8,931.05 million in 2016. The decreases in cost of sales were in line with the drop in revenue, primarily due to a significant drop in commodity prices and lower trading volumes for energy products in our commodities marketing segment.

Gross profit

As a result of the foregoing, the Target Group recorded gross profit of S$330.80 million, S$336.20 million and S$320.81 million for the year ended 31 December 2014, 2015 and 2016, respectively.

Other income

The Target Group's other income increased by S$6.50 million or 95.69% from S$6.80 million in 2014 to S$13.30 million in 2015, which was mainly due to higher ancillary income from the sales of waste products, agent fees, franchising fees and recoveries arising from operations, and government grants received.

The Target Group's other income decreased marginally by S$1.43 million or 10.72% from S$13.30 million in 2015 to S$11.87 million in 2016, which was primarily due to lower ancillary income from the sales of waste products, agent fees, franchising fees.

Administrative expenses

The Target Group's administrative expenses increased by S$15.99 million or 9.51% from S$168.10 million in 2014 to S$184.07 million in 2015. Such increase was mainly due to higher performance-based payments on improved results of certain business units and more manpower added for the expanded business under financial services.

Further, the Target Group's administrative expenses increased by S$7.43 million or 4.04% from S$184.07 million in 2015 to S$191.50 million in 2016, which was mainly due to increases in staff costs.

Net finance costs

The Target Group's net finance costs decreased by S$15.19 million or 40.89% from S$37.14 million in 2014 to S$21.96 million in 2015, which was mainly due to net exchange loss of S$9.25 million recorded in 2014 and increase in the gain on disposal of available-for-sale financial assets of S$5.66 million in 2015.

The Target Group's net finance costs increased by S$14.79 million or 67.37% from S$21.96 million in 2015 to S$36.75 million in 2016, which was mainly due to a decrease in the Target Group's finance income from S$29.01 million in 2015 to S$19.59 million because there was a gain on disposal of available-for-sale financial assets of S$7.43 million in 2015, whilst there was no gain on disposal of available-for-sale financial assets in 2016.

Share of profit of associates and joint ventures, net of tax

The Target Group's share of profit of associates and joint ventures increased by S$2.14 million or 17.8% from S$12.01 million in 2014 to S$14.15 million in 2015, which was mainly due to the increase in the profit recorded by the associates and the joint ventures in 2015.

The Target Group's share of profit of associates and joint ventures decreased by S$1.91 million or 13.50% from S$14.15 million in 2015 to S$12.24 million in 2016, which was mainly due to the decrease in the profit recorded by the associates and the joint ventures in 2016.

Income tax expense

The Target Group's income tax expense in 2015 remained stable compared with that of in 2014.

The Target Group's income tax expense increased by S$7.98 million or 44.83% from S$17.80 million in 2015 to S$25.78 million in 2016, which was mainly due to a withholding tax expense of S$7.62 million for dividend declared by an overseas subsidiary in the year ended 31 December 2016.

Profit for the year

As a result of the foregoing, the Target Group recorded profit for the year of S$113.86 million, S$113.92 million and S$79.02 million for the year ended 31 December 2014, 2015 and 2016, respectively.

Liquidity and Capital Resources

The table below sets out a summary of the Target Group's net cash flow for the years indicated during the Track Record Period:

	Year ended 31 December		
	2014	**2015**	**2016**
	S$'000	*S$'000*	*S$'000*
Net cash generated from/(used in) operating activities	237,124	317,268	(62,947)
Net cash used in investing activities	(127,318)	(226,086)	(256,772)
Net cash generated from/(used in) financing activities	6,829	(129,104)	354,833
Net increase/(decrease) in cash and cash equivalents	116,635	(37,922)	35,114
Cash and cash equivalents in the statement of cash flows at beginning of the year	191,064	313,368	291,665
Cash and cash equivalents in the statement of cash flows at end of the year	313,368	291,665	327,113

Operating activities

For the year ended 31 December 2016, the Target Group had net cash used in operating activities of S$62.95 million, mainly as a result of (i) the operating profit before working capital changes of S$150.03 million, (ii) the increase in trade and other receivables of S$336.54 million mainly due to commodity marketing and financial services attributable to the timing of trade transactions and settlement and (iii) the increase of warrantable LME commodities of S$237.96 million from financial services due to an increase in business volumes for certain structured trades offered as part of our financial services segment. This was partially offset by an increase in trade and other payables of S$318.97 million from commodity marketing and financial services attributable to the differences in timing of trade transactions and settlement and the decrease in derivative financial instruments of S$121.88 million mainly due to the mark-to-market of the derivative instruments taken up by the Target Group to hedge its commodities price risk.

For the year ended 31 December 2015, the Target Group had net cash generated from operating activities of S$317.27 million, mainly as a result of the operating profit before working capital changes of S$171.92 million and the decrease in inventories of S$285.75 million under commodity marketing which was dependent on the timing of trade transactions and settlements. This was partially offset by the increase in the warrantable LME commodities of S$183.5 million which relates to structured trade services under financial services.

For the year ended 31 December 2014, the Target Group had net cash generated from operating activities of S$237.12 million, mainly as a result of the operating profit before working capital changes of S$139.36 million generated and the decrease in the trade and other receivables of S$153.1 million in commodity marketing and financial services attributable to the differences in timing of trade transactions and settlement. This was partially offset by the increase in derivative financial instruments of S$79.9 million which relates to financial instruments such as forward contracts for commodities and commodities swaps taken up to cover commodities price risk.

Investing activities

For the year ended 31 December 2016, the Target Group had net cash used in investing activities of S$256.77 million, mainly due to (i) purchase of financial assets of S$282.34 million and (ii) capital expenditure on the new mega integrated logistics hub of S$221.53 million but was partially offset by proceeds from a disposal of financial assets of S$209.79 million pursuant to the disposal of treasury bills which were purchased using customer-segregated funds and pledged as margin deposit with futures exchanges and brokers.

For the year ended 31 December 2015, the Target Group had net cash used in investing activities of S$226.09 million, mainly due to purchase of financial assets of S$212.84 million.

For the year ended 31 December 2014, the Target Group had net cash used in investing activities of approximately S$127.32 million, mainly due to capital expenditure on new logistics facilities of S$111.44 million, primarily in respect of its Pandan Logistics Centre.

Financing activities

For the year ended 31 December 2016, the Target Group had net cash generated in financing activities of S$354.83 million, mainly due to (i) net proceeds from short-term bank borrowings of S$571.16 million and (ii) proceeds from long-term bank borrowings of S$18.80 million and was partially offset by repayment from long-term bank borrowings of S$161.94 million, dividends paid of S$40.17 million and interests paid of S$41.77 million on the bonds and bank borrowings of the Target Group.

For the year ended 31 December 2015, the Target Group had net cash used in financing activities of S$129.10 million, mainly due to (i) net repayment from short term bank borrowings of S$107.03 million, (ii) repayment of long term bank borrowings of S$51.62 million (iii) dividend paid of S$46.20 million and (iv) interest paid of S$35.55 million on the bonds and bank borrowings of the Target Group, which was partially offset by net proceeds from issue of notes payable of S$99.18 million.

For the year ended 31 December 2014, the Target Group had net cash from financing activities of S$6.83 million, mainly due to (i) proceeds from long term bank borrowings of S$175.26 million; and (ii) net proceeds from issue of notes payable of S$99.38 million, which was partially offset by net repayment from short term bank borrowings of S$176.30 million, interest paid of S$34.66 million and dividend paid of S$23.36 million.

Net current assets

The table below sets out selected information for the Target Group's current assets and current liabilities as at the respective dates:

	As at 31 December		
	2014	**2015**	**2016**
	S$'000	*S$'000*	*S$'000*
CURRENT ASSETS			
Inventories	771,469	536,911	605,004
Assets held for sale	4,394	1,374	930
Trade and other receivables	2,102,506	2,171,912	2,545,548
Warrantable LME commodities	114,777	306,298	550,370
Financial assets	114	212,744	282,261
Derivative financial instruments	98,698	126,620	112,793
Tax recoverable	1,371	1,834	1,634
Cash and cash equivalents	341,997	310,341	334,376
Total current assets	3,435,326	3,668,034	4,432,916

	As at 31 December		
	2014	**2015**	**2016**
	S$'000	*S$'000*	*S$'000*
CURRENT LIABILITIES			
Liabilities held for sale	61	62	–
Trade and other payables	1,940,229	2,082,120	2,383,029
Loans and borrowings	872,876	817,249	1,504,910
Derivative financial instruments	67,636	65,652	172,607
Employee benefits	3,913	3,544	–
Current tax payable	18,329	26,518	25,371
Deferred gains	18,560	12,185	7,344
Provisions	2,735	5,439	2,978
Total current liabilities	2,924,339	3,012,769	4,096,239
NET CURRENT ASSETS	510,987	655,265	336,677

The Target Group recorded net current assets of S$510.99 million, S$655.27 million and S$336.68 million as at 31 December 2014, 2015 and 2016, respectively, which mainly reflected (i) trade and other receivables; (ii) inventories; and (iii) cash and cash equivalents.

The Target Group's net current assets increased from S$510.99 million as at 31 December 2014 to S$655.27 million as at 31 December 2015 which was primarily attributable to (i) the increase in Warrantable LME commodities of S$191.52 million; and (ii) the increase in financial assets of S$212.63 million. The increase was partially offset by the increase in trade and other payables of S$141.89 million.

The Target Group's net current assets decreased from S$655.27 million as at 31 December 2015 to S$336.68 million as at 31 December 2016, which was primarily due to (i) the increase of loans and borrowings of S$687.66 million; and (ii) the increase of trade and other payables of S$300.91 million. The decrease was partially offset by (i) the increase in trade and other receivables of S$373.64 million; and (ii) the increase of Warrantable LME commodities of S$244.07 million.

Discussion of Certain Balance Sheet Items

Property, plant and equipment

The Target Group's property, plant and equipment decreased by S$9.28 million or 1.62% from S$571.96 million in 2014 to S$562.68 million in 2015, which was mainly attributable to assets lost in the Tianjin explosions on 12 August 2015.

In contrast, the Target Group's property, plant and equipment increased by S$181.53 million or 32.26% from S$562.68 million in 2015 to S$744.22 million in 2016, which was primarily due to the capital work in progress of the new mega integrated logistics hub. The new mega integrated logistics hub comprises a warehouse, a container storage and ancillary facilities and equipment. The expected cost to completion is S$102.6 million, which the Target Group will fully finance through a project loan. The Target Group obtained partial T.O.P. for the warehouse on 16 February 2017 and subsequently, 2 May 2017. The Target Group expects to complete construction of the warehouse and obtain T.O.P. for the remaining warehouse facilities by the third quarter of 2017.

Inventories

Inventories represented mainly by commodity inventories measured at fair value, commodity inventories measured at lower of cost and net realisable value and other goods for sale.

The Target Group's inventories decreased by S$234.56 million or 30.40% from S$771.47 million as at 31 December 2014 to S$536.91 million as at 31 December 2015. The decrease was mainly due to a decrease in both of commodity inventories at fair value and commodity inventories at lower of cost and net realisable value, which was due to a lower commodity inventory balance and a drop in commodity prices beginning from the second half of 2014.

The Target Group's inventories increased by S$68.09 million or 12.68% from S$536.91 million as at 31 December 2015 to S$605.00 million as at 31 December 2016. The increase was mainly due to increase in both of commodity inventories at fair value and commodity inventories at lower of cost and net realisable value, which was mainly due to higher commodity inventory balance and increase in commodity prices.

Trade and other receivables

The Target Group's trade and other receivables comprise trade receivables, other receivables and customers segregated funds. Trade receivables are primarily due from external customers, related parties, associates, and joint ventures.

Other receivables mainly include customers segregated funds held with banks or brokers which represented customer's funds held by the Target Group that are required to be held in segregated accounts by laws and regulations of the SFA governed by the MAS, the Commodities Trading Act ("**CTA**") governed by IE Singapore and Commodity Futures Trading Commission ("**CFTC**") in the United States of America.

The following table sets forth an aging analysis of trade receivables as at the indicated reporting dates, based on the invoice date at gross:

	As at 31 December		
	2014	**2015**	**2016**
	S$'000	*S$'000*	*S$'000*
Within 1 month	565,853	884,388	703,305
1 to 3 months	108,785	108,979	459,526
3 to 6 months	33,991	61,079	28,345
Over 6 months	18,985	18,008	8,332
	727,614	1,072,454	1,199,508

As at 31 December 2014, 2015 and 2016, the Target Group's trade receivables amounted to S$727.61 million, S$1,072.45 million and S$1,199.51 million, respectively. The increase in trade receivables during the Track Record Period was mainly a result of the increase in trade receivables from its commodity marketing and financial services, which was driven by the differences in timing of trade transactions and settlement.

Warrantable LME commodities

The Target Group's warrantable LME commodities represent highly liquid commodities with the intention of selling them in the near term, where the Target Group acts as a broker-trader. The warrantable LME commodities are measured at fair value less costs to sell.

As at 31 December 2014, 2015 and 2016, the Target Group's warrantable LME commodities amounted to S$114.78 million, S$306.30 million and S$550.37 million, respectively. The increase in warrantable LME commodities from 2014 to 2015 and to 2016 was mainly a result of the increased business volume of structured trade services.

Financial assets

The Target Group's financial assets mainly include convertible bonds, wealth management products, equity securities and treasury bills.

As at 31 December 2014, 2015 and 2016, the Target Group's financial assets amounted to S$129.86 million, S$306.70 million and S$312.28 million. The increase in financial assets from 2014 to 2015 was mainly a result of the purchase of approved treasury bills using customer segregated funds and the purchase of wealth management products that were pledged to secure bills payable. The increase in financial assets from 2015 to 2016 was mainly a result of an increase in treasury bills purchased using customer segregated funds but was partially offset by the maturity of wealth management products purchased from banks.

Derivative financial instruments

The Target Group's derivative financial instruments include interest rate swaps, commodities futures, commodities forward contracts, commodities options, currency forward contracts, commodities swaps, fair value gain or loss on commodity contracts and non-structured OTC warrant options.

As at 31 December 2014, 2015 and 2016, the net position of the Target Group's derivative financial instruments amounted to S$29.69 million in assets, S$60.24 million in assets and S$59.95 million in liabilities. The variances in derivative financial instruments from 2014 to 2015 and 2016 was mainly due to the commodities futures and commodities forward contracts undertaken to hedge commodity price risk.

Trade and other payables

The Target Group's trade payables and other payables are primarily trade payables, other payables, bill payables and customer segregated funds. The Target Group's trade payables includes bill payables and are non-interest-bearing which are normally settled within three months except for commodity marketing as the finalisation of trade typically takes six to twelve months.

Other payables primarily include advance billings relating to engineering services and logistics services, and bill payables for certain structured trades from commodity marketing and financial services, and amounts segregated for customers in relation to the derivative brokerage business of financial services.

The Target Group's trade creditors and bill payables increased by S$374.93 million or 78.22% from S$479.32 million as at 31 December 2014 to S$854.25 million as at 31 December 2015, which was primarily due to an increase in trade payables from financial services as a result of timing in settlement of trade payables.

The Target Group's trade creditors and bill payables decreased by S$136.53 million or 15.98% from S$854.25 million as at 31 December 2015 to S$717.72 million as at 31 December 2016, which was primarily due to a decrease in trade payables from financial services as a result of timing in settlement of trade payables.

The following table sets forth an aging analysis of the Target Group's trade creditors and bill payables as at the indicated reporting dates, based on the invoice date:

	As at 31 December		
	2014	**2015**	**2016**
	S$'000	*S$'000*	*S$'000*
Within 1 month	366,666	771,760	261,185
1 to 3 months	64,989	50,635	423,037
3 to 6 months	34,734	21,992	17,242
Over 6 months	12,931	9,863	16,255
	479,320	854,250	717,719

Indebtedness

The table below sets out an analysis of the Target Group's bank and other borrowings as at each of the reporting dates indicated:

	Year ended 31 December		
	2014	**2015**	**2016**
	S$'000	*S$'000*	*S$'000*
Non-current liabilities			
Medium term notes	201,029	301,858	201,231
Secured bank loans	355,900	306,551	163,023
Hire purchase and finance lease liabilities	822	1,766	2,251
Total	557,751	610,175	366,505
Current liabilities			
Medium term notes	–	–	100,954
Secured bank loans	72,522	64,701	466,610
Unsecured bank loans	63,811	–	–
Revolving short-term trade facilities	730,885	751,395	935,643
Hire purchase and finance lease liabilities	943	662	795
Secured bank overdrafts	4,201	–	400
Unsecured bank overdrafts	514	491	508
Total	872,876	817,249	1,504,910

During the Track Record Period, the majority of the Target Group's bank borrowings was denominated in Singapore dollar, US dollar, and Euro.

The Target Group's bank and other borrowings decreased from S$1,430.63 million as at 31 December 2014 to S$1,427.42 million as at 31 December 2015, which was mainly due to the repayment of the current portion of the bank loans and bank overdrafts.

The Target Group's bank and other borrowings increased from S$1,427.42 million as at 31 December 2015 to S$1,871.42 million as at 31 December 2016, which was mainly due to the increase in secured revolving short-term trade facilities and secured bank loans.

As at 31 December 2016, the Target Group's current liabilities comprised S$101.0 million in outstanding medium term notes, and S$1,402.25 million in secured bank loans which comprises S$450.7 million in collateralised short term trade facilities, S$12.5 million in current project loans, S$935.6 million in revolving short-term trade facilities and S$3.4 million in other short-term borrowings:

- Medium term notes: The Target Group issued three series of notes due in April 2019, March 2017 and March 2020 with an interest rate of 3.9%, 4.0% and 4.8% per annum, respectively, pursuant to its medium term note programme, to finance construction projects and for general working capital purposes. The medium term notes due in March 2017 were issued in 2014, and were reclassified to current as at 31 December 2016 as they would have been due in March 2017.

- Collateralised short term trade facilities: The Target Group had drawn S$450.7 million from collateralised short-term trade facilities to finance the Target Group's structured trade services, with interest rates ranging from 2.2% to 2.5%. The trade facilities are repayable on a monthly basis and were repaid on such basis on the settlement of trade transactions.

- Project loans: Project loans were taken out by the Target Group to finance its construction projects. S$12.5 million will be repayable in 2017 using the Target Group's internal funds. Interest rates on these loans ranged from 1.7% to 2.8% in 2016. The project loans were taken to finance warehouse construction projects.

- Revolving short-term trade facilities: Taken out by the Target Group to finance its commodity trading transactions and structured trade services. The cycle for such trade financing ranged between 1 to 6 months and interest rates were between 1.1% to 2.9% in 2016. These borrowings are self-liquidating and will be settled by the Target Group's underlying trade receivables.

- Other short term borrowings: These borrowings were taken out by the Target Group for general working capital purposes, with interest rates ranging from 1.3% to 17.0% in 2016.

- Other than project loans which were obtained in the past five years from the date of inception of each of the warehouse projects, the other short term borrowings were drawn down in the financial year ended 31 December 2016.

The Target Group's non-current portion of the Target Group's loans and borrowings are primarily medium term notes and secured bank loans. The Target Group's medium term notes are issued under its S$500 million Multicurrency Debt Issuance Programme which was first established in April 2013. The Target Group's secured bank loans are secured over property, plant and equipment with carrying amounts of S$616.09 million, S$414.91 million and S$412.52 million as at 31 December 2016, 31 December 2015 and 31 December 2014 respectively.

The Target Group's current liabilities portion of the Target Group's loans and borrowings is primarily revolving short-term trade facilities, in respect of short-term trade related self-liquidating facilities to finance the Target Group's commodity marketing and financial services business. These are secured by bank balances and fixed deposits with carrying amounts of S$5.70 million as at 31 December 2016, warrantable LME commodities with carrying amounts of S$123.74 million as at 31 December 2016, trade and other receivables with carrying amounts of S$165.83 million and inventories with carrying amounts of S$597.46 million.

Capital Commitments

	Year ended 31 December		
	2014	**2015**	**2016**
	S$'000	*S$'000*	*S$'000*
Capital commitments:			
– contracted for but not provided	–	237,861	51,543
– authorised but not contracted	315,388	16,322	52,045
	315,388	254,183	103,588

The Target Group's capital commitments mainly consisted of the construction cost of its mega integrated logistics hub and a container storage facility and equipment. During the Track Record Period, the Target Group's capital commitments amounted to S$315.39 million, S$254.18 million and S$103.59 million, respectively, for each of the three years ended 31 December 2014, 2015 and 2016.

The Target Group leases land, warehouse facilities, offices and motor vehicles under operating leases. The leases typically run for an initial period of 1 to 50 years, with some having an option to renew the lease after the expiry dates. Lease payments for land are revised on an annual basis to reflect the market rental whilst other lease payments are revised in accordance with the lease contracts or on renewal to reflect market rental. None of the leases includes contingent rental.

The Target Group contracts out part of its leasehold buildings to clients under logistic contracts. The contracts typically run for an initial period of 1 to 6 years. Rates may be escalated during the initial period pursuant to the contract or are revised at renewal of contract to reflect market rate. None of the contracts includes contingent payments.

Capital Expenditures

	Year ended 31 December		
	2014	**2015**	**2016**
	S$'000	*S$'000*	*S$'000*
Leasehold land, buildings and improvements	6,328	9,727	5,970
Freehold land	154	116	–
Exploration and evaluation assets	293	38	146
Plant, machinery and equipment	5,593	5,746	4,371
Motor vehicles and trailers	3,452	2,640	5,473
Furniture, fittings computers and office equipment	2,773	3,601	2,014
Assets-under-construction	95,640	25,182	208,206
Intangible assets	2,009	1,327	276
	116,242	48,377	226,456

The Target Group's capital expenditures consisted of expenditures on property, plant and equipment and expenditures mainly on construction of logistics properties and material handling equipment. During the Track Record Period, the Target Group incurred capital expenditures of S$116.24 million, S$48.38 million and S$226.46 million, respectively, for each of the three years ended 31 December 2014, 2015 and 2016.

SHARE CAPITAL

As at the Latest Practicable Date, CWT had 600,304,650 issued and fully paid shares with no par value. The holders of the shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of CWT. All shares rank equally with regard to CWT's residual assets.

FUTURE PLANS

Based on the information made available by the Target Group in its recent annual reports, the Target Group will implement the following plans:

Logistics Services

The Target Group will continue to expand on its capabilities in supply chain logistics while optimising intra-group synergies to better serve customers worldwide. The Target Group began construction of its mega integrated logistics hub in Singapore in 2014, which is expected to increase its 7 million plus square feet of existing global warehouse portfolio by a third in the third quarter of 2017 when the mega integrated logistics hub becomes operational. The larger capacity and integrated services offering of the mega hub will allow for business scalability and create supply chain efficiency and flexibility for its customers. The Target Group believes that this investment will help solidify its leading position as an integrated logistics provider.

The Target Group will also focus on its strategy to dominate niche logistics segments. In the chemical sector, supply chain and logistics represent a high share of cost and are critical for service level and top-line results. Logistics services providers play a crucial role in helping chemical companies reduce supply chain costs and manage their operations more efficiently. In this regard, the Targets Group plans to continue to provide strategic advice on the design of logistical systems, supplementing the skill base and providing an external perspective to its clients in this sector. For its freight logistics business, the Target Group plans to concurrently pursue both growth and cost efficiency by fine-tuning its growth strategy and continuing its focus on seeking out organic growth.

Financial Services

The Target Group will continue to expand its product offerings with a focus to remain boutique and specialised. The Target Group plans to build a presence in new markets to capture opportunities on both the buy and sell sides and to better serve its clients.

Engineering Services

Due to the intense competition in the maintenance business and an ageing workforce which creates a tight market situation, the Target Group will continue to invest in information technology, better equipment and staff training to increase its productivity and competitiveness in this business segment.

The following is the text of a report set out on page II-1 to II-114, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, and KPMG LLP, Public Accountants and Chartered Accountants, Singapore, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HNA HOLDING GROUP CO. LIMITED

Introduction

We report on the Historical Financial Information of CWT Limited (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages II-3 to II-114, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2014, 31 December 2015 and 31 December 2016 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2014, 31 December 2015 and 31 December 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-3 to II-114 forms an integral part of this report, which has been prepared for inclusion in the circular of HNA Holding Group Co. Limited (the "Company") dated 30 June 2017 (the "Circular") in connection with the proposed acquisition of the Target Group by the Company.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design 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. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2014, 31 December 2015 and 31 December 2016 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with IFRSs.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-3 have been made.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 June 2017

KPMG LLP
Public Accountants and
Chartered Accountants
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

30 June 2017

A HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG LLP, Singapore in accordance with International Standards on Auditing issued by the IAASB ("Underlying Financial Statements").

Consolidated statements of profit or loss
(Expressed in Singapore dollars)

	Section B Note	**Year ended 31 December 2014** *SG$'000*	**2015** *SG$'000*	**2016** *SG$'000*
Revenue	*34*	14,194,352	9,931,619	9,251,854
Cost of sales		(13,863,549)	(9,595,421)	(8,931,045)
Gross profit		330,803	336,198	320,809
Other income		6,795	13,297	11,872
Administrative expenses		(168,077)	(184,067)	(191,498)
Other operating expenses		(12,740)	(25,899)	(11,870)
Profit from operations		156,781	139,529	129,313
Net finance costs	*37*	(37,143)	(21,957)	(36,750)
Share of profit of associates and joint ventures, net of tax		12,010	14,148	12,238
Profit before taxation	*35*	131,648	131,720	104,801
Income tax	*38*	(17,787)	(17,801)	(25,781)
Profit for the year		113,861	113,919	79,020
Attributable to:				
Owners of the Target Company		112,411	108,911	73,559
Non-controlling interests		1,450	5,008	5,461
Profit for the year		113,861	113,919	79,020
Earnings per share (cents)				
Basic and diluted	*39*	18.73	18.14	12.25

Consolidated statements of profit or loss and other comprehensive income

(Expressed in Singapore dollars)

	Year ended 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Profit for the year	113,861	113,919	79,020
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:			
Defined benefit plan remeasurements	(5,113)	396	3,701
Tax on other comprehensive income	493	(44)	(341)
	(4,620)	352	3,360
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences relating to foreign operations	13,379	23,936	1,154
Foreign currency translation differences reclassified to profit or loss on settlement of quasi-equity loans	–	–	(5,214)
Foreign currency translation differences reclassified to profit or loss on disposal of subsidiaries	888	71	–
Net change in fair value of available-for-sale financial assets	3,749	(10,279)	388
Net change in fair value of available-for-sale financial assets reclassified to profit or loss upon disposals	(1,778)	(7,493)	–
Effective portion of changes in fair value of cash flow hedges	394	601	454
Share of other comprehensive income of associates and joint ventures	1,557	(69)	(1,294)
Tax on other comprehensive income	(201)	176	(695)
	17,988	6,943	(5,207)
Other comprehensive income for the year, net of income tax	13,368	7,295	(1,847)
Total comprehensive income for the year	127,229	121,214	77,173
Attributable to:			
Owners of the Target Company	126,542	116,500	72,832
Non-controlling interests	687	4,714	4,341
Total comprehensive income for the year	127,229	121,214	77,173

Consolidated statements of financial position

(Expressed in Singapore dollars)

	Section B Note	As at 31 December 2014	2015	2016
		SG$'000	SG$'000	SG$'000
Non-current assets				
Property, plant and equipment	4	571,958	562,684	744,218
Intangible assets	5	136,011	126,933	119,662
Investment property		–	–	574
Associates	7	30,604	30,755	28,656
Joint ventures	8	30,782	32,030	31,278
Financial assets	9	129,745	93,960	30,016
Non-current receivables	10	10,259	23,003	15,232
Deferred tax assets	12	6,272	6,355	4,084
Other non-current assets	13	5,626	6,000	5,833
		921,257	881,720	979,553
Current assets				
Inventories	14	771,469	536,911	605,004
Assets held for sale	23	4,394	1,374	930
Trade and other receivables	16	2,102,506	2,171,912	2,545,548
Warrantable LME Commodities	20	114,777	306,298	550,370
Financial assets	9	114	212,744	282,261
Derivative financial instruments	27	98,698	126,620	112,793
Tax recoverable		1,371	1,834	1,634
Cash and cash equivalents	21	341,997	310,341	334,376
		3,435,326	3,668,034	4,432,916
Total assets		4,356,583	4,549,754	5,412,469
Equity				
Capital and reserves attributable to owners of the Target Company				
Share capital	24	174,338	174,338	174,338
Reserves	25	590,774	665,064	699,903
		765,112	839,402	874,241
Non-controlling interests	40	26,371	28,664	29,803
Total equity		791,483	868,066	904,044
Liabilities				
Current liabilities				
Liabilities held for sale	23	61	62	–
Trade and other payables	30	1,940,229	2,082,120	2,383,029
Loans and borrowings	26	872,876	817,249	1,504,910
Derivative financial instruments	27	67,636	65,652	172,607
Employee benefits	28	3,913	3,544	–
Current tax payable		18,329	26,518	25,371
Deferred gains	31	18,560	12,185	7,344
Provisions	32	2,735	5,439	2,978
		2,924,339	3,012,769	4,096,239
Non-current liabilities				
Trade and other payables	30	9,282	8,134	4,300
Loans and borrowings	26	557,751	610,175	366,505
Derivative financial instruments	27	1,375	733	137
Employee benefits	28	19,703	20,239	15,261
Deferred tax liabilities	12	30,082	19,228	19,567
Deferred gains	31	22,568	10,410	6,416
		640,761	668,919	412,186
Total liabilities		3,565,100	3,681,688	4,508,425
Total equity and liabilities		4,356,583	4,549,754	5,412,469
Net current assets		510,987	655,265	336,677
Total assets less current liabilities		1,432,244	1,536,985	1,316,230

Consolidated statements of changes in equity

(Expressed in Singapore dollars)

	Attributable to owners of the Target Company										
	Share capital *SG$'000*	Fair value reserve *SG$'000*	Currency translation reserve *SG$'000*	Hedging reserve *SG$'000*	Capital reserve *SG$'000*	Statutory reserve *SG$'000*	Other reserve *SG$'000*	Retained Profits *SG$'000*	Total *SG$'000*	Non-controlling interests *SG$'000*	Total equity *SG$'000*
Balance at 1 January 2014	174,338	17,071	(24,104)	(1,395)	(813)	1,307	(661)	493,807	659,550	27,659	687,209
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	112,411	112,411	1,450	113,861
Other comprehensive income											
Exchange differences arising from translation of foreign operations	–	–	14,269	–	–	–	–	–	14,269	(890)	13,379
Exchange differences reclassified to profit or loss on disposal of subsidiaries	–	–	888	–	–	–	–	–	888	–	888
Fair value changes on available-for-sale financial assets	–	3,749	–	–	–	–	–	–	3,749	–	3,749
Fair value changes on available-for-sale financial assets reclassified to profit or loss arising on disposals	–	(1,778)	–	–	–	–	–	–	(1,778)	–	(1,778)
Effective portion of changes in fair value of cash flow hedges	–	–	–	267	–	–	–	–	267	127	394
Share of other comprehensive income of associates and joint ventures	–	(19)	1,568	30	–	(23)	–	1	1,557	–	1,557
Defined benefit plan remeasurements	–	–	–	–	–	–	–	(5,113)	(5,113)	–	(5,113)
Tax on other comprehensive income	–	(201)	–	–	–	–	–	493	292	–	292
Total other comprehensive income	–	1,751	16,725	297	–	(23)	–	(4,619)	14,131	(763)	13,368
Total comprehensive income	–	1,751	16,725	297	–	(23)	–	107,792	126,542	687	127,229

	Attributable to owners of the Target Company										
	Share capital *SG$'000*	Fair value reserve *SG$'000*	Currency translation reserve *SG$'000*	Hedging reserve *SG$'000*	Capital reserve *SG$'000*	Statutory reserve *SG$'000*	Other reserve *SG$'000*	Retained Profits *SG$'000*	Total *SG$'000*	Non-controlling interests *SG$'000*	Total equity *SG$'000*
Transactions with owners of the Target Company, recognised directly in equity											
Contributions by and distributions to owners of the Target Company											
Dividend paid to owners of the Target Company (3.5 cents per share)	–	–	–	–	–	–	–	(21,011)	(21,011)	–	(21,011)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,352)	(2,352)
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	453	453
Total contributions by and distributions to owners of the Target Company	–	–	–	–	–	–	–	(21,011)	(21,011)	(1,899)	(22,910)
Transfer of reserves											
Transfer to statutory reserve in compliance with foreign entities' statutory requirements	–	–	–	–	6	190	–	(196)	–	–	–
Changes in ownership interest in subsidiaries											
Changes in non-controlling interests	–	–	(4)	–	53	–	–	(18)	31	(415)	(384)
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	–	–	–	–	339	339
Total changes in ownership interest in subsidiaries	–	–	(4)	–	53	–	–	(18)	31	(76)	(45)
Total transactions with owners of the Target Company	–	–	(4)	–	59	190	–	(21,225)	(20,980)	(1,975)	(22,955)
Balance at 31 December 2014	174,338	18,822	(7,383)	(1,098)	(754)	1,474	(661)	580,374	765,112	26,371	791,483

	Attributable to owners of the Target Company										
	Share capital SG$'000	Fair value reserve SG$'000	Currency translation reserve SG$'000	Hedging reserve SG$'000	Capital reserve SG$'000	Statutory reserve SG$'000	Other reserve SG$'000	Retained Profits SG$'000	Total SG$'000	Non-controlling interests SG$'000	Total equity SG$'000
Balance at 1 January 2015	174,338	18,822	(7,383)	(1,098)	(754)	1,474	(661)	580,374	765,112	26,371	791,483
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	108,911	108,911	5,008	113,919
Other comprehensive income											
Exchange differences arising from translation of foreign operations	–	–	24,423	–	–	–	–	–	24,423	(487)	23,936
Exchange differences reclassified to profit or loss on disposal of subsidiaries	–	–	71	–	–	–	–	–	71	–	71
Fair value changes on available-for-sale financial assets	–	(10,279)	–	–	–	–	–	–	(10,279)	–	(10,279)
Fair value changes on available-for-sale financial assets reclassified to profit or loss arising on disposals	–	(7,493)	–	–	–	–	–	–	(7,493)	–	(7,493)
Effective portion of changes in fair value of cash flow hedges	–	–	–	408	–	–	–	–	408	193	601
Share of other comprehensive income of associates and joint ventures	–	–	(116)	47	–	–	–	–	(69)	–	(69)
Defined benefit plan remeasurements	–	–	–	–	–	–	–	396	396	–	396
Tax on other comprehensive income	–	176	–	–	–	–	–	(44)	132	–	132
Total other comprehensive income	–	(17,596)	24,378	455	–	–	–	352	7,589	(294)	7,295
Total comprehensive income	–	(17,596)	24,378	455	–	–	–	109,263	116,500	4,714	121,214

	Attributable to owners of the Target Company										
	Share capital SG$'000	Fair value reserve SG$'000	Currency translation reserve SG$'000	Hedging reserve SG$'000	Capital reserve SG$'000	Statutory reserve SG$'000	Other reserve SG$'000	Retained Profits SG$'000	Total SG$'000	Non-controlling interests SG$'000	Total equity SG$'000
Transactions with owners of the Target Company, recognised directly in equity											
Contributions by and distributions to owners of the Target Company											
Dividend paid to owners of the Target Company (7.0 cents per share)	–	–	–	–	–	–	–	(42,021)	(42,021)	–	(42,021)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(4,177)	(4,177)
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	1,643	1,643
Total contributions by and distributions to owners of the Target Company	–	–	–	–	–	–	–	(42,021)	(42,021)	(2,534)	(44,555)
Transfer of reserves											
Transfer to statutory reserve in compliance with foreign entities' statutory requirements	–	–	–	–	–	107	–	(107)	–	–	–
Changes in ownership interest in subsidiaries											
Changes in non-controlling interests	–	–	(41)	–	(91)	–	–	(57)	(189)	113	(76)
Total transactions with owners of the Target Company	–	–	(41)	–	(91)	107	–	(42,185)	(42,210)	(2,421)	(44,631)
Balance at 31 December 2015	174,338	1,226	16,954	(643)	(845)	1,581	(661)	647,452	839,402	28,664	868,066

	Attributable to owners of the Target Company										
	Share capital *SG$'000*	Fair value reserve *SG$'000*	Currency translation reserve *SG$'000*	Hedging reserve *SG$'000*	Capital reserve *SG$'000*	Statutory reserve *SG$'000*	Other reserve *SG$'000*	Retained Profits *SG$'000*	Total *SG$'000*	Non-controlling interests *SG$'000*	Total equity *SG$'000*
Balance at 1 January 2016	174,338	1,226	16,954	(643)	(845)	1,581	(661)	647,452	839,402	28,664	868,066
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	73,559	73,559	5,461	79,020
Other comprehensive income											
Exchange differences arising from translation of foreign operations	–	–	2,425	–	–	–	–	–	2,425	(1,271)	1,154
Exchange differences reclassified to profit or loss on settlement of quasi-equity loans	–	–	(5,214)	–	–	–	–	–	(5,214)	–	(5,214)
Fair value changes on available-for-sale financial assets	–	388	–	–	–	–	–	–	388	–	388
Effective portion of changes in fair value of cash flow hedges	–	–	–	303	–	–	–	–	303	151	454
Share of other comprehensive income of associates and joint ventures	–	–	(1,344)	50	–	–	–	–	(1,294)	–	(1,294)
Defined benefit plan remeasurements	–	–	–	–	–	–	–	3,701	3,701	–	3,701
Tax on other comprehensive income	–	(695)	–	–	–	–	–	(341)	(1,036)	–	(1,036)
Total other comprehensive income	–	(307)	(4,133)	353	–	–	–	3,360	(727)	(1,120)	(1,847)
Total comprehensive income	–	(307)	(4,133)	353	–	–	–	76,919	72,832	4,341	77,173

	Attributable to owners of the Target Company										
	Share capital *SG$'000*	Fair value reserve *SG$'000*	Currency translation reserve *SG$'000*	Hedging reserve *SG$'000*	Capital reserve *SG$'000*	Statutory reserve *SG$'000*	Other reserve *SG$'000*	Retained Profits *SG$'000*	Total *SG$'000*	Non-controlling interests *SG$'000*	Total equity *SG$'000*
Transactions with owners of the Target Company, recognised directly in equity											
Contributions by and distributions to owners of the Target Company											
Dividend paid to owners of the Target Company (6.0 cents per share)	–	–	–	–	–	–	–	(36,018)	(36,018)	–	(36,018)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(4,149)	(4,149)
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	631	631
Total contributions by and distributions to owners of the Target Company	–	–	–	–	–	–	–	(36,018)	(36,018)	(3,518)	(39,536)
Transfer of reserves											
Transfer to statutory reserve in compliance with foreign entities' statutory requirements	–	–	–	–	–	1,264	–	(1,264)	–	–	–
Changes in ownership interest in subsidiaries											
Changes in non-controlling interests	–	–	(80)	–	(1,895)	–	–	–	(1,975)	316	(1,659)
Total transactions with owners of the Target Company	–	–	(80)	–	(1,895)	1,264	–	(37,282)	(37,993)	(3,202)	(41,195)
Balance at 31 December 2016	174,338	919	12,741	(290)	(2,740)	2,845	(661)	687,089	874,241	29,803	904,044

Consolidated statements of cash flows

(Expressed in Singapore dollars)

	Section B Note	**2014** *SG$'000*	**2015** *SG$'000*	**2016** *SG$'000*
		Year ended 31 December		
Cash flows from operating activities				
Profit before taxation		131,648	131,720	104,801
Adjustments for:				
Interest expense		33,844	37,025	39,267
Interest income		(16,667)	(17,100)	(13,059)
Dividend income from financial assets		(5,276)	(4,303)	(2,773)
Gain on fair value change of financial assets designated at fair value through profit or loss		(26)	–	9
Depreciation of property, plant and equipment and investment property	4	31,016	37,179	37,530
Net (gain)/loss on disposal or liquidation of:				
– Financial assets		(1,772)	(7,432)	–
– Property, plant and equipment and intangible assets		27	(629)	319
– Subsidiaries and joint ventures		1,199	(361)	(22)
– Other non-current assets		6	–	–
Property, plant and equipment written-off		–	12,663	–
Gain on exercise of put and call options		(4)	–	–
Share of profit of associates and joint ventures		(12,010)	(14,148)	(12,238)
Amortisation of intangible assets	5	9,615	10,465	7,900
Amortisation and reversal of deferred gains		(35,445)	(19,136)	(12,185)
Impairment losses on:				
– Property, plant and equipment		–	1,281	–
– Intangible assets		637	3,069	–
– Trade and other receivables		841	4,107	6,713
– Prepayments		–	–	1,257
– A subsidiary held-for-sale		–	1,517	–
Insurance recovery		–	(5,639)	–
Employee benefits expense net payments		1,342	(1,062)	(5,010)
Provisions		387	2,702	(2,480)
Operating profit before working capital changes brought forward		139,362	171,918	150,029

	Section B Note	Year ended 31 December 2014 SG$'000	2015 SG$'000	2016 SG$'000
Operating profit before working capital changes carried forward		139,362	171,918	150,029
Changes in working capital:				
Inventories		91,075	285,749	(57,468)
Trade and other receivables		153,081	44,483	(336,544)
Trade and other payables		(14,161)	47,870	318,967
Derivative financial instruments		(79,943)	(27,732)	121,882
Current financial assets		(40,290)	(183,506)	(237,962)
Cash generated from/(used in) operations		249,124	338,782	(41,096)
Income taxes paid		(12,000)	(21,514)	(21,851)
Net cash generated from/(used in) operating activities		237,124	317,268	(62,947)
Cash flows from investing activities				
Interest received		16,243	15,694	14,871
Dividends received from:				
– Associates and joint ventures		6,116	11,693	13,045
– Financial assets		5,276	4,303	2,773
Purchases of:				
– Property, plant and equipment		(111,440)	(44,887)	(221,533)
– Intangible assets		(2,009)	(1,327)	(276)
– Financial assets		–	(212,836)	(282,342)
Investment in exploration and evaluation assets		(293)	(38)	(146)
Guarantee deposits with a clearing corporation		(99)	(1,962)	551
Net proceeds from disposals of:				
– Property, plant and equipment and intangible assets		1,494	2,727	1,283
– Financial assets		3,710	25,446	209,786
– Other non-current assets		3	–	–
– Subsidiaries, net of cash disposed of		(13)	(8)	–
– Joint venture		61	–	–
Acquisition of interests in subsidiaries, net of cash acquired	*41*	(20,461)	–	–
Deferred consideration paid for acquisition of subsidiary		(27,658)	(24,856)	(1,225)
Insurance claims received on property, plant and equipment		–	–	4,992
Loans to non-controlling interests		(66)	(35)	(175)
Repayment of loans from:				
– Non-controlling interests		6	–	540
– Joint ventures		1,812	–	1,084
Net cash used in investing activities		(127,318)	(226,086)	(256,772)

	Section B Note	Year ended 31 December 2014 *SG$'000*	2015 *SG$'000*	2016 *SG$'000*
Cash flows from financing activities				
Interest paid		(34,656)	(35,553)	(41,774)
Dividends paid:				
– Owners of the Target Company		(21,011)	(42,021)	(36,018)
– Non-controlling interests		(2,352)	(4,177)	(4,149)
Acquisition of non-controlling interests		–	(311)	(1,659)
Capital contributions from non-controlling interests		453	1,643	631
Repayment of finance lease obligations		(1,376)	(1,313)	(890)
Repayment of loans from non-controlling interests		(200)	(160)	(2,571)
Net (repayment)/proceeds from short-term bank borrowings		(176,302)	(107,034)	571,159
Proceeds from long-term bank borrowings		175,261	4,840	18,796
Repayment of long-term bank borrowings		(6,256)	(51,617)	(161,937)
Net proceeds from issue of notes payable		99,381	99,181	–
Loans from non-controlling interests		23	26	217
Changes in pledged cash balances and fixed deposits		(26,136)	7,392	13,028
Net cash generated from/(used in) financing activities		6,829	(129,104)	354,833
Net increase/(decrease) in cash and cash equivalents		116,635	(37,922)	35,114
Cash and cash equivalents at beginning of the year		191,064	313,368	291,665
Effect of exchange rate fluctuations on balances held in foreign currencies		5,669	16,219	334
Cash and cash equivalents at end of the year	*21*	313,368	291,665	327,113

Significant non-cash transactions:

In 2016, the Target Group received an investment property of SG$686,000 (2015: SG$Nil; 2014: SG$Nil) in full settlement of a long outstanding debt due from a debtor. In the same year, the Target Group acquired an available-for-sale financial asset, being the convertible bonds issued by a customer amounting to SG$795,000 (2015: SG$Nil; 2014: SG$57,535,000) as part of the consideration received for a construction project.

In 2015, the dividend income from an associate in 2015 of SG$986,000 was converted to a loan to the associate.

In 2014, the dividend income from an associate in 2014 of SG$2,051,000 was converted to a loan to the associate.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 DOMICILE AND ACTIVITIES

CWT Limited (the "Target Company") was incorporated in the Republic of Singapore in 1970 and has its registered office at 38 Tanjong Penjuru, CWT Logistics Hub 1, Singapore 609039.

The principal activities of the Target Company and its subsidiaries (together, the "Target Group") are the provision of warehousing and logistics services, transportation services, import and export services, cargo consolidation and freight forwarding services, container depot operations, commodity marketing, inventory management services, engineering services, design-and-build of logistics facilities and financial services.

2 BASIS OF PREPARATION

(a) Statement of compliance

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in Note 3.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Target Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2016. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2016 are set out in Note 48.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

(b) Basis of measurement

The Historical Financial Information have been prepared on the historical cost basis except as disclosed in the accounting policies set out below.

(c) Functional and presentation currency

The Historical Financial Information is presented in Singapore dollars, which is the Target Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Historical Financial Information is included in the following notes:

- Note 3(l) – Accounting for repurchase and resale agreements

- Note 3(f) – Accounting for an arrangement containing a sale and leaseback transaction

The key assumptions concerning the future, and other key sources at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are described in the following notes:

- Note 4 – Impairment assessment, provision for restoration costs and depreciation of property, plant and equipment
- Note 5 – Measurement of recoverable amounts for goodwill impairment test
- Note 15 – Measurement of allowance for foreseeable losses
- Note 28 – Measurement of other long term employee benefit obligations
- Note 29 – Measurement of retirement benefit obligations
- Note 32 – Measurement of provisions
- Note 38 – Assessment of income tax provision
- Note 41 – Determination of purchase considerations (including deferred and contingent considerations), valuation of assets, liabilities and contingent liabilities acquired in business combinations
- Note 42 – Allowance for doubtful receivables and valuation of financial instruments

Measurement of fair values

A number of the Target Group's accounting policies require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Target Group has an established control framework with respect to the measurement of fair values. This includes a Group Accounts Department ("GAD") that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Group Chief Financial Officer.

The GAD regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the GAD assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Chief Financial Officer.

When measuring the fair value of an asset or a liability, the Target Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

– Note 41 – Acquisition of subsidiaries

– Note 42 – Financial risk management

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information, and have been applied consistently by Target Group entities.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Target Group. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Target Group measures goodwill at the date of acquisition as:

– the fair value of the consideration transferred; plus

– the recognised amount of any non-controlling interests in the acquiree; plus

– if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

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

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

Non-controlling interests ("NCI") that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquirer's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis specified is required by IFRSs.

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

(ii) Subsidiaries

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

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

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Target Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Target Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Target Group equity and any gain/loss arising is recognised directly in equity.

(iv) Loss of control

Upon the loss of control, the Target Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Target Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Investments in associates and joint ventures (equity-accounted investees)

Associates are those entities in which the Target Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Target Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Target Group has joint control, whereby the Target Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method and are recognised initially at cost, which includes transaction costs. The cost of the investments includes transaction costs.

Subsequent to initial recognition, the Historical Financial Information include the Target Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Target Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Target Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Target Group has an obligation or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

Intra-Target Group balances and transactions, and any unrealised income and expenses arising from intra-Target Group transactions, are eliminated in preparing the Historical Financial Information. Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Target Group's interest in the entity. Significant unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vii) Subsidiaries, associates and joint ventures in the Target company-level statement of financial position

Investments in subsidiaries, associates and joint ventures are stated in the Target company-level statement of financial position at cost less accumulated impairment losses.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Target Group entities at exchange rates at the dates of the transactions. The functional currencies of the Target Group entities are mainly the Singapore dollar, United States dollar, Euro and the Renminbi. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical costs are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss except for the following differences which are recognised in other comprehensive income arising on the translation of:

– available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss); or

– qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (currency translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Target Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Target Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation, while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

(c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

– the cost of materials and direct labour;

– any other costs directly attributable to bringing the assets to a working condition for their intended use;

– when the Target Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and

– capitalised borrowing costs.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each part of an item of property, plant and equipment. Freehold land and assets-under-construction are not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives are as follows:

–	Leasehold land and buildings	5 to 52 years
–	Leasehold improvements	15 years
–	Plant, machinery and equipment	5 to 10 years
–	Motor vehicles and trailers	5 to 10 years
–	Furniture, fittings, computers and office equipment	1 to 5 years

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

Assets-under-construction are stated at cost. Expenditure directly attributable to assets-under-construction is capitalised when incurred. Depreciation will commence when the asset is ready for use.

(d) Mining properties

Costs directly attributable to the construction and development of a mine are capitalised as mine development until such time as production commences.

The construction and development costs together with the capitalised exploration costs, are amortised over the unit of production from the period when production commences. Costs that are not directly attributable to construction and development are recognised in profit or loss as incurred.

Restoration, rehabilitation and decommissioning costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalised into the cost of mining properties. Such costs are estimated on the basis of a formal closure plan and are subject to regular review.

Capitalised restoration, rehabilitation and decommissioning costs are charged to profit or loss through depreciation of the assets and unwinding of the discount on the provision.

The costs for restoration of site damage, which arises during production, are provided at their net present values and charged against profit or loss as extraction progresses.

The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

(e) Mineral exploration, evaluation, stripping and development costs

(i) Pre-mining rights

Costs incurred prior to obtaining mining rights are expensed in the period in which they are incurred.

(ii) Exploration and evaluation costs

Once the legal right to explore has been acquired, exploration and evaluation cost for an area of interest, other than that acquired from the purchase of another Target Company, is charged to profit or loss as incurred, except when the costs will be recouped from future exploitation or sale of the area of interest and it is planned to continue with active and significant operations in relation to the area, or at the reporting period end, the activity has not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves, in which case the cost is capitalised. Exploration and evaluation costs include researching and analysing historical exploration data, exploratory drilling, trenching, sampling, and the costs of pre-feasibility studies. Purchased exploration and evaluation assets are recognised at their fair value at acquisition if purchased as part of a business combination.

General and administrative costs are allocated to an exploration and evaluation asset only to the extent that these costs can be related directly to operational activities in the relevant area of interest.

All capitalised exploration and evaluation cost is monitored for indications of impairment. Where a potential impairment is indicated, an assessment is performed for each area of interest or at the cash generating unit level.

Once reserves are established and development is sanctioned, exploration and evaluation assets are transferred to "Mining Properties". No amortisation is charged during the exploration and evaluation phase.

(iii) Stripping costs

Stripping costs are costs incurred in the waste removal activity known as stripping activity.

Pre-production stripping costs

Pre-production stripping costs are capitalised as part of "Mines Development" if it improves access to a mine and meet the following criteria:

– it is probable that the future economic benefits will flow to the entity;

– the entity can identify the component of the ore body to which access has been improved; and

– the costs incurred can be measured reliably.

These capitalised costs are amortised on a systematic basis using the units of production method once production begins.

Pre-production stripping costs are expensed as incurred if it does not meet the above criteria.

Capitalisation of pre-production stripping costs ceases at the time that saleable material begins to be extracted from the mine.

Production stripping costs

Production stripping commences at the time that saleable materials begin to be extracted from the mine and normally continues throughout the life of a mine.

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future.

The production stripping costs are accounted for as part of the cost of producing inventories if the benefits are realised in the form of inventory produced in the period.

Where the benefits are realised in the form of improved access to ore to be mined in the future, the production stripping costs are recognised as a non-current asset, referred to as a stripping activity asset, if the following criteria are met:

– future economic benefits (being improved access to the ore body) are probable;

– the component of the ore body for which access will be improved can be accurately identified; and

– the costs associated with the improved access can be reliably measured.

Production stripping costs that are not used for the production of inventory and do not meet the above criteria are expensed as incurred.

Recognition

Stripping costs are recognised when the stripping activity takes place.

Measurement

The stripping activity asset is initially measured at cost, which comprises the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Target Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition of mining properties.

After initial recognition, the stripping activity asset shall be carried at cost less accumulated depreciation and accumulated impairment.

Depreciation

The stripping asset is depreciated on a systematic basis over the expected useful life of the identified component of the mine/ore. The unit of production method is applied unless another method is more appropriate.

(iv) Development costs

Development costs incurred is accumulated for each area of interest in which economically recoverable resources have been identified and recognised as "Mines Development". Such costs comprise costs directly attributable to the construction of a mine and the related infrastructure. Mines Development is reclassified as "Mining Properties" at the end of the commissioning phase when the mine is capable of operating in the manner intended by management.

When further development cost is incurred in respect of a mining property after the commencement of production, such costs are capitalised as part of the mining property when it is probable that additional economic benefits associated with the expenditure will flow to the Target Group. Otherwise, such costs are charged to profit and loss when incurred.

No depreciation is recognised in respect of mines development until they are reclassified as "Mining Properties".

Mines development are tested for impairment on each reporting period.

(f) Leases

Finance leases are recognised as assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, if not the incremental borrowing rate shall be used.

(i) When entities within the Target Group are lessors of a finance lease

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Target Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on the Target Group's net investment outstanding in respect of the leases.

(ii) When entities within the Target Group are lessees of a finance lease

Leased assets in which the Target Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(iii) When the entities within the Target Group are lessors of an operating lease

Assets subject to operating leases are included in leasehold buildings and are stated at cost less accumulated depreciation and impairment losses. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(iv) When the entities within the Target Group are lessees of an operating lease

Where the Target Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease.

(v) Sale and leaseback transactions

In a sale and leaseback of an asset, the excess of the sale proceeds over the carrying amount of the asset is recognised immediately in income except where the transaction results in a finance lease or where the sale price is above the fair value of asset leased back in an operating lease. Where the sale and leaseback results in a finance lease, the excess of the sale proceeds over the carrying amount of the asset is deferred and amortised over the term of the finance lease. Where the sale proceeds are in excess of the fair value of an asset sold and leased back in an operating lease, the excess of the sale proceeds over the fair value of the asset is deferred and amortised over the period for which the asset is expected to be used.

If the sale results in a loss, the loss is recognised immediately except where the sale price is below fair value which is compensated by future lease payments at below market price; in which case, the difference is deferred and amortised over the period the asset is expected to be used.

(g) Intangible assets

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill represents the excess of:

– the fair value of the consideration transferred; plus

– the recognised amount of any non-controlling interests in the acquiree; plus

– if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a negative goodwill is recognised immediately in profit or loss.

(ii) Subsequent measurement

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

(iii) Other intangible assets

Other intangible assets are measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

– *Computer software*

Computer software which is acquired by the Target Group, where it is not an integral part of the related hardware, is treated as an intangible asset. Computer software is stated at cost less accumulated amortisation and impairment losses.

Computer software is amortised to profit or loss using the straight-line method over its estimated useful life of 3 to 5 years.

– *Customer contracts*

Customer contracts relate to the estimated value of contracts acquired in a business combination; and have finite lives and are measured at cost less accumulated amortisation and impairment losses.

Customer contracts are amortised to profit or loss using the straight-line method over the customers' contract periods of 1 to 10 years.

– *London Metal Exchange ("LME") licence*

The licence relates to the estimated licence value acquired in a business combination and has finite life and is measured at cost less accumulated amortisation and impairment losses.

LME licence is amortised to profit or loss using the straight-line method over its estimated useful life of 30 years.

– *Port Concession Rights ("PCR")*

PCR relates to the estimated value of PCR arising from a foreign warehouse located and operated within a port concession area that was acquired in a business combination. It has finite life and is measured at cost less accumulated amortisation and impairment losses.

PCR is amortised to profit or loss using the straight-line method over its estimated useful life of 36 years.

– *Business Relationships ("BRS")*

BRS relates to the estimated economic benefits from business relationship arising from a business combination. BRS refers to business relationships between suppliers and customers. BRS is estimated to have finite life and is measured at cost less accumulated amortisation and impairment losses.

BRS is amortised to profit or loss using the straight-line basis over its estimated useful life of 4 to 10 years.

– *Brand ("BD")*

BD relates to the estimated economic benefits from brand arising from a business combination. BD refers to the acquired Company's good reputation and name known in the market. BD is estimated to have finite life and is measured at cost less accumulated amortisation and impairment losses.

BD is amortised to profit or loss on a straight-line basis over its estimated useful life of 5 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Investment property

Investment property is a property held either to earn rental income or for capital appreciation, or both, but not for sale in ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Except for the freehold land, investment property is measured at cost on initial recognition and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Freehold land is stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property and transaction costs.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful life of 40 years.

Depreciation method, useful life and residual value are reviewed at each reporting date and adjusted if appropriate.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(i) Inventories

Inventories principally comprise commodities held for trading and inventories that form part of the Target Group's normal purchase, sale or usage requirements for its processing activities.

Inventories of metals and energy commodities acquired with the purpose of selling them in the near term and generating a profit from fluctuations in price, where the Target Group acts as a broker-trader, are measured at fair value less costs to sell.

All other inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost is determined on a first-in, first-out (FIFO) basis and includes the full costs of materials, freight and insurance and all other costs incurred in bringing the inventories to their present location and condition.

Allowance is made where necessary for obsolete, slow moving and defective inventories.

(j) Warrantable LME commodities

Warrantable LME commodities comprise highly liquid commodities acquired with the intention of selling them in the near term, where the Target Group acts as a broker-trader. These are measured at fair value less costs to sell.

(k) Contract work-in-progress

Contract work-in-progress comprises uncompleted service contracts.

Contract work-in-progress at the reporting date is recorded in the statement of financial position at cost plus attributable profit less recognised losses, net of progress billings and allowances for foreseeable losses, and is presented in the statement of financial position as contract work-in-progress (as an asset) or as excess of progress billings over contract work-in-progress (as a liability), as applicable. Cost includes all expenditure related directly to specific contracts and an allocation of fixed and variable overheads incurred in the Target Group's contract activities based on normal operating capacity.

Allowance is made where applicable for any foreseeable losses on uncompleted contracts as soon as the possibility of the loss is ascertained.

Progress claims not yet paid by the customer are included in the statement of financial position under progress billings receivable.

(l) Financial instruments

(i) Derivative financial instruments

The Target Group holds derivative financial instruments to hedge its foreign currency, commodity price and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair values at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or liabilities.

Derivative financial instruments relate to the commodity trading activities and consist of instruments such as commodity futures, commodity options, commodity fixed price forward contracts and other forward contracts with determinable pricing. All purchases and sales of derivative financial instruments are recognised on the trade date, which is the date that the Target Group commits to sell or purchase the asset. All realised and unrealised gains and losses arising from changes in the fair value of derivative financial instruments are included in profit or loss in the period in which they arise.

The fair value of publicly traded derivatives is based on quoted market prices at the reporting date. The fair value of commodity fixed price forward contracts is calculated as the present value of the estimated future cash flows. The fair value of foreign exchange forward contracts is determined using forward foreign exchange market rates at the reporting date.

Hedge accounting

At the inception of a hedge relationship, the Target Group formally designates and documents the hedge relationship to which the Target Group wishes to apply hedge accounting, as well as its risk management objectives and strategy for undertaking the hedge transactions. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of risk being hedged and how the entity assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

The Target Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income/income statement relating to the hedged item.

Hedge accounting is discontinued when the Target Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Repurchase and resale agreements

In the ordinary course of business, certain subsidiaries of the Target Group enter into commodity trading transactions where inventories or financial instruments are sold subject to repurchase agreements ('repos'). In these instances, the inventories remain on the statement of financial position with the recording of a corresponding liability. Inventories or financial instruments purchased with agreements to re-sell at a fixed price on a future date ('reverse-repos') are recorded as trade receivables, and the underlying asset is not recognised in the Historical Financial Information.

The Target Group also enters into non-structured commodity purchase and sale agreements with the option, but not the obligation, to re-purchase the inventories. In such instance, the option to repurchase is accounted for as a separately recognised derivative financial instrument at fair value through profit or loss.

(ii) Non-derivative financial assets

The Target Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Target Group becomes a party to the contractual provisions of the instrument.

The Target Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Target Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Target Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Target Group classifies non-derivative financial assets into the following categories: loans and receivables, available-for-sale financial assets, and financial assets at fair value through profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Target Group in the management of its short-term commitments. For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at banks, bank overdrafts and fixed deposits net of bank balances and fixed deposits pledged with banks.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Target Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Target Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

Held-to-maturity financial assets

If the Target Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

(iii) Non-derivative financial liabilities

The Target Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities are recognised initially on the trade date, which is the date that the Target Group becomes a party to the contractual provisions of the instrument.

The Target Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Target Group has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Target Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These financial liabilities comprise loans and borrowings, and trade and other payables.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(m) Impairment – non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Target Group on terms that the Target Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Loans and receivables

The Target Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Target Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in profit or loss. However, any subsequent recovery in the fair value of an impairment of available-for-sale equity security is recognised in other comprehensive income.

(n) Impairment – non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. The Target Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

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

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

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

(o) Provisions

Provision is recognised when the Target Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Target Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Target Group recognises any impairment loss on the assets associated with that contract.

(p) Non-current asset held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held-for-sale. Immediately before classification as held-for-sale, the assets, or components of a disposal group, are re-measured in accordance with the Target Group's accounting policies. Thereafter, the assets, or disposal group, classified as held for sale, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro-rata basis. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(q) Revenue recognition

(i) Provision of logistics services

Provided it is probable that the economic benefits will flow to the Target Group, and that the revenue and costs can be measured reliably, revenues from the provision of logistics services are recognised as follows:

Freight forwarding

Export revenue is recognised when the cargos are delivered to the carriers and import revenue is recognised upon the arrival of cargos.

Distribution services, and repair and maintenance services

Revenues from distribution services, and repair and maintenance services are recognised as and when the services are rendered.

(ii) Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from the sale of certain commodities is initially recorded based on 100% of the provisional sales prices. Until final settlement occurs, adjustments to the provisional sales price are made to take into account metal price changes, based upon the month-end spot price and metal quantities upon receipt of the final assay and weight certificates, if different from the initial certificates. The Target Group marks to market its provisional sales based on the forward price for the estimated month of settlement. In the statement of financial position, such mark to market adjustments is included within 'accrued income' or "accrued expenses".

(iii) Financial services income

Commission and brokerage fee income

When the Target Group acts in the capacity of an agent rather than as a principal in a transaction, the revenue recognised is the net amount of commission earned by the Target Group. Commission income is recognised as earned when trades are executed by clients.

Transaction fee income

Transaction fee represents the margin earned from executing sale and purchase contracts. Transaction fee is recognised in income when the contracts are executed.

Service income and interest income

Service income is recognised when the services are rendered. Interest income is accrued on a time basis, by reference to the principal amount outstanding and at the effective interest rate applicable.

(iv) Warehouse rental income

Warehouse rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Contract revenue

When the outcome of the service contract can be estimated reliably, contract revenue and costs are recognised as income and expense using the percentage of completion method, measured by reference to the contract activity. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred and revenue is recognised only to the extent of contract costs incurred that can probably be recovered.

(vi) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the profit or loss.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus representing amounts due from customers is shown as 'progress billings receivable' and included under "trade and other receivables". For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus representing amounts due to customers is shown as "advance billings and billings in excess of costs incurred and recognised profits" and included under "trade and other payables". Amounts received before the related work is performed are shown as "customer advances" and included under "deferred income".

(r) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

All short-term employee benefits, including accumulated compensated absences, are recognised in profit or loss in the period in which the employees render their services.

(iii) Defined benefit plans

The Target Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset to the Target Group, the recognised asset is limited to the present value of the economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. The Target Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Target Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Other employee benefits

The Target Group operates other long-term employee benefit schemes. Every year the Target Group calculates the amount to be debited/credited to the bonus pool under the schemes. Such amounts are recognised in the profit or loss. Payments to beneficiaries are dependent on certain conditions such as minimum service period and long-term profitability. Payments within 12 months to beneficiaries after the service period are reclassified from non-current liabilities to current liabilities.

(s) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gain on disposal of available-for-sale financial assets and gain on fair value adjustment of derivative financial instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Target Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on deferred consideration, loss on fair value adjustment of derivative financial instruments and financial assets, and bank commissions that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

Borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(t) Government grants

Government grants received in relation to the purchase or construction of assets are deducted against the costs of the assets acquired. These government grants are recognised in profit or loss on a straight-line basis over the useful lives of the assets by way of a reduced depreciation charge.

(u) Income tax expense

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Target Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Target Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Target Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(v) Earnings per share

The Target Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Target Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(w) Segment reporting

An operating segment is a component of the Target Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Target Group's other components. All operating segments' operating results are reviewed regularly by the Group CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities and corporate expenses arising from group functions.

Segment capital expenditure is the total costs incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

4 PROPERTY, PLANT AND EQUIPMENT

Target Group

	Note	Leasehold land, buildings and improvements SG$'000	Freehold land SG$'000	Exploration and evaluation assets SG$'000	Plant, machinery and equipment SG$'000	Motor vehicles and trailers SG$'000	Furniture, fittings, computers and office equipment SG$'000	Assets-under-construction SG$'000	Total SG$'000
Cost:									
At 1 January 2014		333,378	6,370	5,923	64,106	27,889	18,097	165,734	621,497
Additions		6,328	154	293	5,593	3,452	2,773	95,640	114,233
Disposal of subsidiaries		–	–	–	(4)	(27)	(19)	–	(50)
Acquisition through business combinations	41	3,850	–	–	115	22	25	–	4,012
Transfers		173,080	–	–	2,384	–	–	(175,464)	–
Disposals		(728)	–	–	(2,634)	(2,585)	(124)	–	(6,071)
Effect of movement in exchange rates		(7,399)	(2,872)	(651)	(1,462)	(205)	(309)	5	(12,893)
At 31 December 2014		508,509	3,652	5,565	68,098	28,546	20,443	85,915	720,728
At 1 January 2015		508,509	3,652	5,565	68,098	28,546	20,443	85,915	720,728
Additions		9,727	116	38	5,746	2,640	3,601	25,182	47,050
Transfers and reclassifications		95,724	–	–	(4,289)	153	(505)	(91,083)	–
Disposals		(5,687)	–	–	(7,781)	(5,127)	(2,198)	–	(20,793)
Write-off		(14,045)	–	–	–	–	–	–	(14,045)
Effect of movement in exchange rates		(3,218)	(868)	64	(340)	(140)	(102)	3	(4,601)
At 31 December 2015		591,010	2,900	5,667	61,434	26,072	21,239	20,017	728,339
At 1 January 2016		591,010	2,900	5,667	61,434	26,072	21,239	20,017	728,339
Additions		5,970	–	146	4,371	5,473	2,014	208,206	226,180
Transfers and reclassifications		3,164	–	–	(2,907)	68	61	(386)	–
Reclassification to assets held-for-sale		(511)	–	–	(1,022)	(13)	–	–	(1,546)
Disposals		(799)	–	–	(2,791)	(4,815)	(942)	–	(9,347)
Write-off		–	(2,437)	–	–	–	–	–	(2,437)
Effect of movement in exchange rates		(5,262)	(35)	(1,038)	(1,822)	(399)	(561)	(2)	(9,119)
At 31 December 2016		593,572	428	4,775	57,263	26,386	21,811	227,835	932,070
Accumulated depreciation and impairment losses:									
At 1 January 2014		66,449	3,150	–	32,432	13,241	10,961	–	126,233
Depreciation charge for the year		18,397	–	–	6,479	3,311	2,829	–	31,016
Disposals		(549)	–	–	(2,267)	(1,747)	(52)	–	(4,615)
Disposal of subsidiaries		–	–	–	(1)	(8)	(7)	–	(16)
Effect of movement in exchange rates		(1,509)	(1,426)	–	(643)	(123)	(147)	–	(3,848)
At 31 December 2014		82,788	1,724	–	36,000	14,674	13,584	–	148,770

	Note	Leasehold land, buildings and improvements	Freehold land	Exploration and evaluation assets	Plant, machinery and equipment	Motor vehicles and trailers	Furniture, fittings, computers and office equipment	Assets-under-construction	Total
		SG$'000	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*
At 1 January 2015		82,788	1,724	–	36,000	14,674	13,584	–	148,770
Depreciation charge for the year		23,868	–	–	7,096	3,151	3,064	–	37,179
Reclassifications		530	–	–	(666)	199	(63)	–	–
Impairment loss		–	1,281	–	–	–	–	–	1,281
Disposals		(5,291)	–	–	(7,195)	(4,053)	(2,067)	–	(18,606)
Write-off		(1,382)	–	–	–	–	–	–	(1,382)
Effect of movement in exchange rates		(740)	(538)	–	(191)	(40)	(78)	–	(1,587)
At 31 December 2015		99,773	2,467	–	35,044	13,931	14,440	–	165,655
At 1 January 2016		99,773	2,467	–	35,044	13,931	14,440	–	165,655
Depreciation charge for the year		24,893	–	–	6,943	3,086	2,600	–	37,522
Reclassifications		450	–	–	(543)	128	(35)	–	–
Impairment loss		(483)	–	–	(307)	(3)	–	–	(793)
Disposals		(502)	–	–	(2,343)	(4,524)	(838)	–	(8,207)
Write-off		–	(2,437)	–	–	–	–	–	(2,437)
Effect of movement in exchange rates		(2,240)	(30)	–	(967)	(185)	(466)	–	(3,888)
At 31 December 2016		121,891	–	–	37,827	12,433	15,701	–	187,852
Carrying amounts:									
At 31 December 2014		425,721	1,928	5,565	32,098	13,872	6,859	85,915	571,958
At 31 December 2015		491,237	433	5,667	26,390	12,141	6,799	20,017	562,684
At 31 December 2016		471,681	428	4,775	19,436	13,953	6,110	227,835	744,218

During the year, the Target Group acquired property, plant and equipment with an aggregate cost of SG$1,668,000 (2015: SG$1,938,000; 2014: SG$305,000) under finance lease arrangements. At the reporting date, the carrying amount of property, plant and equipment of the Target Group held under finance lease and hire purchase arrangements amounted to SG$6,606,000 (2015: SG$2,492,000; 2014: SG$1,794,000) and SG$77,000 (2015: SG$118,000; 2014: SG$158,000) respectively.

During the financial year, the Target Group capitalised the following expenses in assets-under-construction:

	Target Group As at 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Operating lease expense	1,448	1,766	1,805
Interest expense	2,273	188	2,834
	3,721	1,954	4,639

The Target Group capitalised interest expense in assets-under-construction, with a capitalisation rate of 4.61% (2015: 2.35%; 2014: 2.51%).

The following are the significant accounting estimates on the Target Group's property, plant and equipment and judgements used in applying accounting policies:

(a) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on the straight-line basis over their estimated useful lives, after taking into account the estimated residual values. The Target Group reviews the estimated useful lives and residual values of the assets regularly in order to determine the amount of depreciation expense to be recorded in each financial year. Changes in the expected level of use of the assets and the Target Group's historical experience with similar assets, after taking into account anticipated technological changes, could impact the economic useful lives and the residual values of the assets; therefore future depreciation charges could be revised. Any changes in the economic useful lives could impact the depreciation charge and consequently, affect the Target Group's results.

During the year, there were no changes in the useful lives or residual values of the Target Group's property, plant and equipment.

(b) Provisions for restoration

In some lease agreements, the Target Group are required to carry out site restoration work upon expiry of the leases. At 31 December 2016, the Target Group have provisions for site restoration of SG$2,579,000 (2015: SG$1,667,000; 2014: SG$1,356,000). The expected site restoration costs are based on estimated costs of dismantling and removing assets and restoring the premises to their original conditions provided by external contractors.

(c) Impairment assessment

The Target Group has substantial investments in property, plant and equipment for its logistics and warehousing businesses. Each of these warehouse properties (including land) and the related plant and equipment form a separate cash-generating unit ("CGU"). Management evaluates the performance of the CGUs annually and performs an impairment assessment for CGUs with impairment trigger, where applicable. The recoverable amount of a CGU is determined based on the higher of fair value less costs to sell and value-in-use. No impairment trigger was identified during the year.

In 2015, one of the subsidiaries, Pryzma Ltd, recognised an impairment loss of SG$1,281,000 on the remaining carrying amount of its freehold land which has become idle since the termination of the warehouse property project. The impairment loss, determined by fair value less cost to sell, was recognised in other operating expenses in the profit or loss.

In 2015, the Target Group wrote-off leasehold buildings and improvements with a carrying amount of SG$12,663,000 as a result of the damage suffered from the Tianjin blast on 12 August 2015. In 2015, the Target Group has also recognised the estimated insurance recovery of SG$5,639,000 for the building. In 2016, the Target Group received partial insurance claim of SG$4,992,000.

5 INTANGIBLE ASSETS

Target Group

	Note	**Goodwill** *SG$'000*	**Computer software** *SG$'000*	**Customer contracts** *SG$'000*	**LME licence** *SG$'000*	**Port concession rights** *SG$'000*	**Business relationship** *SG$'000*	**Brand** *SG$'000*	**Total** *SG$'000*
Cost:									
At 1 January 2014		75,338	4,555	7,935	10,198	11,340	32,341	20,869	162,576
Additions		–	2,009	–	–	–	–	–	2,009
Acquisition through business combinations	*41*	14,927	–	811	–	–	–	–	15,738
Disposals		–	(248)	–	–	–	–	–	(248)
Disposal of subsidiaries		(1,199)	(3)	–	–	–	–	–	(1,202)
Effect of movement in exchange rates		1,232	(73)	–	–	(862)	1,599	1,032	2,928
At 31 December 2014		90,298	6,240	8,746	10,198	10,478	33,940	21,901	181,801
At 1 January 2015		90,298	6,240	8,746	10,198	10,478	33,940	21,901	181,801
Additions		–	1,327	–	–	–	–	–	1,327
Disposals		–	(20)	–	–	–	–	–	(20)
Disposal of subsidiaries		(533)	–	–	–	–	–	–	(533)
Effect of movement in exchange rates		1,660	(40)	–	–	(403)	2,370	1,529	5,116
At 31 December 2015		91,425	7,507	8,746	10,198	10,075	36,310	23,430	187,691
At 1 January 2016		91,425	7,507	8,746	10,198	10,075	36,310	23,430	187,691
Additions		–	276	–	–	–	–	–	276
Disposals		–	(420)	–	–	–	–	–	(420)
Effect of movement in exchange rates		845	2	–	–	(127)	724	467	1,911
At 31 December 2016		92,270	7,365	8,746	10,198	9,948	37,034	23,897	189,458
Accumulated amortisation and impairment loss:									
At 1 January 2014		2,672	2,775	6,882	2,465	1,644	8,085	10,435	34,958
Amortisation charge for the year		–	801	561	340	303	3,408	4,202	9,615
Impairment loss		637	–	–	–	–	–	–	637
Disposals		–	(183)	–	–	–	–	–	(183)
Disposal of subsidiaries		–	(2)	–	–	–	–	–	(2)
Effect of movement in exchange rates		(104)	(231)	–	–	(137)	544	693	765
At 31 December 2014		3,205	3,160	7,443	2,805	1,810	12,037	15,330	45,790
At 1 January 2015		3,205	3,160	7,443	2,805	1,810	12,037	15,330	45,790
Amortisation charge for the year		–	1,199	606	340	275	3,489	4,556	10,465
Impairment loss		2,588	–	–	–	–	481	–	3,069
Disposals		–	(20)	–	–	–	–	–	(20)
Disposal of subsidiaries		(533)	–	–	–	–	–	–	(533)
Effect of movement in exchange rates		(112)	10	–	–	(66)	954	1,201	1,987
At 31 December 2015		5,148	4,349	8,049	3,145	2,019	16,961	21,087	60,758

	Note	Goodwill	Computer software	Customer contracts	LME licence	Port concession rights	Business relationship	Brand	Total
		SG$'000	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*
At 1 January 2016		5,148	4,349	8,049	3,145	2,019	16,961	21,087	60,758
Amortisation charge for the year		–	1,147	430	340	275	3,426	2,282	7,900
Disposals		–	(15)	–	–	–	–	–	(15)
Effect of movement in exchange rates		144	6	–	–	(26)	501	528	1,153
At 31 December 2016		5,292	5,487	8,479	3,485	2,268	20,888	23,897	69,796
Carrying amounts:									
At 31 December 2014		87,093	3,080	1,303	7,393	8,668	21,903	6,571	136,011
At 31 December 2015		86,277	3,158	697	7,053	8,056	19,349	2,343	126,933
At 31 December 2016		86,978	1,878	267	6,713	7,680	16,146	–	119,662

Brand was initially recognised upon the acquisition of MRI Trading AG in 2011. The brand was fully amortised as at 31 December 2016.

The amortisation charge is recognised in the following line items in profit or loss:

	Target Group As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Cost of sales	32	35	64
Administration expenses	769	1,164	1,084
Other operating expenses	8,814	9,266	6,752
	9,615	10,465	7,900

Impairment testing for cash-generating units ("CGUs") containing goodwill

For the purpose of impairment testing, goodwill is allocated to the following CGUs, which represent the lowest level within the Target Group at which the goodwill is monitored for internal management purposes:

	Target Group As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
LME warehousing	3,269	3,269	3,269
General warehousing – Africa	2,977	1,539	1,772
General warehousing – Europe	9,142	8,610	8,298
Inventory management services	5,967	6,038	6,060
Freight forwarding	3,310	3,278	3,270
Defence logistics	5,482	5,482	5,482
Commodity marketing	41,504	42,629	43,480
Integrated logistics	14,927	14,927	14,927
Others	515	505	420
	87,093	86,277	86,978

The recoverable amounts of the CGUs have been determined based on value-in-use calculations using cash flow projections derived from financial budgets covering five-year periods and approved by senior management.

The key assumptions used in the value-in-use calculation of the CGUs are as follows:

Revenue – The revenue growth rates used are estimated taking into account past performance trends and forecasts included in industry reports.

Budgeted gross margins – The budgeted gross margins used in the forecasts are based on past performance trends and expectations of market developments.

Terminal value – The terminal value is estimated by using the fifth year cash flow through perpetuity at zero growth rate and discounting it.

Discount rates – The discount rates used are pre-tax and reflect the weighted average cost of capital adjusted for the risks specific to the respective CGUs.

The pre-tax discount rates applied to the cash flow projections of each of the CGUs are as follows:

	As at 31 December		
	2014	**2015**	**2016**
LME warehousing	8.8%	9.5%	9.6%
General warehousing – Africa	14.0%	15.7%	14.9%
General warehousing – Europe	8.7%	8.7%	8.8%
Inventory management services	9.4%	14.6%	9.8%
Freight forwarding	10.0%	10.8%	14.0%
Defence logistics	9.2%	9.3%	8.9%
Commodity marketing	7.4% – 7.8%	7.9%	7.8%
Integrated logistics	9.8%	9.5%	9.6%

Management has identified that a reasonably possible change in the discount rate could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which this assumption would need to change for individual CGU for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount As at 31 December		
	2014	**2015**	**2016**
Discount rate			
LME warehousing	1.8%	3.1%	5.2%
General warehousing – Africa	6.0%	0.0%	3.4%
General warehousing – Europe	4.3%	7.2%	9.9%
Inventory management services	18.9%	2.4%	9.6%
Freight forwarding	11.1%	9.6%	5.0%
Defence logistics	6.6%	0.0%	0.0%
Commodity marketing	6.4%	3.6%	13.2%
Integrated logistics	6.2%	2.3%	0.7%

In 2014, an impairment charge of SG$637,000 had been recorded in the profit or loss for the goodwill arising from the commodity marketing CGU. This resulted from a decline in the value-in-use of the CGU as cash flow projections were reduced. The decline in the cash flow projection for the CGU was due to the uncertainty in the metal trading business.

In 2015, an impairment charge of SG$987,000 has been recorded in the profit or loss for the goodwill arising from the general warehousing – Africa. This resulted from a decline in the value-in-use of the CGU as cash flow projections were reduced. The decline in cash flow projection for the CGU was driven by the increased likelihood of lower cargo flow into South Africa due to the anticipated slower recovery in African markets. Following the impairment loss recognised for the CGU, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in the key assumptions would lead to further impairment.

In 2015, the Target Group also recognised impairment loss amounting to SG$1,601,000 and SG$481,000 for the goodwill and business relationship respectively arising from the commodity marketing CGU. This resulted from the cessation of business operations of certain subsidiaries in the commodity marketing CGU during the year.

6 SUBSIDIARIES

	Target Company As at 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Unquoted equity shares, at cost	214,088	229,203	229,328
Quasi-equity loans	270,498	259,842	197,477
	484,586	489,045	426,805
Less: Accumulated impairment losses			
– At 1 January	(18,843)	(18,843)	(18,824)
– Write back	–	19	91
– Write off	–	–	3,570
At 31 December	(18,843)	(18,824)	(15,163)
	465,743	470,221	411,642

Quasi-equity loans to subsidiaries are interest-free and form part of the Target Company's net investments in subsidiaries. The loans are unsecured and settlement is neither planned nor likely to occur in the foreseeable future.

Impairment of investment in subsidiaries – Target Company only

When a subsidiary is in net liabilities position or has suffered recurring operating losses, a test is made whether the investment in the subsidiary has suffered any impairment by determining the recoverable amount. This determination requires significant judgment. An estimate is made of the future profitability of the subsidiary, the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. The recoverable amount of the investee could change significantly as a result of changes in market conditions and the assumptions used in determining the recoverable amount.

Details of the significant subsidiaries are as follows:

Name of subsidiaries	**Country of incorporation/ business**	**Particulars of issued and paid up capital and debt securities**	**Effective interest held by the Target Group**			**Principal activity**
			2014	**2015**	**2016**	
CWT Logistics Pte Ltd[1]	Singapore	5,002,502 shares of SG$1 each	100%	100%	100%	Provision of warehousing and logistics services
Force 21 Equipment Pte Ltd[1]	Singapore	2,000,000 shares of SG$1 each	70%	70%	70%	Provision of warehousing and logistics services
Indeco Engineers Pte Ltd[1]	Singapore	6,000,146 shares of SG$3.43 each	100%	100%	100%	Management and maintenance of vehicles and equipment, supply and installation of engineering products, and design-and-build for logistics properties
CWT Integrated Pte Ltd[1]	Singapore	20,000,000 shares of SG$1 each	100%	100%	100%	Provision of warehousing and logistics services
CWT Globelink Pte Ltd[1]	Singapore	800,000 shares of SG$1 each	100%	100%	100%	Provision of transportation, sea freight forwarding services and container freight station services
Globelink-Trans (Tianjin) International Forwarding Co., Ltd[2]	People's Republic of China	10,656,640 shares of RMB1 each	100%	100%	100%	Provision of transportation and sea freight forwarding services and container freight station services
MRI Group Pte Ltd[1]	Singapore	131,588,000 shares of US$1 each	100%	100%	100%	Physical trading and supply chain management of base metal non-ferrous concentrates and energy

Name of subsidiaries	Country of incorporation/ business	Particulars of issued and paid up capital and debt securities	Effective interest held by the Target Group 2014	2015	2016	Principal activity
MRI Trading AG[2]	Switzerland	115,933 shares of CHF 10 each	100%	100%	100%	Physical trading and supply chain management of base metal non-ferrous concentrates and energy products
Straits Singapore Pte Ltd[1]	Singapore	13,000,000 shares of US$1 each	97.8%	97.4%	97.4%	Provision of financial brokerage and structured trade services
Straits Financial Group Pte Ltd[1]	Singapore	58,652,000 shares of US$1 each	97.8%	97.4%	97.4%	Investment holding
Straits Financial Services Pte Ltd[1]	Singapore	30,000,000 shares of US$1 each	97.8%	97.4%	97.4%	Provision of financial brokerage services
Straits Financial LLC[3]	United States of America	33,000,000 shares of US$1 each	94.8%	94.4%	94.4%	Provision of financial brokerage services
CWT Commodities Pte Ltd[1]	Singapore	2,000,000 shares of SG$1 each	100%	100%	100%	Provision of warehousing and logistics services
CWT Aquarius Shipping International (Pty) Ltd[4]	South Africa	1,333 shares of R1 each	70%	70%	70%	Provision of warehousing and logistics services, transportation and freight forwarding services
CWT-ASI Africa Ltd[5]	South Africa	1,333 shares of R1 each	70%	70%	70%	Provision of warehousing and logistics services, transportation and freight forwarding services
CWT Commodities (Indochine) Pte Ltd[1]	Singapore	500,000 shares of SG$1 each	100%	100%	100%	Provision of warehousing and logistics services

Name of subsidiaries	Country of incorporation/ business	Particulars of issued and paid up capital and debt securities	Effective interest held by the Target Group 2014	2015	2016	Principal activity
CWT Commodities (Metals) Pte Ltd[1]	Singapore	4,000,000 shares of SG$1 each	100%	100%	100%	Provision of warehousing and logistics services
CWT Commodities (China) Pte Ltd[1]	Singapore	500,000 shares of SG$1 each	100%	100%	100%	Provision of warehousing and logistics services
CWT Europe B.V. Group[2]	The Netherlands	90,000 shares of EUR1 each	70%	70%	70%	Provision of warehousing and logistics services

1 Audited by KPMG LLP, Singapore

2 Audited by other member firms of KPMG International

3 Audited by McGladrey LLP, USA

4 Audited by BDO South Africa Incorporated

5 Audited by BDO Mauritius

7 ASSOCIATES

	Target Group As at 31 December 2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Investments in associates	30,251	30,380	28,270
Quasi-equity loan	353	375	386
	30,604	30,755	28,656

Investments in associates include goodwill on acquisition of SG$2,401,000 (2015: SG$2,401,000; 2014: SG$2,401,000).

The quasi-equity loan to an associate is interest-free and forms part of the Target Group's net investment in associates. The loan is unsecured and settlement is neither planned nor likely to occur in the foreseeable future.

The Target Group has one (2015: one; 2014: one) associate that is material and a number of associates that are individually immaterial to the Target Group. All are equity accounted.

The following are details for the material associate:

Name of associate	Country of incorporation/ business	Nature of relationship with the Target Group	Effective interest held by the Target Group		
			2014	2015	2016
Globelink West Star Shipping LLC ("West Star")[1]	United Arab Emirates	Provider of air, ocean and ground transportation, custom clearing and warehousing services	49%	49%	49%

1 Audited by other member firm of KPMG International

The Target Group has not recognised share of losses of SG$Nil (2015: SG$Nil; 2014: SG$74,000) and cumulative share of losses of SG$86,000 (2015: SG$327,000; 2014: SG$348,000) relating to an associate.

The following table summarises the financial information of the Target Group's material associate based on its financial statements prepared in accordance with Financial Reporting Standards in Singapore ("FRSs"), modified for differences in the Target Group's accounting policies. The table also includes summarised financial information for the Target Group's interest in immaterial associates, based on the amounts reported in the Historical Financial Information.

	West Star	Immaterial associates	Total
	SG$'000	*SG$'000*	*SG$'000*
2014			
Revenue	286,727		
Profit	9,068		
Other comprehensive income	1,795		
Total comprehensive income	10,863		
Non-current assets	7,998		
Current assets	61,158		
Non-current liabilities	(7,083)		
Current liabilities	(22,685)		
Net assets	39,388		
Target Group's interest in net assets of investee at beginning of the year	19,895	9,474	29,369
Target Group's share of:			
– profit	4,443		
– other comprehensive income	894		
– total comprehensive income	5,337	2,878	8,215
Dividends received during the year	(4,578)	(2,402)	(6,980)
Carrying amount of interest in investee at end of the year	20,654	9,950	30,604

	West Star SG$'000	Immaterial associates SG$'000	Total SG$'000
2015			
Revenue	318,323		
Profit	12,480		
Other comprehensive income	3,833		
Total comprehensive income	16,313		
Non-current assets	9,516		
Current assets	70,275		
Non-current liabilities	(8,874)		
Current liabilities	(29,858)		
Net assets	41,059		
Target Group's interest in net assets of investee at beginning of the year	20,654	9,950	30,604
Target Group's share of:			
– profit	6,115		
– other comprehensive income	1,878		
– total comprehensive income	7,993	2,462	10,455
Quasi-equity loan	22	–	22
Reclassification of an associate to joint venture	–	(933)	(933)
Dividends received during the year	(7,175)	(2,218)	(9,393)
Carrying amount of interest in investee at end of the year	21,494	9,261	30,755
2016			
Revenue	297,351		
Profit	10,221		
Other comprehensive income	405		
Total comprehensive income	10,626		
Non-current assets	9,036		
Current assets	61,740		
Non-current liabilities	(9,696)		
Current liabilities	(26,694)		
Net assets	34,386		
Target Group's interest in net assets of investee at beginning of the year	21,494	9,261	30,755
Target Group's share of:			
– profit	5,008		
– other comprehensive income	232		
– total comprehensive income	5,240	1,459	6,699
Dividends received during the year	(8,499)	(299)	(8,798)
Carrying amount of interest in investee at end of the year	18,235	10,421	28,656

8 JOINT VENTURES

	Target Group As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Investments in joint ventures	30,782	31,258	31,278
Quasi-equity loans	–	772	–
	30,782	32,030	31,278

Investments in joint ventures include goodwill on acquisition of SG$9,503,000 (2015: SG$9,503,000; 2014: SG$9,503,000).

The quasi-equity loans to joint ventures were interest-free and form part of the Target Group's net investments in the joint ventures.

The Target Group has one (2015: one; 2014: one) joint venture that is material and a number of joint ventures that are individually immaterial to the Target Group. All are equity accounted.

The following is for the material joint venture:

Name of joint venture	Country of incorporation/ business	Nature of relationship with the Target Group	Effective interest held by the Target Group 2014	2015	2016
CWT-SML Logistics LLC ("CWT-SML")[1]	United Arab Emirates	Provision of warehousing, distribution and forwarding services	40%	40%	40%

1 Audited by Deloitte & Touche, United Arab Emirates

The following table summarises the financial information of Target Group's material joint venture, based on its financial statements prepared in accordance with FRS, modified for differences in Target Group's accounting policies. The table also includes summarised financial information for the Target Group's interest in immaterial joint ventures, based on the amounts reported in the Historical Financial Information.

	CWT-SML	Immaterial joint ventures	Total
	SG$'000	*SG$'000*	*SG$'000*
2014			
Revenue	16,313		
Profit	4,739		
Other comprehensive income	1,267		
Total comprehensive income[a]	6,006		

a Includes:

– depreciation and amortisation of SG$1,822,000

– interest expense of SG$40,000

	CWT-SML SG$'000	Immaterial joint ventures SG$'000	Total SG$'000
Non-current assets	25,015		
Current assets[b]	5,070		
Non-current liabilities	(255)		
Current liabilities	(2,280)		
Net assets	27,550		

b Includes cash and cash equivalents of SG$2,305,000

	CWT-SML SG$'000	Immaterial joint ventures SG$'000	Total SG$'000
Target Group's interest in net assets of investee at beginning of the year	9,414	19,071	28,485
Target Group's share of:			
– profit	1,896		
– other comprehensive income	507		
– total comprehensive income	2,403	2,904	5,307
Repayments of quasi-equity loans	(798)	(1,014)	(1,812)
Dividends received during the year	–	(1,091)	(1,091)
Disposal during the year	–	(107)	(107)
Carrying amount of interest in investee at end of the year	11,019	19,763	30,782

	CWT-SML SG$'000
2015	
Revenue	15,907
Profit	3,400
Other comprehensive income	1,948
Total comprehensive income[a]	5,348

a Includes: depreciation and amortisation of SG$2,017,000

	CWT-SML SG$'000
Non-current assets	26,790
Current assets[b]	7,442
Non-current liabilities[c]	(2,149)
Current liabilities[d]	(2,188)
Net assets	29,895

b Includes cash and cash equivalents of SG$3,956,000

c Includes non-current financial liabilities (excluding trade and other payables and provisions) of SG$1,931,000

d Includes current financial liabilities (excluding trade and other payables and provisions) of SG$252,000

	CWT-SML	Immaterial joint ventures	Total
	SG$'000	*SG$'000*	*SG$'000*
Target Group's interest in net assets of investee at beginning of the year	11,019	19,763	30,782
Target Group's share of:			
– profit	1,360		
– other comprehensive income	779		
– total comprehensive income	2,139	1,285	3,424
Target Group's contribution during the year	772	145	917
Dividends received during the year	(1,201)	(2,823)	(4,024)
Reclassification of an associate to joint venture	–	933	933
Disposal during the year	–	(2)	(2)
Carrying amount of interest in investee at end of the year	12,729	19,301	32,030

2016	
Revenue	18,111
Profit	4,454
Other comprehensive income	745
Total comprehensive income[a]	5,199

a Includes: depreciation and amortisation of SG$2,192,000

Non-current assets	27,129
Current assets[b]	11,270
Non-current liabilities	(728)
Current liabilities	(2,575)
Net assets	35,096

b Includes cash and cash equivalents of SG$7,356,000

	CWT-SML	Immaterial joint ventures	Total
Target Group's interest in net assets of investee at beginning of the year	12,729	19,301	32,030
Target Group's share of:			
– profit	1,782		
– other comprehensive income	298		
– total comprehensive income	2,080	2,165	4,245
Repayment of quasi-equity loan	(772)	–	(772)
Dividends received during the year	–	(4,247)	(4,247)
Disposal during the year	–	22	22
Carrying amount of interest in investee at end of the year	14,037	17,241	31,278

The Target Group's share of the joint ventures' commitments is as follows:

		As at 31 December	
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
(a) Non-cancellable operating lease commitments			
Payable:			
– Within 1 year	700	800	876
– After 1 year but within 5 years	2,107	2,085	2,509
– After 5 years	11,056	11,311	11,134
	13,863	14,196	14,519
(b) Capital commitments	–	21	2

9 FINANCIAL ASSETS

		Target Group As at 31 December	
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Non-current			
Available-for-sale financial assets:			
– Quoted equity securities listed in Singapore, measured at fair value	68,420	33,672	29,972
– Unquoted equity securities, measured at cost less accumulated impairment	44	44	44
– Convertible bonds, measured at fair value	61,281	60,244	–
	129,745	93,960	30,016
Current			
Available-for-sale financial assets:			
– Unquoted wealth management products, measured at fair value	–	70,544	–
– Convertible bonds, measured at fair value	–	–	65,208
Held-to-maturity financial assets:			
– Quoted treasury securities, measured at amortised cost using the effective interest method, less accumulated impairment	–	142,090	216,953
Financial assets designated at fair value through profit or loss:			
– Quoted equity securities listed in Singapore	114	110	100
	114	212,744	282,261

The convertible bonds represent consideration received from a customer (the issuer of the convertible bonds) for a construction project. The convertible bonds are unquoted with zero coupon rate and redeemable upon the expiry of three years after the T.O.P. is issued for the completed project or earlier if a redemption event has occurred. A subsidiary of the Target Company can convert the bonds to the ordinary shares of the issuer, which is not listed, if the redemption event does not occur three years after the TOP is obtained. The TOP was issued on 30 September 2015. The convertible bonds were not bifurcated as the economic characteristics and risks of the embedded derivative are closely related to the economic characteristics and risk of the host contract. The convertible bonds were classified to current asset as at 31 December 2016 as it is expected to be redeemed in 2017.

The wealth management products of SG$70,544,000 as at 31 December 2015 related to investment products issued and managed by banks whereby the pool of funds are invested in bonds, notes, trust assets, money market instruments and assets generating fixed returns. The wealth management products were unquoted with an expected return of 4.60% to 5.60% per annum as at 31 December 2015 which matured between April to July 2016. The wealth management products' principal and expected returns are not guaranteed by the banks. The wealth management products were an integral part of the structured transactions and were fully pledged to secure the related bills payable amounting to SG$74,275,000 as at 31 December 2015. In 2015, a subsidiary of the Target Group signed an agreement with a group of unrelated companies which jointly guaranteed the full principal and expected return of the wealth management products. The wealth management products matured as per the original principal and the expected return, and were used to settle the secured bills payable in full. In 2016, these were redeemed in full.

The treasury securities are quoted with an interest rate of 0.88% (2015: 0.63%) that mature between 2 to 12 months (2015: 12 months). The treasury securities are purchased using customer segregated funds held and pledged as margin deposit with the Exchange. Quoted treasury securities are issued by the government of the United States of America.

10 NON-CURRENT RECEIVABLES

		Target Group		
		As at 31 December		
	Note	**2014**	**2015**	**2016**
		SG$'000	*SG$'000*	*SG$'000*
Loans to non-controlling interests		2,564	2,577	2,066
Loan to a joint venture	*18*	305	293	–
Loans to associates	*19*	962	5,180	5,253
Loan to a third party		802	1,063	208
Finance lease receivables	*11*	273	30	–
Guarantee deposits with clearing corporation		3,447	5,650	5,212
Retention receivable		–	2,960	964
Others		1,906	1,704	1,529
Loans and receivables		10,259	19,457	15,232
Prepayments		–	3,546	–
		10,259	23,003	15,232

The loans to non-controlling interest comprise SG$2,066,000 (2015: SG$2,033,000; 2014: SG$1,902,000) that is interest-free and SG$Nil (2015: SG$544,000; 2014: SG$662,000) that bears interest rate at Nil% (2015: 12.00%; 2014: 1.73% to 12.00%) per annum. The loans are unsecured and payable in 2019. The loans were given to the non-controlling interest of, 75% owned subsidiary, CWT Commodities (Mongolia) Pte. Ltd. for the purpose of investing in the joint project. The joint project involves land ownership and development of oil storage tank facilities and storage yard on three land plots in Ulaanbaatar City, Tsogt Tsetsii and Khanbodg of Mongolia respectively.

Guarantee deposits with clearing corporation refer to collaterals placed by a subsidiary with the Chicago Mercantile Exchange ("CME") by virtue of the subsidiary being a clearing member of the CME.

Retention receivable of SG$964,000 (2015: SG$2,960,000; 2014: SG$Nil) relates to the contract work-in-progress.

11 FINANCE LEASE RECEIVABLES

		Target Group		
		As at 31 December		
	Note	**2014**	**2015**	**2016**
		SG$'000	*SG$'000*	*SG$'000*
Gross receivables		454	220	37
Unearned interest income		(19)	(10)	(2)
Net receivables classified as loans and receivables		435	210	35
Non-current	*10*	273	30	–
Current	*16*	162	180	35
		435	210	35

	Gross receivables	**Unearned income**	**Net receivables**
	SG$'000	*SG$'000*	*SG$'000*
2014			
Within 1 year	173	(11)	162
After 1 year but within 5 years	281	(8)	273
	454	(19)	435
2015			
Within 1 year	187	(7)	180
After 1 year but within 5 years	33	(3)	30
	220	(10)	210
2016			
Within 1 year	37	(2)	35
After 1 year but within 5 years	–	–	–
	37	(2)	35

These lease receivables relate to the finance leases of Target Group's machinery, equipment and motor vehicles. The average term of finance leases entered into is 10 years (2015: 10 years; 2014: 10 years).

The interest rate inherent in the leases is fixed at the agreement date throughout the lease term. The average effective interest rate is 3.63% (2015: 3.63%; 2014: 3.60%) per annum.

The carrying amount of the Target Group's finance lease receivables approximates its fair value, based on discounting the estimated cash flows at the market rate prevailing at the reporting date.

12 DEFERRED TAX

Movements in temporary differences during the year:

	At 1 January 2014	Translation differences	Acquisition through business combinations (note 41)	Disposal of interests in subsidiaries	Recognised in profit or loss (note 38)	Recognised in other comprehensive income	At 31 December 2014
	SG$'000	SG$'000	SG$'000	SG$'000	SG$'000	SG$'000	SG$'000
Target Group							
Deferred tax liabilities/(assets)							
Property, plant and equipment	12,326	(387)	(112)	8	1,128	–	12,963
Intangible assets	10,359	(17)	138	–	(1,460)	–	9,020
Financial assets	–	–	–	–	–	201	201
Inventories	3,915	203	–	–	240	–	4,358
Trade and other receivables	3,474	132	–	–	(10,627)	–	(7,021)
Trade and other payables	(388)	(65)	–	7	10,100	–	9,654
Provisions	(366)	7	–	–	(149)	–	(508)
Unutilised tax benefits	(2,943)	356	–	–	(1,214)	–	(3,801)
Others	(549)	(46)	–	–	32	(493)	(1,056)
	25,828	183	26	15	(1,950)	(292)	23,810

	At 1 January 2015	Translation differences	Acquisition through business combinations	Disposal of interests in subsidiaries	Recognised in profit or loss (note 38)	Recognised in other comprehensive income	At 31 December 2015
	SG$'000	SG$'000	SG$'000	SG$'000	SG$'000	SG$'000	SG$'000
Target Group							
Deferred tax liabilities/(assets)							
Property, plant and equipment	12,963	(194)	–	–	(895)	–	11,874
Intangible assets	9,020	178	–	–	(1,563)	–	7,635
Financial assets	201	52	–	–	(52)	(176)	25
Inventories	4,358	284	–	–	(4,567)	–	75
Trade and other receivables	(7,021)	198	–	–	(3,172)	–	(9,995)
Trade and other payables	9,654	71	–	–	(1,729)	–	7,996
Provisions	(508)	17	–	–	(50)	–	(541)
Unutilised tax benefits	(3,801)	76	–	–	944	–	(2,781)
Others	(1,056)	(168)	–	–	(235)	44	(1,415)
	23,810	514	–	–	(11,319)	(132)	12,873

	At 1 January 2016	Translation differences	Acquisition through business combinations	Disposal of interests in subsidiaries	Recognised in profit or loss *(note 38)*	Recognised in other comprehensive income	At 31 December 2016
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*
Target Group							
Deferred tax liabilities/(assets)							
Property, plant and equipment	11,874	196	–	–	(363)	–	11,707
Intangible assets	7,635	(7)	–	–	(1,152)	–	6,476
Financial assets	25	–	–	–	–	695	720
Inventories	75	10	–	–	637	–	722
Trade and other receivables	(9,995)	23	–	–	696	–	(9,276)
Trade and other payables	7,996	19	–	–	168	–	8,183
Provisions	(541)	(1)	–	–	(27)	–	(569)
Unutilised tax benefits	(2,781)	19	–	–	1,115	–	(1,647)
Others	(1,415)	11	–	–	230	341	(833)
	12,873	270	–	–	1,304	1,036	15,483

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting are included in the statements of financial position as follows:

	Target Group As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Deferred tax liabilities	30,082	19,228	19,567
Deferred tax assets	(6,272)	(6,355)	(4,084)

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

	Target Group As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Deductible temporary differences	15,441	24,362	31,487
Unutilised tax losses	47,764	42,846	53,418
Unabsorbed wear and tear allowances	23,031	12,081	14,677
	86,236	79,289	99,582

Unutilised tax losses include SG$3,254,000 (2015: SG$4,023,000; 2014: SG$149,000) for subsidiaries that are available for offset against future taxable profits of the subsidiaries for the next 2 financial years. The annual amount of tax loss deductible from taxable income is limited to 50% of the taxable income of the said subsidiaries in a given year.

Unutilised tax losses include SG$1,220,000 (2015: SG$250,000; 2014: SG$Nil) for subsidiaries that are available for offset against future taxable profits of the subsidiaries for the next 5 financial years.

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate. The deductible temporary differences and tax losses, other than disclosed above, do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which certain subsidiaries of the Target Group can utilise the benefits.

13 OTHER NON-CURRENT ASSETS

	Target Group		
	As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Other investments	5,626	6,000	5,833

Target Group's other investments include clearing memberships with the Chicago Mercantile Exchange ("CME"), the Chicago Board of Trade ("CBOT") and the New York Mercantile Exchange ("NYMEX") and the Commodity Exchange, Inc ("COMEX") amounting to SG$5,718,000 (2015: SG$5,606,000; 2014: SG$5,240,000). The clearing memberships are required for the Target Group to trade in CME, CBOT, NYMEX and COMEX.

14 INVENTORIES

	Target Group		
	As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Raw materials	1,017	715	320
Work-in-progress	206	–	–
Consumables, equipment and spare parts	2,093	2,911	2,484
Commodity inventories at fair value	220,387	159,237	164,292
Commodity inventories at lower of cost and net realisable value	547,764	372,273	436,737
Other goods for sale	107	1,775	1,222
Less: Allowance for inventory obsolescence	(105)	–	(51)
	771,469	536,911	605,004

Raw materials, changes in work-in-progress, consumables and commodity inventories recognised in cost of sales amounted to SG$7,910,713,000 (2015: SG$8,725,083,000; 2014: SG$13,785,977,000).

In 2016, the Target Group recognised allowance for inventory obsolescence of SG$51,000.

In 2014, inventories of SG$105,000 were written down to net realisable value which was included in cost of sales.

15 CONTRACT WORK-IN-PROGRESS

		Target Group		
		As at 31 December		
	Note	2014	2015	2016
		SG$'000	*SG$'000*	*SG$'000*
Costs incurred and attributable profits		86,513	136,247	169,723
Progress billings		(36,830)	(85,340)	(121,248)
		49,683	50,907	48,475
Represented by:				
Progress billings receivable	*16*	49,924	51,021	50,331
Advance billings and billings in excess of costs incurred and recognised profits		(241)	(114)	(1,856)
		49,683	50,907	48,475

The Target Group assesses allowance for foreseeable losses by taking into account the contract revenue, estimated total costs to completion, project duration and overruns. It is possible that management estimate is not indicative of future losses that may be incurred. Any increase or decrease would affect profit or loss in the future years.

16 TRADE AND OTHER RECEIVABLES

		Target Group		
		As at 31 December		
	Note	**2014**	**2015**	**2016**
		SG$'000	*SG$'000*	*SG$'000*
Trade receivables		721,096	1,067,671	1,195,667
Less: Allowance for impairment of receivables		(4,042)	(4,803)	(5,836)
		717,054	1,062,868	1,189,831
Related parties:				
– trade		1,501	519	167
– non-trade		609	488	221
– interest receivables		305	280	277
Associates:				
– trade		4,606	3,538	3,188
– non-trade		241	147	99
– loans	*19*	6,116	3,302	3,802
– dividends receivable		–	1,873	–
Joint ventures:				
– trade		411	726	486
– non-trade		212	231	263
– loans	*18*	24	23	–
Non-controlling interests:				
– non-trade		543	349	496
– loans		1,320	1,660	1,868
Loans to third parties		8,212	14,153	20,852
Staff loans		783	692	106
Finance lease receivables	*11*	162	180	35
Interest receivables		419	2,054	774
Other receivables		201,399	64,491	66,311
Progress billings receivable	*15*	49,924	51,021	50,331
Margin deposits with brokers	*17*	205,642	351,100	664,245
Margin deposits with clearing organisations	*17*	616,532	1,055	50,125
Customers segregated funds with banks	*17*	189,228	413,122	371,768
Customers segregated funds with clearing organisations	*17*	–	–	159
Deposits		5,683	103,025	71,549
Loans and receivables		2,010,926	2,076,897	2,496,953
Prepayments		88,758	88,496	35,654
Deferred costs		2,822	6,519	12,941
		2,102,506	2,171,912	2,545,548

The non-trade amounts due from related parties, associates, joint ventures and non-controlling interests are unsecured, interest-free and repayable on demand.

The loans to non-controlling interest are unsecured, interest-free and repayable on demand.

The loans to third parties comprise secured loans of SG$20,852,000 (2015: SG$11,296,000; 2014: SG$6,449,000) and unsecured loans of SG$3,721,000 (2015: SG$2,857,000; 2014: SG$1,763,000). These loans bear interest at 0% to 5.00% (2015: 5.00% to 7.00%; 2014: 5.00% to 7.18%) per annum.

The Target Group's trade receivables include accrued income of SG$132,065,000 (2015: SG$109,542,000; 2014: SG$106,964,000) which represents primarily sales made but yet to be invoiced and price adjustments to the provisional sales/purchase price of certain commodities. During the contractually agreed quotational period, the sales/purchase prices are not fixed and fluctuate based on the changes in the market prices of the underlying metals. The Target Group marks to market its provisional sales and purchases based on the forward price for the estimated month of settlement. In the statement of financial position, positive mark to market adjustments are included within "accrued income" whereas negative adjustments are included within "accrued expenses". Upon completion of the quotation period, the prices are fixed based upon the spot price and metal contents and quantities upon receipt of the final assay and weight certificates.

Deposits comprise SG$65,072,000 (2015: SG$84,958,000; 2014: SG$Nil) that is pledged as securities for bill payables amounting to SG$67,200,000 (2015: SG$87,890,000; 2014: SG$Nil) and short-term loan amounting to SG$302,000 (2015: SG$6,552,000; 2014: SG$Nil).

As at 31 December 2016, the Target Group's other receivables include retentions of SG$2,123,000 (2015: SG$3,878,000; 2014: SG$14,666,000) relating to the contract work-in-progress.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date at gross, is as follows:

	As at 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Within 1 month	565,853	884,388	703,305
1 to 3 months	108,785	108,979	459,526
3 to 6 months	33,991	61,079	28,345
Over 6 months	18,985	18,008	8,332
	727,614	1,072,454	1,199,508

17 ASSETS HELD OR SEGREGATED IN SEPARATE ACCOUNTS

Customer segregated funds represent customers' funds held by the Target Group that are required to be held in segregated accounts by laws and regulations of the Securities and Futures Act ("SFA") governed by Monetary Authority of Singapore ("MAS"), the Commodities Trading Act ("CTA") governed by International Enterprise Singapore ("IE Singapore") and Commodity Futures Trading Commission ("CFTC") in the United States of America.

		As at 31 December		
	Note	**2014**	**2015**	**2016**
		SG$'000	*SG$'000*	*SG$'000*
Customer segregated funds with banks				
Representing customer balances		152,764	374,741	338,846
Representing house balances		36,464	38,381	32,922
	16	189,228	413,122	371,768
Margin deposits with brokers				
Representing customer balances		178,294	275,550	474,795
Representing house balances		27,348	75,550	189,450
	16	205,642	351,100	664,245
Margin deposits with clearing organisation				
Representing customer balances		610,571	1,055	50,125
Representing house balances		5,961	–	–
	16	616,532	1,055	50,125
Customer segregated funds with clearing organisations				
Representing customer balances	*16*	–	–	159
Held-to-maturity financial assets – treasury securities				
Representing customer balances	*9*	–	142,090	216,953

18 LOANS TO JOINT VENTURES

	Note	2014	2015	2016
		Target Group As at 31 December		
		SG$'000	SG$'000	SG$'000
Non-current				
Loan to a joint venture, classified as loans and receivables	*10*	305	293	–
Current				
Loans to joint ventures		90	89	66
Less: Allowance for impairment losses		(66)	(66)	(66)
Loans and receivables	*16*	24	23	–

The loans to joint ventures are unsecured and bear interest at 0% (2015: 5.00%; 2014: 5.00%) per annum.

The changes in allowance for impairment losses in respect of loans to joint ventures during the year were as follows:

	2014	2015	2016
	Target Group As at 31 December		
	SG$'000	SG$'000	SG$'000
At 1 January	191	66	66
Allowance utilised	(125)	–	–
At 31 December	66	66	66
Non-current	–	–	–
Current	66	66	66
	66	66	66

19 LOANS TO ASSOCIATES

	Note	2014	2015	2016
		Target Group As at 31 December		
		SG$'000	SG$'000	SG$'000
Non-current				
Loans to associates, classified as loans and receivables	*10*	962	5,180	5,253
Current				
Loans to an associate, classified as loans and receivables	*16*	6,116	3,302	3,802

The non-current loans to associates comprise SG$5,253,000 (2015: SG$5,180,000; 2014: SG$962,000) which are unsecured and bear interest rate of 0.70% to 6.00% (2015: 0.70% to 6.00%; 2014: 6.00%) per annum. The Target Group has given an undertaking to the associate not to recall the loan within the next 12 months.

The current loans to an associate are unsecured and bear interest at 0.67% to 1.56% (2015: 0.56% to 0.85%; 2014: 0.56% to 0.76%) per annum.

20 WARRANTABLE LME COMMODITIES

	Target Group As at 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Warrantable LME commodities measured at fair value less costs to sell	114,777	306,298	550,370

21 CASH AND CASH EQUIVALENTS

		Target Group As at 31 December		
	Note	**2014**	**2015**	**2016**
		SG$'000	*SG$'000*	*SG$'000*
Fixed deposits		38,656	32,394	71,828
Wealth management products		–	–	45,825
Cash and bank balances		303,341	277,947	216,723
Cash and cash equivalents in the statements of financial position		341,997	310,341	334,376
Less: Bank overdrafts	*26*	(4,715)	(491)	(908)
Bank balances and fixed deposits pledged		(26,952)	(19,559)	(6,532)
		310,330	290,291	326,936
Cash and cash equivalents of assets held for sale	*23*	3,038	1,374	177
Cash and cash equivalents in the statement of cash flows		313,368	291,665	327,113

The weighted average effective interest rates per annum at the reporting date are as follows:

	Target Group As at 31 December		
	2014	**2015**	**2016**
	%	%	%
Fixed deposits	0.60	0.53	1.83
Bank overdrafts	3.44	17.87	16.76

Interest rates are repriced at intervals of one week, one, three or six months.

Bank balances and fixed deposits of certain subsidiaries are pledged as securities to obtain credit facilities (see note 26).

22 FINANCIAL ASSETS AND LIABILITIES CLASSIFICATION

Accounting classification and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

		Target Group							
	Note	Fair value – hedging instruments	Fair value through profit or loss	Loans and receivables	Available-for-sale	Other financial liabilities within the scope of IAS 39	Other financial liabilities outside the scope of IAS 39	Total carrying amount	Fair value
		SG$'000	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*
2014									
Financial assets	*9*	–	114	–	129,745	–	–	129,859	129,859
Trade and other receivables	*10, 16*	–	–	2,021,185	–	–	–	2,021,185	2,019,654
Cash and cash equivalents	*21*	–	–	341,997	–	–	–	341,997	341,997
Derivative financial assets	*27*	98,698	–	–	–	–	–	98,698	98,698
		98,698	114	2,363,182	129,745	–	–	2,591,739	2,590,208
Medium term notes	*26*	–	–	–	–	(201,029)	–	(201,029)	(197,950)
Secured bank loans	*26*	–	–	–	–	(428,422)	–	(428,422)	(430,006)
Unsecured bank loans	*26*	–	–	–	–	(63,811)	–	(63,811)	(63,811)
Hire purchase and finance lease liabilities	*26*	–	–	–	–	–	(1,765)	(1,765)	(1,905)
Revolving short-term trade facilities	*26*	–	–	–	–	(730,885)	–	(730,885)	(730,885)
Secured bank overdrafts	*26*	–	–	–	–	(4,201)	–	(4,201)	(4,201)
Unsecured bank overdrafts	*26*	–	–	–	–	(514)	–	(514)	(514)
Derivative financial liabilities	*27*	(69,011)	–	–	–	–	–	(69,011)	(69,011)
Trade and other payables*	*30*	–	–	–	–	(1,943,389)	–	(1,943,389)	(1,943,389)
		(69,011)	–	–	–	(3,372,251)	(1,765)	(3,443,027)	(3,441,672)

* Excludes advance billings and billings in excess of costs incurred and recognised profits.

		Target Group								
	Note	Fair value – hedging instruments	Fair value through profit or loss	Held-to-maturity financial assets	Loans and receivables	Available-for-sale	Other financial liabilities within the scope of IAS 39	Other financial liabilities outside the scope of IAS 39	Total carrying amount	Fair value
		SG$'000	SG$'000	SG$'000	SG$'000	SG$'000	SG$'000	SG$'000	SG$'000	SG$'000
2015										
Financial assets	9	–	110	142,090	–	164,504	–	–	306,704	306,704
Trade and other receivables	10, 16	–	–	–	2,096,354	–	–	–	2,096,354	2,095,941
Cash and cash equivalents	21	–	–	–	310,341	–	–	–	310,341	310,341
Derivative financial assets	27	126,620	–	–	–	–	–	–	126,620	126,620
		126,620	110	142,090	2,406,695	164,504	–	–	2,840,019	2,839,606
Medium term notes	26	–	–	–	–	–	(301,858)	–	(301,858)	(298,950)
Secured bank loans	26	–	–	–	–	–	(371,252)	–	(371,252)	(374,143)
Hire purchase and finance lease liabilities	26	–	–	–	–	–	–	(2,428)	(2,428)	(2,428)
Revolving short-term trade facilities	26	–	–	–	–	–	(751,395)	–	(751,395)	(751,395)
Unsecured bank overdrafts	26	–	–	–	–	–	(491)	–	(491)	(491)
Derivative financial liabilities	27	(66,385)	–	–	–	–	–	–	(66,385)	(66,385)
Trade and other payables*	30	–	–	–	–	–	(2,076,001)	–	(2,076,001)	(2,076,001)
		(66,385)	–	–	–	–	(3,500,997)	(2,428)	(3,569,810)	(3,569,793)
2016										
Financial assets	9	–	100	216,953	–	95,224	–	–	312,277	312,213
Trade and other receivables	10, 16	–	–	–	2,512,185	–	–	–	2,512,185	2,511,793
Cash and cash equivalents	21	–	–	–	334,376	–	–	–	334,376	334,376
Derivative financial assets	27	112,793	–	–	–	–	–	–	112,793	112,793
		112,793	100	216,953	2,846,561	95,224	–	–	3,271,631	3,271,175
Medium term notes	26	–	–	–	–	–	(302,185)	–	(302,185)	(297,886)
Secured bank loans	26	–	–	–	–	–	(629,633)	–	(629,633)	(632,126)
Hire purchase and finance lease liabilities	26	–	–	–	–	–	–	(3,046)	(3,046)	(3,046)
Revolving short-term trade facilities	26	–	–	–	–	–	(935,643)	–	(935,643)	(935,643)
Secured bank overdrafts	26	–	–	–	–	–	(400)	–	(400)	(400)
Unsecured bank overdrafts	26	–	–	–	–	–	(508)	–	(508)	(508)
Derivative financial liabilities	27	(172,744)	–	–	–	–	–	–	(172,744)	(172,744)
Trade and other payables*	30	–	–	–	–	–	(2,360,665)	–	(2,360,665)	(2,360,665)
		(172,744)	–	–	–	–	(4,229,034)	(3,046)	(4,404,824)	(4,403,018)

* Excludes advance billings and billings in excess of costs incurred and recognised profits.

23 DISPOSAL GROUP HELD FOR SALE

In 2014, the Target Group signed a capital transfer agreement to sell all its equity interest in a subsidiary, CWT SPL Distripark Vietnam Limited ("SPL"). Partial payment of SG$504,000 relating to the capital transfer was received to date. The remaining consideration receivable balance of SG$746,000 was reclassified as other receivable in 2016.

In 2015, the Target Group recognised an impairment loss of SG$1,517,000 on the disposal group in relation to SPL. The recoverable amount was determined based on fair value less cost to sell. The loss was recognised in other operating expenses.

In 2016, due to the fact that local business in Nigeria has not developed according to the expectations, the Target Group plans to sell one of its subsidiary with its cash balance and property, plant and equipment positions in Nigeria in the near future. Other positions in this subsidiary are planned to be settled before the sale. Accordingly cash, and property, plant and equipment are presented as assets held for sale.

At 31 December, the disposal group comprised the following assets and liabilities:

		Target Group As at 31 December		
	Note	**2014**	**2015**	**2016**
		SG$'000	*SG$'000*	*SG$'000*
Assets held for sale				
Trade and other receivables		1,356	–	753
Cash and banks	*21*	3,038	1,374	177
		4,394	1,374	930
Liabilities held for sale				
Trade and other payables		61	62	–

24 SHARE CAPITAL

	Target Company As at 31 December					
	2014		**2015**		**2016**	
	No. of shares *('000)*	*SG$'000*	**No. of shares** *('000)*	*SG$'000*	**No. of shares** *('000)*	*SG$'000*
Issued and fully paid, with no par value:						
At 1 January and 31 December	600,305	174,338	600,305	174,338	600,305	174,338

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Target Company. All shares rank equally with regard to the Target Company's residual assets.

Capital management

The Board defines "Capital" to include share capital, reserves and non-controlling interests. The Board's policy is to maintain a sound capital base to sustain the future development and expansion of the Target Group's business, so as to maintain investor and creditor confidence in the Target Group. The Board of Directors monitors the level of dividend payment by taking into account the Target Group's business expansion requirements.

The Board of Directors also seeks to maintain an optimal mix of equity and debt with a view to optimise financial return to shareholders. The Target Group targets to achieve a return on shareholders' equity ("ROE") of between 12.0% to 18.0% (2015: 13.0% to 18.0%; 2014: 13.0% and 18.0%). In 2016, the Target Group achieved a ROE of 12.0% (2015: 13.6%; 2014: 14.7%).

The Target Group monitors capital on the basis of the net debt to equity ratio. Net debt to equity ratio is the ratio of total borrowings excluding revolving short-term trade facilities and including cash and cash equivalents to total equity. Revolving short-term trade facilities are excluded from the calculation of net debt to equity ratio due to its short term highly liquid nature that is fully secured by liquid assets such as cash and cash equivalents, inventories and receivables. Equity refers to share capital, reserves and non-controlling interests as presented in the consolidated statement of financial position.

The Target Group's strategy, which is unchanged from 2014, is to maintain the net debt to equity ratio under 1.00. The net debt to equity ratio at 31 December 2014, 2015 and 2016 was as follows:

	Target Group As at 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Total borrowings	1,430,627	1,427,424	1,871,415
Less: Collateralised short-term trade facilities	(730,885)	(799,655)	(1,386,317)
Adjusted total borrowings	699,742	627,769	485,098
Less: Cash and cash equivalents*	(315,045)	(290,782)	(327,844)
Net debt	384,697	336,987	157,254
Total equity	791,483	868,066	904,044
Net debt to equity ratio	0.49	0.39	0.17

* Excludes bank overdrafts of SG$908,000 (2015: SG$491,000; 2014: SG$4,715,000) which are included in total borrowings.

There were no changes in the Target Group's approach to capital management during the year.

Straits Financial LLC, Straits (Singapore) Pte Ltd and Straits Financial Services Pte Ltd, incorporated in the United States of America and Singapore respectively, are subject to minimum capital requirements pursuant to laws and regulations of the United States of America and Singapore. Management has established controls and policies to ensure that the subsidiaries comply with the minimum capital requirements. The subsidiaries have complied with the minimum capital requirements pursuant to laws and regulations of the United States of America and Singapore during the year.

Other than disclosed above, the Target Group and its subsidiaries, are not subject to externally imposed capital requirements.

25 RESERVES

	Target Company As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Fair value reserve	18,822	1,226	919
Currency translation reserve	(7,383)	16,954	12,741
Hedging reserve	(1,098)	(643)	(290)
Capital reserve	(754)	(845)	(2,740)
Statutory reserve	1,474	1,581	2,845
Other reserve	(661)	(661)	(661)
Retained profits	580,374	647,452	687,089
	590,774	665,064	699,903

The fair value reserve comprises the cumulative net changes in the fair values of available-for-sale financial assets.

The currency translation reserve of the Target Group comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Target Company.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments.

The capital reserve comprises the difference between purchase considerations and net assets acquired in Target Group restructuring and acquisition of non-controlling interests that does not result in a change in control.

The statutory reserve relates to profits set aside in accordance with local legislation by certain foreign entities and is non-distributable.

26 LOANS AND BORROWINGS

		Target Group As at 31 December		
	Note	2014	2015	2016
		SG$'000	*SG$'000*	*SG$'000*
Non-current liabilities				
Medium term notes		201,029	301,858	201,231
Secured bank loans		355,900	306,551	163,023
Hire purchase and finance lease liabilities	*(a)*	822	1,766	2,251
Total		557,751	610,175	366,505
Current liabilities				
Medium term notes		–	–	100,954
Secured bank loans		72,522	64,701	466,610
Unsecured bank loans		63,811	–	–
Revolving short-term trade facilities		730,885	751,395	935,643
Hire purchase and finance lease liabilities	*(a)*	943	662	795
Secured bank overdrafts	*21*	4,201	–	400
Unsecured bank overdrafts	*21*	514	491	508
Total		872,876	817,249	1,504,910

At the years ended, the loans and borrowings were repayable as follows:

	Target Group As at 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Within 1 year or on demand	871,934	816,587	1,504,115
After 1 year but within 2 years	13,981	114,624	13,989
After 2 years but within 5 years	428,738	445,469	343,091
After 5 years	114,209	48,315	7,174
	1,428,862	1,424,995	1,868,369

The medium term notes are issued by the Target Company under its SG$500,000,000 Multicurrency Debt Issuance Programme which was first established in April 2013.

Secured bank loans of the Target Group are secured over:

- Property, plant and equipment with carrying amounts of SG$616,087,000 (2015: SG$414,908,000; 2014: SG$412,521,000);
- Floating charges on existing fixed and floating assets;
- Trade and other receivables SG$302,000 (2015: SG$6,552,000; 2014: SG$Nil);
- Warrantable LME commodities SG$422,731,000 (2015: SG$41,708,000; 2014: SG$Nil); and
- Fixed deposits pledged of SG$269,000 (2015: SG$149,000; 2014: SG$146,000).

Secured bank loans of the Target Company are secured over property, plant and equipment with carrying amounts of SG$348,896,000 (2015: SG$137,828,000; 2014: SG$126,198,000) and property, plant and equipment of the subsidiaries with carrying amounts of SG$114,583,000 (2015: SG$117,335,000; 2014: SG$121,143,000).

Revolving short-term trade facilities of the Target Group relate to short-term trade related self-liquidating facilities to finance the Target Group's commodity marketing business. These are secured by bank balances and fixed deposits with carrying amount of SG$5,695,000 (2015: SG$18,452,000; 2014: SG$26,002,408), warrantable LME commodities with carrying amount of SG$123,739,000 (2015: SG$127,865,000; 2014: SG$Nil), trade and other receivables with carrying amount of SG$165,827,000 (2015: SG$162,583,000; 2014: SG$242,615,000) and inventories with carrying amount of SG$597,461,000 (2015: SG$532,180,000; 2014: SG$565,096,000).

Hire purchase and finance lease liabilities

Obligations under hire purchase and finance leases are repayable as follows:

	Target Group		
	Principal	**Interest**	**Payments**
	SG$'000	*SG$'000*	*SG$'000*
2014			
Repayable within 1 year	943	74	1,017
Repayable after 1 year but within 5 years	822	66	888
	1,765	140	1,905

	Target Group Principal SG$'000	Interest SG$'000	Payments SG$'000
2015			
Repayable within 1 year	662	117	779
Repayable after 1 year but within 5 years	1,745	194	1,939
Repayable after 5 years	21	–	21
	2,428	311	2,739
2016			
Repayable within 1 year	795	133	928
Repayable after 1 year but within 5 years	2,140	182	2,322
Repayable after 5 years	111	5	116
	3,046	320	3,366

Terms and debt repayment schedule

The terms and conditions of outstanding loans and borrowings are as follows:

			Target Group As at 31 December 2014		2015		2016	
	Nominal interest rate %	Year of maturity	Face value SG$'000	Carrying amount SG$'000	Face value SG$'000	Carrying amount SG$'000	Face value SG$'000	Carrying amount SG$'000
SGD fixed rate medium term notes	3.90% – 4.80%	2017 – 2020	200,000	201,029	300,000	301,858	300,000	302,185
USD floating rate loans	1.66% – 2.49%	2016 – 2017	33,811	33,811	41,708	41,708	450,372	450,372
SGD floating rate loans	0.53% – 2.81%	2016 – 2021	381,028	381,028	304,251	304,251	162,507	162,507
EUR floating rate loans	1.15% – 2.66%	2017	340	340	192	192	3,025	3,025
TRY floating rate loans	2.00% – 2.02%	2015	7	7	–	–	–	–
EUR fixed rate loans	3.38% – 3.97%	2025 – 2027	16,688	16,688	14,676	14,676	10,174	10,174
GBP fixed rate loans	3.60%	2031	1,701	1,701	1,474	1,474	1,176	1,176
RMB fixed rate loans	1.77%	2016 – 2017	56,090	56,090	6,552	6,552	302	302
TRY fixed rate loans	13.00% – 17.00%	2016 – 2017	2,474	2,474	2,337	2,337	1,897	1,897
INR fixed rate loans	8.65% – 11.50%	2017 – 2018	94	94	62	62	180	180
Hire purchase and finance lease liabilities	1.00% – 14.70%	2016 – 2023	1,905	1,765	2,428	2,428	3,046	3,046
USD floating rate revolving short-term trade facilities	1.05% – 6.17%	2016 – 2017	730,885	730,885	751,395	751,395	931,932	931,932
EUR floating rate revolving short-term trade facilities	1.15% – 1.50%	2017	–	–	–	–	3,711	3,711
Bank overdrafts	2.08% – 24.00%	2016 – 2017	4,715	4,715	491	491	908	908
			1,429,738	1,430,627	1,425,566	1,427,424	1,869,230	1,871,415

27 DERIVATIVE FINANCIAL INSTRUMENTS

	Target Group As at 31 December					
	2014		2015		2016	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*
Interest rate swaps	–	1,375	–	733	–	250
Commodities futures	27,405	9,967	86,109	63,046	68,417	162,473
Commodities forward contracts	9,463	10	33,042	620	37,822	455
Commodities options	56	–	50	3	–	647
Currency forward contracts	–	56	492	40	2,404	7,551
Commodities swaps	45,926	57,603	3,127	655	3,613	1,315
Fair value gain on commodity contracts	10,219	–	3,800	1,288	537	53
Non-structured OTC warrant options	5,629	–	–	–	–	–
	98,698	69,011	126,620	66,385	112,793	172,744
Analysed as:						
– non-current	–	1,375	–	733	–	137
– current	98,698	67,636	126,620	65,652	112,793	172,607
	98,698	69,011	126,620	66,385	112,793	172,744

The Target Group recognised a net loss (realised and unrealised) from fair value movements of derivative financial instruments of SG$166,870,000 (2015: net gain of SG$268,280,000; 2014: net gain of SG$35,554,000) which is included in cost of sales.

The interest rate swaps are used to hedge the interest rate risk related to the floating interest rate loans.

28 EMPLOYEE BENEFITS

		As at 31 December		
	Note	2014	2015	2016
		SG$'000	*SG$'000*	*SG$'000*
Non-current				
Subordinated employee benefit liabilities		3,314	–	–
Retirement benefit obligations	*29*	11,533	12,632	8,336
Other long-term employee benefit liabilities		4,856	7,607	6,925
		19,703	20,239	15,261
Current				
Subordinated employee benefit liabilities		3,913	3,544	–
		23,616	23,783	15,261

(a) Subordinated employee benefit liabilities

This programme represents a termination benefit which is paid in 3 instalments upon cessation of employment with a certain subsidiary of the Target Group. Such benefit is granted to employees at the management's discretion. Entitlement to benefits is earned after reaching 2 years of service with the subsidiary.

(b) Other employee benefit liabilities

Other long-term employee benefit obligation relates to a deferred share plan of a subsidiary. The deferred share plan is an award granted to certain key management personnel of certain subsidiaries who have earned a bonus under an annual bonus plan. The deferred share plan can be in the form of a conditional award or an option. In a conditional award, the employee receives the shares of the subsidiary as soon as the award vests. In an option, the employee is entitled to exercise the option when the award vests.

Each award vests in three equal tranches on the first, second and third anniversary of the grant date. The share value of the shares awarded to the employees under the deferred share plan is measured based on the net assets of the subsidiary.

The deferred share awards are discounted to determine their present value. The discount rate is the yield at the reporting date on Singapore government bonds that have maturity dates approximating the terms of the subsidiary's obligations in which the benefits are expected to be paid. This calculation is performed using projected unit credit method.

Share options of a subsidiary – MRI Group Pte Ltd

(i) At the end of the financial year, there was no unissued shares of MRI Group Pte Ltd under option relating to the MRI Deferred Share Plan Scheme (the "DSP"). The DSP is administered by CWT Limited corporate office comprising Mrs Lynda Goh, Ms Chan Chai Ling, Ms Tai Siew Yoong and Ms Syazanna Leong.

(ii) The DSP is an award granted to certain key management personnel of MRI Group Pte Ltd and its subsidiaries who have earned a bonus under an annual bonus plan.

(iii) The DSP can be in the form of a conditional award or an option. In a conditional award, the employee receives the shares of MRI Group Pte Ltd as soon as the award vest. In an option, the employee is entitled to exercise the option when the award vest. MRI Group Pte Ltd only granted options to the key management personnel since the commencement of the DSP. The option is a Nil cost option.

(iv) Each award vests in three equal tranches on the first, second and third anniversary of the grant date. The options can be exercised after vesting.

(v) The options granted expire 10 years after vesting.

Date of grant of options	Opening balance	Adjustments	Options issued	Options exercised	Options forfeited/ expired	Closing balance	Exercise period
2014							
29 May 2014	–	–	2,672,140	–	–	2,672,140	28 May 2015 to 28 May 2026
2015							
29 May 2014	2,672,140	–	–	(24,020)	(30,074)	2,618,046	28 May 2015 to 28 May 2026
29 May 2015	–	–	688,868	–	–	688,868	28 May 2016 to 28 May 2028
	2,672,140	–	688,868	(24,020)	(30,074)	3,306,914	
2016							
29 May 2014	2,618,046	185,755	–	(21,817)	(42,875)	2,739,109	28 May 2015 to 28 May 2026
29 May 2015	688,868	151,698	–	(6,809)	(13,619)	820,138	28 May 2016 to 28 May 2028
	3,306,914	337,453	–	(28,626)	(56,494)	3,559,247	

29 RETIREMENT BENEFIT OBLIGATIONS

The net defined benefit obligations recognised in the statement of financial position at the reporting date are as follows:

		Target Group As at 31 December		
	Note	**2014**	**2015**	**2016**
		SG$'000	*SG$'000*	*SG$'000*
Present value of funded obligations		22,358	25,882	21,577
Fair value of plan assets		(10,825)	(13,250)	(13,241)
Net defined benefit obligations recognised in statement of financial position	*28*	11,533	12,632	8,336

The fair value of plan assets:

	Target Group As at 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Cash and cash equivalents	373	310	320
Equity instruments	273	616	397
Debt instruments	8,530	10,371	10,110
Real estate	1,282	1,571	1,596
Others	367	382	818
	10,825	13,250	13,241

Debt instruments have a credit rating of AAA to not rated.

The Target Group operates a pension plan for its employees in Switzerland whereby the plan participants are insured against the financial consequences of old age, disability and death. The pension plan is operated by an independent, legally autonomous collective foundation (Sammelstiftung) of an insurance company. Consequently the plan assets are completely segregated from both MRI Trading AG and the plan participants.

The pension scheme is fully funded by contributions from MRI Trading AG whereby funding is determined by the provisions stipulated in The Swiss Federal Law on Occupational Benefit and Disability Pension Plans (BVG) and the Federal law on Vesting in Pension Plans (FZG). The pension scheme uses projected unit credit method to calculate defined benefit obligations and service cost. The latest independent actuarial valuation of the pension schemes of MRI Trading AG was at 31 December 2016 and performed by Mercer (Switzerland) SA. Mercer (Switzerland) SA belongs to Mercer group which is a global consulting leader in talent, health, retirement and investments. Mercer is a wholly owned subsidiary of Marsh & McLennan Companies, a global professional services firm offering clients advice and solutions in the areas of risk, strategy and people. The actuarial valuations indicate that the group's obligations under this pension scheme is 61.37% (2015: 51.19%, 2014: 48.42%) covered by the plan assets held by the insurance company. Under the pension scheme, the retirement savings will be transferred to the pension institution of the new employer or to a vested benefits institution when the employee leaves the company.

Cost of defined benefit plans included in profit or loss:

	Target Group As at 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Current service cost	2,246	2,100	930
Interest cost	438	251	220
Interest income	(298)	(130)	(123)
Exchange differences	(1,137)	(48)	–
	1,249	2,173	1,027

Cost of defined benefit plans included in the statement of comprehensive income:

	Target Group As at 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Remeasurement loss/(gain)			
– Effect of changes in demographic assumptions	–	–	(1,391)
– Effect of changes in financial assumptions	7,221	(1,147)	(1,782)
– Effect of experience adjustments	(2,111)	822	(506)
– Return on plan assets (excluding interest income)	3	(70)	(22)
	5,113	(395)	(3,701)

Change in present value of defined benefit obligations are as follows:

	Target Group As at 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Defined benefit obligations at 1 January	17,732	22,358	25,882
Current service cost	2,246	2,100	930
Interest cost	438	251	220
Remeasurements on change in assumptions	5,113	(325)	(3,679)
Benefits paid	(1,888)	24	(1,686)
Exchange differences	(1,283)	1,474	(89)
Defined benefit obligations at 31 December	22,358	25,882	21,578

Weighted average duration of the defined benefit obligations as of 31 December 2016 is 20.70 years (2015: 23.70 years; 2014: 22.30 years).

Change in the fair value of plan assets during the year are as follows:

	Target Group		
	As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Fair value of plan assets at 1 January	(11,260)	(10,825)	(13,250)
Interest income	(298)	(130)	(123)
Employer contribution*	(1,815)	(1,493)	(1,548)
Actuarial losses	2	(71)	(23)
Benefits paid	1,888	(24)	1,686
Exchange differences	658	(707)	17
Fair value of plan assets at 31 December	(10,825)	(13,250)	(13,241)

* Employer contributions for 2016 are expected to be approximately SG$1,564,000 (2015: SG$1,651,000; 2014: SG$1,693,000).

Breakdown of plan assets:

	Target Group		
	As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Assets held by insurance company	(10,825)	(13,250)	(13,241)

The principal actuarial assumptions are as follows:

	Target Group		
	As at 31 December		
	2014	2015	2016
	BVG 2010	*BVG 2010*	*BVG 2010*
Mortality tables, actuarial statistics (disability, mortality, etc)			
Discount rate	1.05%	0.90%	0.65%
Rate of salary increase	2.00%	1.00%	1.00%
Rate of the projection of the saving capital	1.00%	0.90%	0.65%
Rate of pension increase	1.00%	1.00%	0.00%
Turnover	10.00%	12.00%	12.90%

Sensitivities of significant actuarial assumptions

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

	Increase	Decrease
	SG$'000	*SG$'000*
2014		
Discount rate (0.25% movement)	(1,375)	1,264
Future salary growth (0.25% movement)	449	–

	Increase	Decrease
	SG$'000	*SG$'000*
2015		
Discount rate (0.25% movement)	(1,562)	1,436
Future salary growth (0.25% movement)	474	–
2016		
Discount rate (0.25% movement)	(1,075)	1,163
Future salary growth (0.25% movement)	366	–

The above sensitivity calculations are based on one assumption changing while others remain unchanged. In practice, however, there are certain correlations between the individual assumptions. The same method was used to calculate the sensitivities and the defined benefit obligations at the end of the financial year.

30 TRADE AND OTHER PAYABLES

	Target Group		
	As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Non-current liabilities			
Non-controlling interests			
– non-trade	200	–	–
– loans	5,679	2,506	2,011
Deferred purchase consideration:			
– deferred payments	246	–	–
– contingent consideration	2,886	2,057	1,067
Retention payable	–	2,415	741
Accrued operating expense	271	990	371
Others	–	166	110
	9,282	8,134	4,300
Current liabilities			
Trade payables	477,509	683,109	649,139
Other payables and accrued operating expenses	465,514	399,695	538,761
Advance billings and billings in excess of costs incurred and recognised profits*	6,122	14,253	26,664
Deposits received	12,037	9,770	10,002
Related parties:			
– trade	953	953	763
– non-trade	510	132	226
– loans	49	68	113
Associates:			
– trade	341	591	300
– non-trade	–	1	–
Joint ventures:			
– trade	517	290	317
– non-trade	–	145	148
Non-controlling interests:			
– non-trade	2,433	160	–
– loans	4	5,321	3,639

	Target Group		
	As at 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Deferred purchase consideration:			
– deferred payments	19,720	1,336	1,167
– put and call options	4,555	–	–
– contingent consideration	–	1,052	1,083
Payables to clearing organisation	6,780	833	699
Bill payables	–	169,307	67,200
Amounts segregated for customers	941,628	793,320	1,080,878
Commission and brokerage fee payable	1,557	1,784	1,930
	1,940,229	2,082,120	2,383,029

* Includes advance billings and billings in excess of costs incurred and recognised profits relating to contract work-in-progress of SG$1,856,000 (2015: SG$114,000; 2014: SG$241,000).

As of the end of the reporting period, the ageing analysis of trade creditors and bill payables (which are included in trade and other payables), based on the invoice date, is as follows:

	Target Group		
	As at 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Within 1 month	366,666	771,760	261,185
1 to 3 months	64,989	50,635	423,037
Over 3 months but within 6 months	34,734	21,992	17,242
Over 6 months	12,931	9,863	16,255
	479,320	854,250	717,719

The non-trade amounts due to related parties, associates, joint ventures and non-controlling interests are unsecured, interest-free and repayable on demand.

The non-current loans from non-controlling interests comprise SG$1,875,000 (2015: SG$2,388,000; 2014: SG$Nil) which are interest-free and SG$136,000 (2015: SG$118,000; 2014: SG$5,679,000) bear interest at 9.75% to 10.50% (2015: 9.25% to 9.50%; 2014: 4.00% to 9.25%) per annum. The amounts are unsecured and settlement of the amounts is neither planned nor likely to occur within the next twelve months.

The current loans from non-controlling interests comprise SG$3,639,000 (2015: SG$5,317,000; 2014: SG$Nil) which bear interest at 4.00% to 5.00% (2015: 4.00%) per annum and SG$Nil (2015: SG$4,000; 2014: SG$4,000) which is interest-free. The amounts are unsecured and repayable on demand.

The loans from related parties are unsecured, bear interest at 0.48% to 1.28% (2015: 0.53% to 1.51%; 2014: 3.00%) per annum and are repayable on demand.

Deferred purchase consideration is derived from acquisition of subsidiaries and a joint venture.

In 2015, bill payables are secured by wealth management products of SG$70,544,000 (2014: SG$Nil) and one year fixed deposits of SG$92,099,000 (2014: SG$Nil).

In 2015, trade payables include an amount of SG$6,168,000 (2014: SG$Nil) received as collateral for trade receivables that are past due 91-180 days and 181-365 days.

31 DEFERRED GAINS

	Target Group As at 31 December 2014	2015	2016
	SG$'000	SG$'000	SG$'000
Non-current	22,568	10,410	6,416
Current	18,560	12,185	7,344
	41,128	22,595	13,760

Deferred gains relate to the excess of sales proceeds over the fair values of the leasehold buildings disposed of under sale and leaseback arrangements and risk premium attributed to build and lease projects. Deferred gains are released to profit or loss over the leaseback period ranging from 3 to 7 years.

32 PROVISIONS

	Target Group Warranties	Claims for services and damage of goods	Site restoration cost	Retrenchment benefit	Others	Total
	SG$'000	SG$'000	SG$'000	SG$'000	SG$'000	SG$'000
At 1 January 2014	803	784	817	–	–	2,404
Provision made	76	195	939	174	–	1,384
Payments made	(140)	(62)	–	–	–	(202)
Reversal of provisions	(267)	(185)	(400)	–	–	(852)
Translation differences	–	1	–	–	–	1
At 31 December 2014 and 1 January 2015	472	733	1,356	174	–	2,735
Provision made	–	3,375	871	–	–	4,246
Payments made	(199)	(9)	–	(169)	–	(377)
Reversal of provisions	(50)	(653)	(560)	–	–	(1,263)
Translation differences	–	98	–	–	–	98
At 31 December 2015 and 1 January 2016	223	3,544	1,667	5	–	5,439
Provision made	91	45	1,092	–	2,292	3,520
Payments made	(176)	–	–	–	(2,401)	(2,577)
Reversal of provisions	(46)	(3,377)	–	–	–	(3,423)
Translation differences	–	(90)	–	–	109	19
At 31 December 2016	92	122	2,759	5	–	2,978

Sources of estimation uncertainty

The estimated provisions made by the Target Group are in respect of:

(i) Warranty claims for completed projects. The provision is made based on estimates from historical warranty data and a weighting of all possible outcomes against their associated probabilities;

(ii) Claims by customers for damage of goods, quality of goods/commodities and liquidated damages for services rendered in the course of business including third party claims for accidents. The provision is made based on historical claims data and a weighting of possible outcomes against their associated probabilities;

(iii) Obligations to carry out site restoration work on the leasehold buildings used for warehouse operations. The estimated restoration costs are based on estimation from third party consultants and approximate the present value of estimated restoration costs at the end of the lease;

(iv) Retrenchment benefits arose due to the cessation of an operating division in December 2014. The provision is made based on estimated remuneration and termination benefits for the ceased operating division's senior management; and

(v) Provision – others arose due to legal action a subsidiary had brought against a customer and broker in the United States in 2011 for the deficit from the customers' hedge account, interest and attorney fees. The Target Group made a full provision for the damages in the judgement of order prepared by the counterparty's lawyer. During the year, both the subsidiary and the customer commenced cross appeal. The damage ordered by the court was paid and held by court for settlement of the litigation once the cross appeal was concluded.

33 SEGMENT REPORTING

Operating segments

The Target Group has four reportable segments, as described below, which are the Target Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group CEO (the chief operating decision maker) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Target Group's reportable segments:

– *Logistics services*. Include warehousing, transportation, freight forwarding and cargo consolidation, supply chain management services such as procurement, inventory management, packing and other value added services and delivery to end customers, collateral management services, surface preparation of metal materials for corrosion control and container management services. The Target Group, being a one-stop logistics provider, views all logistics services as total logistics solutions provided to customers. These logistics services are aggregated into a single operating segment since the aggregated operating results of this segment are regularly reviewed by the Group CEO to make decisions about resources to be allocated to it and to assess its performance.

– *Commodity marketing*. Include physical trading and supply chain management of base metal nonferrous concentrates with predominant focus on copper, lead, zinc and other minor metals and energy products like naphtha and distillates.

– *Engineering services*. Include management and maintenance of facilities, vehicles and equipment, supply and installation of engineering products, property management, and design-and-build for logistics properties.

– *Financial services*. Include financial brokerage services, structured trade services and assets management services.

Performance is measured based on segment profit before income tax and is reviewed regularly by the Group CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these business environments. Inter-segment pricing is determined on an arm's length basis.

Segment profit before tax represents operating revenue less expenses. Corporate expenses represent the cost of group function not allocated to the reportable segments. Segment assets represent assets directly managed by each segment, and primarily include inventories, receivables, property, plant and equipment. Segment liabilities represent liabilities directly managed by each segment, and primarily include payables and loans and borrowings.

Where there are material changes in the organisational structure and management reporting methodologies, segment information for prior periods is restated to allow comparability.

(a) Information about reportable segments

	Logistics services As at 31 December			Commodity marketing As at 31 December			Engineering services As at 31 December			Financial services As at 31 December			Eliminations As at 31 December			Total As at 31 December		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*
Revenue:																		
External revenue	896,492	868,196	831,800	12,934,546	8,793,567	8,161,343	161,311	141,004	129,739	202,003	128,852	128,972	–	–	–	14,194,352	9,931,619	9,251,854
Inter-segment revenue	24,124	10,537	8,518	222	80	608	300	431	558	2,217	100	24	(26,863)	(11,148)	(9,708)	–	–	–
Total reportable segment revenue	920,616	878,733	840,318	12,934,768	8,793,647	8,161,951	161,611	141,435	130,297	204,220	128,952	128,996	(26,863)	(11,148)	(9,708)	14,194,352	9,931,619	9,251,854
Results:																		
Interest income	5,981	14,035	6,595	15,245	13,013	8,627	82	109	145	562	3,146	3,925	(5,203)	(13,203)	(6,233)	16,667	17,100	13,059
Interest expense	(11,394)	(21,329)	(17,028)	(23,979)	(16,992)	(15,086)	–	–	–	(3,674)	(11,907)	(13,419)	5,203	13,203	6,266	(33,844)	(37,025)	(39,267)
Depreciation and amortisation	(31,587)	(37,595)	(37,696)	(8,306)	(9,245)	(6,789)	(472)	(530)	(671)	(266)	(274)	(274)	–	–	–	(40,631)	(47,644)	(45,430)
Share of profits of associates and joint ventures	8,204	9,941	9,169	–	–	–	509	460	436	3,297	3,747	2,633	–	–	–	12,010	14,148	12,238
Other material non-cash items:																		
Gain/(Loss) on disposal of property, plant and equipment	37	688	221	(7)	(53)	(135)	8	(6)	(16)	1	–	–	–	–	–	39	629	70
(Loss)/Gain on disposal of subsidiaries and joint ventures	(1,174)	232	22	–	129	–	17	–	–	(42)	–	–	–	–	–	(1,199)	361	22
Gain on disposal of available-for-sale financial assets	1,769	7,432	–	–	–	–	–	–	–	3	–	–	–	–	–	1,772	7,432	–
Property, plant and equipment written-off	–	(12,663)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(12,663)	–
Impairment loss on intangible assets	–	(987)	–	(637)	(2,082)	–	–	–	–	–	–	–	–	–	–	(637)	(3,069)	–
Insurance recovery	–	5,639	–	–	–	–	–	–	–	–	–	–	–	–	–	–	5,639	–
Impairment losses on trade and other receivables	(755)	(3,769)	(1,122)	–	(319)	(6,721)	–	7	(40)	(86)	(26)	(87)	–	–	–	(841)	(4,107)	(7,970)
Reportable segment profit before tax	79,251	54,707	61,135	11,834	29,822	18,264	21,462	20,808	15,626	24,272	33,373	34,203	–	–	–	136,819	138,710	129,228
Reportable segment assets	1,310,478	1,276,419	1,189,985	1,920,647	1,456,094	1,783,299	167,723	179,349	182,696	1,244,910	1,967,114	2,329,791	(361,003)	(401,964)	(140,002)	4,282,755	4,477,012	5,345,769
Investments in associates and joint ventures	53,418	53,918	50,343	–	–	–	1,008	1,020	995	6,960	7,847	8,596	–	–	–	61,386	62,785	59,934
Capital expenditure	112,505	41,578	225,132	3,035	5,940	394	384	537	532	318	323	398	–	–	–	116,242	48,378	226,456
Reportable segment liabilities	867,082	854,176	775,508	1,754,156	1,253,076	1,573,116	96,165	100,787	96,355	1,160,209	1,829,804	2,158,510	(361,003)	(401,964)	(140,002)	3,516,609	3,635,879	4,463,487

(b) Reconciliations of reportable segment profit or loss, assets and liabilities and other material items

	As at 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Profit or loss			
Total profit or loss for reportable segments	136,819	138,710	129,228
Unallocated amounts:			
– Corporate expenses*	(17,181)	(21,138)	(36,665)
– Share of profits of associates and joint ventures	12,010	14,148	12,238
Consolidated profit or loss	131,648	131,720	104,801
Assets			
Total assets for reportable segments	4,282,755	4,477,012	5,345,769
Investments in associates and joint ventures	61,386	62,785	59,934
Assets held for sale	4,394	1,374	930
Other unallocated assets	8,048	8,583	5,836
Consolidated total assets	4,356,583	4,549,754	5,412,469
Liabilities			
Total liabilities for reportable segments	3,516,609	3,635,879	4,463,487
Liabilities held for sale	61	62	–
Other unallocated liabilities	48,430	45,747	44,938
Consolidated total liabilities	3,565,100	3,681,688	4,508,425

* Corporate expenses include SG$21,800,000 (2015: SG$4,275,000; 2014: SG$Nil) arising from an on-going project of which SG$13,000,000 has not been paid as at 31 December 2016.

(c) Geographical information

The logistics services and commodity marketing segments are managed on a worldwide basis and the Target Group operates principally in Singapore, China, Taiwan, Malaysia and other parts of Asia Pacific, Europe, Africa and South America. Engineering Services are primarily in Singapore. Financial Services operates mainly in China, Singapore and North America.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical locations from which the Target Group derives its revenue. Segment non-current assets (other than loans and receivables, financial assets and deferred tax assets) are based on the geographical location of the assets.

	Revenue from external customers As at 31 December			Specified non-current assets As at 31 December		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*
China	4,975,881	4,876,687	5,756,424	34,359	20,575	19,528
Asia Pacific	2,569,441	1,464,877	1,369,657	53,026	57,848	50,847
Singapore	3,072,847	1,073,843	918,082	484,718	497,397	675,412
Malaysia	1,423,051	1,160,192	188,365	4,527	3,858	12,221
Taiwan	1,560,075	818,106	262,651	–	–	–

	Revenue from external customers As at 31 December			Specified non-current assets As at 31 December		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*
Europe	443,498	360,160	423,951	179,404	165,556	156,647
North America	47,851	94,406	149,353	8,851	5,722	5,836
Africa	86,161	73,064	112,718	9,812	10,483	9,176
South America	15,547	10,284	70,653	284	509	554
	14,194,352	9,931,619	9,251,854	774,981	761,948	930,221

(d) Major customer

In 2014, 2015 and 2016, the Target Group had no major customer accounting for more than 10% of the consolidated revenue.

34 REVENUE

	Target Group Year ended 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Sale of commodities	13,074,112	8,848,918	8,211,662
Rendering of services	986,866	992,187	976,062
Construction income	90,460	62,434	37,688
Sale of goods	42,914	28,080	26,442
	14,194,352	9,931,619	9,251,854

35 PROFIT BEFORE TAXATION

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

	Year ended 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Staff costs	233,734	247,019	253,647
Contributions to defined contribution plan included in staff costs	15,974	16,551	16,879
Operating lease expenses	114,651	115,207	107,085
Audit fees paid to:			
– Auditors of the Target Company	764	797	1,055
– Other auditors	1,344	1,465	1,434
Non-audit fees paid to:			
– Auditors of the Target Company	198	195	166
– Other auditors	328	527	306
Professional fees paid to a firm in which a director is a member	30	40	10
Depreciation of property, plant and equipment	31,016	37,179	37,530
Amortisation of intangible assets	9,615	10,465	7,900
Amortisation and reversal of deferred gains	(35,445)	(19,136)	(12,185)
Bad debts written-off	606	545	421

	Year ended 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Allowance of impairment losses on:			
– Property, plant and equipment	–	1,281	–
– Intangible assets	637	3,069	–
– Loans and receivables	841	4,107	6,713
– Prepayments	–	–	1,257
– A subsidiary held-for-sale	–	1,517	–
(Gain)/loss on disposal or liquidation of:			
– Property, plant and equipment	(38)	(629)	(70)
– Intangible assets	65	–	389
– Subsidiaries	1,152	(361)	–
– Joint ventures	47	–	(22)
Property, plant and equipment written-off	–	12,663	–
Gain on exercise of put and call options	(4)	–	–

36 DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

(a) Directors' emoluments

The compensation paid/payable to key management personnel, included in staff costs, are as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	2014 Total
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*
2014				
Chairman				
Loi Kai Meng	260	–	–	260
Executive director				
Loi Pok Yen	–	1,420	9,030	10,450
Non-executive director				
Liao Chung Lik	140	–	–	140
Independent non-executive directors				
Dr Tan Wee Liang	140	–	–	140
Jimmy Yim Wing Kuen	150	–	–	150
Dr Hu Jian Ping	100	–	–	100
	790	1,420	9,030	11,240

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	2015 Total
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*
2015				
Chairman				
Loi Kai Meng	260	–	–	260
Executive director				
Loi Pok Yen	–	2,193	8,580	10,773
Non-executive director				
Liao Chung Lik	140	–	–	140
Independent non-executive directors				
Dr Tan Wee Liang	140	–	–	140
Jimmy Yim Wing Kuen	150	–	–	150
Dr Hu Jian Ping	100	–	–	100
	790	2,193	8,580	11,563

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	2016 Total
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*
2016				
Chairman				
Loi Kai Meng	250	–	–	250
Executive director				
Loi Pok Yen	–	2,886	5,866	8,752
Non-executive director				
Liao Chung Lik	130	–	–	130
Independent non-executive directors				
Dr Tan Wee Liang	130	–	–	130
Jimmy Yim Wing Kuen	140	–	–	140
Dr Hu Jian Ping	100	–	–	100
	750	2,886	5,866	9,502

(b) Individuals with highest emoluments

Apart from the Group CEO, who is an executive director, the aggregate of the emoluments for the remaining four highest paid individuals is as follows:

	Target Group Year ended 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Salaries and other benefits	2,308	2,052	2,579
Discretionary bonus	4,990	11,852	10,792
Share-based payments	–	–	–
Retirement scheme contributions	82	62	78
	7,380	13,966	13,449

The emoluments of the four individuals with the highest emoluments are within the following range:

	Target Group Year ended 31 December		
	2014	**2015**	**2016**
	No. of individuals	*No. of individuals*	*No. of individuals*
SG$'000			
1,000 – 1,250	1	–	–
1,250 – 1,500	1	–	–
1,750 – 2,000	1	1	1
2,750 – 3,000	1	–	–
3,250 – 3,500	–	2	1
3,500 – 3,750	–	–	1
4,500 – 4,750	–	–	1
5,000 – 5,250	–	1	–
	4	4	4

37 FINANCE INCOME AND EXPENSES

	Target Group Year ended 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Exchange gain, net	–	72	–
Gain on disposal of wealth management product	–	–	3,549
Gain on disposal of available-for-sale financial assets	1,772	7,432	–
Gain on fair value adjustment of derivative financial instruments	386	106	204
Dividend income from available-for-sale financial assets and financial assets designated at fair value through profit or loss	5,276	4,303	2,773
Interest income:			
– Cash and cash equivalents	1,058	3,339	3,168
– Held-to-maturity financial assets	–	198	990
– Finance leases	4	–	–
– Joint ventures, associates and related parties	177	204	175
– Interest charge to suppliers	5,416	5,730	3,715
– Interest charge to customers	9,515	6,078	4,075
– Interest charge to third parties	168	687	584
– Others	329	864	352
Finance income	24,101	29,013	19,585

	Target Group Year ended 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Bank commissions	(11,598)	(10,342)	(9,912)
Exchange loss, net	(9,247)	–	(1,068)
Loss on fair value adjustment of derivative financial instruments	–	(382)	(222)
Loss on fair value change of financial assets	–	–	(9)
Interest expense:			
– Bank borrowings and other banking facilities	(24,432)	(23,532)	(28,202)
– Medium term notes	(5,952)	(11,892)	(10,290)
– Unwind of discount on deferred consideration	(963)	(158)	–
– Hire purchase and finance lease liabilities	(155)	(132)	(172)
– Related parties	(245)	(223)	(203)
– Others	(2,097)	(1,088)	(400)
Other finance cost	(6,555)	(3,221)	(5,857)
Finance expenses	(61,244)	(50,970)	(56,335)
Net finance expenses recognised in profit or loss	(37,143)	(21,957)	(36,750)

38 INCOME TAX EXPENSE

	Target Group Year ended 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Current tax expense			
Current year	19,338	29,136	18,159
Under/(over) provision in prior years	128	(483)	(1,906)
Withholding tax	271	467	8,224
	19,737	29,120	24,477
Deferred tax (credit)/expense			
Origination and reversal of temporary differences	(2,480)	(11,298)	1,480
Under/(over) provision in prior years	530	(21)	(176)
	(1,950)	(11,319)	1,304
Total income tax expense	17,787	17,801	25,781

(a) Income tax recognised in other comprehensive income

	Target Group		
	Before tax	**Tax expense**	**Net of tax**
	SG$'000	*SG$'000*	*SG$'000*
2014			
Defined benefit plan remeasurements	(5,113)	493	(4,620)
Foreign currency translation differences relating to foreign operations	13,379	–	13,379
Foreign currency translation differences reclassified to profit or loss on disposal of subsidiaries	888	–	888
Net change in fair value of available-for-sale financial assets	3,749	(201)	3,548
Net change in fair value of available-for-sale financial assets reclassified to profit or loss upon disposals	(1,778)	–	(1,778)
Effective portion of changes in fair value of cash flow hedges	394	–	394
Share of other comprehensive income of associates and joint ventures	1,557	–	1,557
	13,076	292	13,368
2015			
Defined benefit plan remeasurements	396	(44)	352
Foreign currency translation differences relating to foreign operations	23,936	–	23,936
Foreign currency translation differences reclassified to profit or loss on disposal of subsidiaries	71	–	71
Net change in fair value of available-for-sale financial assets	(10,279)	176	(10,103)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss upon disposals	(7,493)	–	(7,493)
Effective portion of changes in fair value of cash flow hedges	601	–	601
Share of other comprehensive income of associates and joint ventures	(69)	–	(69)
	7,163	132	7,295
2016			
Defined benefit plan remeasurements	3,701	(341)	3,360
Foreign currency translation differences relating to foreign operations	1,154	–	1,154
Foreign currency translation differences relating to settlement of quasi-equity loans	(5,214)	–	(5,214)
Net change in fair value of available-for-sale financial assets	388	(695)	(307)
Effective portion of changes in fair value of cash flow hedges	454	–	454
Share of other comprehensive income of associates and joint ventures	(1,294)	–	(1,294)
	(811)	(1,036)	(1,847)

(b) Reconciliation of effective tax rate

	Target Group		
	Year ended 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Profit before income tax	131,648	131,720	104,801
Less: Share of profit of associates and joint ventures, net of tax	(12,010)	(14,148)	(12,238)
	119,638	117,572	92,563
Tax calculated using Singapore tax rate of 17%	20,338	19,987	15,736
Effect of different tax rates in other countries	(1,361)	(881)	2,731
Income not subject to tax	(8,634)	(6,831)	(4,839)
Tax incentives	(684)	(1,447)	(1,187)
Expenses not deductible for tax purposes	5,625	7,845	6,779
Effect of utilisation of tax losses and wear and tear allowances not previously recognised as deferred tax assets	(1,714)	(3,068)	(3,052)
Effect of deferred tax assets not recognised	3,288	2,233	3,471
Under/(over) provision in prior years	658	(504)	(2,082)
Withholding tax	271	467	8,224
	17,787	17,801	25,781

The utilisation of tax losses under the Target Group relief system is subject to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authority of Singapore.

Certain tax returns of the Target Group entities (including the Target Company) for prior years have not yet been finalised with the respective tax authorities. In arriving at the current tax expense of the Target Group, management establishes the best estimate of the expenditure required to settle its current tax liabilities based on its actual experience of similar transactions in the past, and in some cases, advice from its legal advisors on certain transactions.

In respect of the gains recognised on sale and leaseback of certain leasehold buildings, the Target Group continues to treat the disposals of the leasehold buildings as capital transactions and accordingly, the gains on disposal of leasehold buildings including the accretion of the deferred gain over the leaseback period are therefore not subject to tax.

The Target Group did not recognise deferred tax liabilities relating to unremitted accumulated earnings in foreign subsidiaries amounting to SG$131,526,000 (2015: SG$271,389,000; 2014: SG$112,843,000) as it is not probable that these earnings will be repatriated in the foreseeable future.

Subsequent to the tax affairs being finalised by the tax authorities, there may be significant adjustments affecting the Target Group's results in future periods as there is no absolute certainty that the relevant tax authorities would accept the tax treatments of certain income and expenses submitted by the Target Group.

39 EARNINGS PER SHARE

	Target Group		
	Year ended 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
The basic and diluted earnings per share are based on:			
Profit for the year attributable to shareholders	112,411	108,911	73,559
Issued ordinary shares at beginning of the year ('000)	600,305	600,305	600,305
Weighted average number of ordinary shares during the year ('000)	600,305	600,305	600,305

The Target Company does not have any dilutive potential ordinary shares in existence for the current and previous financial year.

40 NON-CONTROLLING INTERESTS ("NCI")

A subsidiary of the Target Group has material non-controlling interests.

		Ownership interests		
Name	**Country of incorporation/business**	**2014**	**2015**	**2016**
CWT Europe B.V.	Netherlands/Provision of storage and handling services	30%	30%	30%

The following summarises the financial information of CWT Europe B.V. Group with material non-controlling interests, based on its consolidated financial statements prepared in accordance with IFRS, modified for fair value adjustments on acquisition and differences in the Target Group's accounting policies.

	CWT Europe B.V. Group *SG$'000*	**Other individually immaterial subsidiaries** *SG$'000*	**Total** *SG$'000*
2014			
Revenue	94,601		
Loss	(328)		
Other comprehensive income	1,550		
Total comprehensive income	1,222		
Attributable to NCI:			
– (Loss)/profit	(217)	1,667	1,450
– Other comprehensive income	(860)	97	(763)
Total comprehensive income	(1,077)	1,764	687
Non-current assets	99,766		
Current assets	24,132		
Non-current liabilities	(60,234)		
Current liabilities	(25,573)		
Net assets	38,091		
Net assets attributable to NCI	11,343	15,028	26,371
Cash flows from operating activities	4,503		
Cash flows from investing activities	13		
Cash flows used in financing activities	(4,488)		
Net increase in cash and cash equivalents	28		

	CWT Europe B.V. Group *SG$'000*	Other individually immaterial subsidiaries *SG$'000*	Total *SG$'000*
2015			
Revenue	82,192		
Profit	1,884		
Other comprehensive income	858		
Total comprehensive income	2,742		
Attributable to NCI:			
– Profit	71	4,937	5,008
– Other comprehensive income	18	(312)	(294)
Total comprehensive income	89	4,625	4,714
Non-current assets	92,980		
Current assets	20,289		
Non-current liabilities	(49,090)		
Current liabilities	(25,818)		
Net assets	38,361		
Net assets attributable to NCI	11,390	17,274	28,664
Cash flows from operating activities	8,537		
Cash flows used in investing activities	(1,717)		
Cash flows used in financing activities	(3,332)		
Net increase in cash and cash equivalents	3,488		

	CWT Europe B.V. Group *SG$'000*	Other individually immaterial subsidiaries *SG$'000*	Total *SG$'000*
2016			
Revenue	85,811		
Profit	4,697		
Other comprehensive income	(393)		
Total comprehensive income	4,304		
Attributable to NCI:			
– Profit	1,095	4,366	5,461
– Other comprehensive income	(138)	(982)	(1,120)
Total comprehensive income	957	3,384	4,341
Non-current assets	87,976		
Current assets	26,316		
Non-current liabilities	(48,912)		
Current liabilities	(23,854)		
Net assets	41,526		
Net assets attributable to NCI	12,299	17,504	29,803
Cash flows from operating activities	13,575		
Cash flows used in investing activities	(3,643)		
Cash flows used in financing activities	(5,714)		
Net increase in cash and cash equivalents	4,218		

41 ACQUISITION OF SUBSIDIARIES

Financial year ended 31 December 2014

In January 2014, the Target Group acquired 95% of the equity interests in Teng Lee Green Pack Pte Ltd ("**Teng Lee**") for a total cash consideration of SG$22,041,000.

Teng Lee's core business is in wooden pallet supply chain management. It also provides industrial packing, onsite packing and logistics services. The acquisition of Teng Lee enables the Target Group to further enhance its logistics solutions by providing customers with a one-stop solution in Singapore from warehousing to packaging, packing supply and services to the movement and distribution of goods.

For the twelve months to 31 December 2014, Teng Lee contributed revenue of SG$22,193,000 and profit of SG$2,561,000 to the Target Group results.

Acquisition-related costs

The Target Group incurred acquisition-related costs of SG$67,000 related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the Target Group's income statement.

	Target Group
	2014
	SG$'000
Purchase consideration	
Cash paid	22,041
Total consideration for the acquisition	22,041
Effect on cash flows of the Target Group	
Cash paid (as above)	22,041
Less: Cash and cash equivalents in subsidiary acquired	(1,580)
Cash outflow on acquisition	20,461

The following fair values have been determined:

		At fair value
	Note	**2014**
		SG$'000
Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	*4*	4,012
Deferred tax assets	*12*	112
Inventories		549
Trade and other receivables		3,492
Cash and cash equivalents		1,580
Total assets		9,745
Trade and other payables		(2,445)
Current tax payable		(520)
Total liabilities		(2,965)
Total identifiable net assets		6,780
Less: Non-controlling interest, based on their proportionate interest in the recognised amounts of assets and liabilities of the acquiree		(339)
Add: Goodwill arising from consolidation	*5*	14,927
Customer contracts	*5*	811
Deferred tax liabilities	*12*	(138)
Total considerations for the acquisition		22,041

None of the goodwill recognised is expected to be deductible for tax purposes.

Measurement of fair values

The valuation technique used for measuring the fair value of material assets acquired was as follows:

Assets acquired	**Valuation technique**
Property, plant and equipment	Property: An independent valuer was engaged to perform a valuation using the sales comparison method and direct capitalisation method.

On 18 March 2016, the Target Company increased its shareholding in its subsidiary, Teng Lee Green Pack Pte Ltd, from 95% to 100% for a consideration of SG$1,025,000.

42 FINANCIAL RISK MANAGEMENT

Overview

The Target Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Target Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

The Audit Committee oversees how management monitors compliance with the Target Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Target Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Target Group, as and when they fall due.

The Target Group has a credit policy in place whereby new customers are subject to credit evaluations based on available financial information and past experiences. The Target Group has established credit limits for customers and monitors their balances on an ongoing basis. Cash and fixed deposits are placed with banks and financial institutions, which are regulated.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position. There were no significant concentrations of credit risk.

The maximum exposure to credit risk for receivables classified as loans and receivables at the reporting date by business segment is:

		Target Group **As at 31 December**	
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Operating segment			
Logistics services	164,486	152,813	156,335
Commodity marketing	721,946	555,605	858,545
Engineering services	86,929	79,689	87,712
Financial services	1,047,824	1,308,247	1,409,593
	2,021,185	2,096,354	2,512,185
Non-current	10,259	19,457	15,232
Current	2,010,926	2,076,897	2,496,953
	2,021,185	2,096,354	2,512,185

Certain sales by the commodity marketing and financial services segments are generally secured by letter of credit. The Target Group generally does not require collateral for sales in other segments. As at 31 December 2016, trade receivables of the Target Group secured by letters of credit amounted to SG$345,254,000 (2015: SG$302,564,000; 2014: SG$357,391,000).

The ageing of receivables classified as loans and receivables at the reporting date is:

	Target Group As at 31 December					
	2014		2015		2016	
	Gross	Impairment losses	Gross	Impairment losses	Gross	Impairment losses
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*
Not past due	1,959,690	(209)	1,569,082	(30)	2,447,401	–
Past due 1 – 30 days	31,936	(11)	487,874	(517)	35,588	–
Past due 31 – 90 days	18,740	(100)	15,664	(34)	19,111	(16)
Past due 91 – 180 days	4,280	(456)	16,648	(1,723)	6,816	(809)
Past due 181 – 365 days	3,186	(1,069)	2,359	(367)	8,106	(6,487)
Past due more than 1 year	11,479	(6,281)	10,856	(3,458)	6,052	(3,577)
	2,029,311	(8,126)	2,102,483	(6,129)	2,523,074	(10,889)

Impairment losses include allowance for impairment of non-trade amounts due from related parties, loans to subsidiaries, loans to joint ventures and other receivables of SG$5,053,000 (2015: SG$1,326,000; 2014: SG$4,084,000).

In 2015, loans and receivables past due 181-365 days of SG$1,148,000 (2014: SG$Nil) and past due 91-180 days of SG$5,020,000 (2014: SG$Nil) are secured by cash received from the related parties of the customers.

The changes in allowance for impairment losses in respect of receivables classified as loans and receivables during the year were as follows:

	Target Group As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
At 1 January	8,546	8,126	6,129
Allowance recognised/(reversed)	841	4,107	6,713
Disposal of subsidiary	–	(408)	–
Allowance utilised	(1,436)	(6,120)	(1,952)
Translation differences	175	424	(1)
At 31 December	8,126	6,129	10,889

The Target Group's primary exposure to credit risk arises through its trade and other receivables. Concentration of credit risk relating to these trade and other receivables is limited due to the Target Group's many varied customers, which are internationally dispersed. The Target Group assessed collectability based on historical default rates to determine the impairment loss to be recognised. The Target Group's historical experience in the collection of accounts receivables fall within the recorded allowances. Management reviews the ageing of receivables classified as loans and receivables, and except for the impaired receivables, no impairment loss is necessary in respect of the remaining receivables due to the good track records and reputation of customers.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and availability of funding as required. The Target Group monitors and maintains a level of cash and bank balances and credit facilities deemed adequate by management to finance the Target Group's operations and to mitigate the effects of fluctuations in cash flows.

The Target Group aims at maintaining flexibility in funding by keeping adequate liquidity available. Where necessary and at the appropriate time, the Target Group would unlock cash from properties held to meet expansion needs.

The Target Group maintains adequate secured and unsecured loan facilities. As at 31 December 2016, the Target Group has unutilised loan facilities amounting to SG$3,517,261,000 (2015: SG$3,327,868,000; 2014: SG$2,458,237,000) that are available to fund its working capital requirements and to service financing obligations.

The following are the expected contractual undiscounted cash outflows of financial liabilities including estimated interest payments and excluding the impact of netting agreements:

	Target Group					
	Carrying amount	**Contractual cash flows**	**On demand**	**Within 1 year**	**Within 1 to 5 years**	**More than 5 years**
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*
2014						
Medium term notes	201,029	(227,528)	–	(7,900)	(219,628)	–
Floating rate loans	415,186	(426,716)	–	(78,191)	(243,258)	(105,267)
Fixed rate loans	77,047	(82,769)	–	(61,705)	(7,571)	(13,493)
Hire purchase and finance lease liabilities	1,765	(1,905)	–	(1,017)	(888)	–
Revolving short-term trade facilities	730,885	(733,828)	–	(733,828)	–	–
Bank overdrafts	4,715	(4,715)	–	(4,715)	–	–
Trade and other payables*	1,943,389	(1,943,389)	(941,628)	(992,479)	(9,282)	–
	3,374,016	(3,420,850)	(941,628)	(1,879,835)	(480,627)	(118,760)
2015						
Medium term notes	301,858	(341,208)	–	(12,700)	(328,508)	–
Floating rate loans	346,151	(383,748)	–	(61,768)	(281,041)	(40,939)
Fixed rate loans	25,101	(28,109)	–	(10,565)	(8,124)	(9,420)
Hire purchase and finance lease liabilities	2,428	(2,738)	–	(779)	(1,938)	(21)
Revolving short-term trade facilities	751,395	(753,177)	–	(753,177)	–	–
Bank overdrafts	491	(491)	–	(491)	–	–
Trade and other payables*	2,076,001	(2,076,001)	(793,320)	(1,274,547)	(5,628)	(2,506)
	3,503,425	(3,585,472)	(793,320)	(2,114,027)	(625,239)	(52,886)
2016						
Medium term notes	302,185	(328,522)	–	(110,684)	(217,838)	–
Floating rate loans	615,904	(625,422)	–	(474,756)	(149,208)	(1,458)
Fixed rate loans	13,729	(15,821)	–	(3,494)	(6,334)	(5,993)
Hire purchase and finance lease liabilities	3,046	(3,366)	–	(928)	(2,322)	(116)
Revolving short-term trade facilities	935,643	(938,610)	–	(938,610)	–	–
Bank overdrafts	908	(908)	–	(908)	–	–
Trade and other payables*	2,360,665	(2,360,665)	(1,080,878)	(1,275,487)	(4,300)	–
	4,232,080	(4,273,314)	(1,080,878)	(2,804,867)	(380,002)	(7,567)

* Excluding advance billings and billings in excess of costs incurred and recognised profits. Payables on demand relates to customer segregated funds.

The table below analyses the derivative financial instruments of the Target Group for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

		Target Group Maturity	
	Within 1 year	**Within 1 to 5 years**	**More than 5 years**
	SG$'000	*SG$'000*	*SG$'000*
2014			
Interest rate swaps	–	1,193	182
Commodities futures	9,967	–	–
Commodities forward contracts	10	–	–
Currency forward contracts	56	–	–
Commodities swaps	57,603	–	–
	67,636	1,193	182
2015			
Interest rate swaps	–	583	150
Commodities futures	63,046	–	–
Commodities forward contracts	620	–	–
Commodities options	3	–	–
Currency forward contracts	40	–	–
Commodities swaps	655	–	–
Fair value gain on commodity contracts	1,288	–	–
	65,652	583	150
2016			
Interest rate swaps	113	137	–
Commodities futures	162,473	–	–
Commodities forward contracts	455	–	–
Commodities options	647	–	–
Currency forward contracts	7,551	–	–
Commodities swaps	1,315	–	–
Fair value gain on commodity contracts	53	–	–
	172,607	137	–

(c) Market risk

Market risk is the risk that changes in market prices, such as equity prices, commodity prices, interest rates and foreign exchange rates, will affect the Target Group's income, or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(d) Price risk

Price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

(e) Equity price risk

The Target Group and the Target Company hold equity securities which are designated as available-for-sale investments, amounting to SG$29,972,000 (2015: SG$33,672,000; 2014: SG$68,420,000) (note 9). A 10% increase or decrease in the underlying equity prices at the reporting date with all other variables held constant would increase or decrease equity by SG$2,997,200 (2015: SG$3,367,200; 2014: SG$6,842,000) respectively.

(f) Commodity price risk

The Target Group uses derivative financial instruments such as commodity futures, commodity option contracts, commodity futures and commodity swaps to hedge certain exposures. The markets used are the London Metal Exchange ("LME") for base metals, such as copper, lead and zinc, the London Bullion Market Association ("LBMA") for gold and silver, and the Intercontinental Exchange ("NYSE: ICE") and the New York Mercantile Exchange ("NYMEX").

The following table presents the quantities by commodity, to which the Target Group is exposed to commodity price risk. Base metals, such as copper, lead and zinc are shown as, metric tons (mt), precious metals such as gold and silver are shown as ounces (oz).

	Target Group							
	Copper	**Lead**	**Zinc**	**Gold**	**Silver**	**Nickel/ Aluminium**	**Naphtha**	**Tin Ore**
	mt	*mt*	*mt*	*oz*	*oz*	*mt*	*mt*	*mt*
2014								
Gross exposure	13,822	17,143	50,107	65,057	2,321,999	15,267	(17,942)	15
Hedges	(13,800)	(17,125)	(50,150)	(65,084)	(2,320,609)	(15,250)	21,667	(10)
Net exposure	22	18	(43)	(27)	1,390	17	3,725	5
2015								
Gross exposure	33,842	1,281	16,166	49,805	867,324	77,276	(19,593)	–
Hedges	(33,889)	(1,687)	(16,125)	(49,967)	(833,681)	(77,313)	19,941	–
Net exposure	(47)	(406)	41	(162)	33,643	(37)	348	–
2016								
Gross exposure	108,106	7,487	5,977	190,681	2,542,241	38,178	(1,000)	47
Hedges	(104,500)	(7,600)	(6,650)	(192,962)	(2,432,412)	(38,178)	2,000	(35)
Net exposure	3,606	(113)	(673)	(2,281)	109,829	–	1,000	12

Exposure to commodity prices is covered by derivatives and therefore, changes to market prices are not expected to significantly impact the Target Group's financial performance. Changes in weight and content of the metals within the concentrates are not expected to significantly impact the Target Group's financial performance.

(g) Interest rate risk

The following loans and borrowings of the Target Group and the Target Company bear interests at floating rates (note 26):

	Target Group As at 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
USD floating rate loans	33,811	41,708	450,372
SGD floating rate loans	381,028	304,251	162,507
EUR floating rate loans	340	192	3,025
TRY floating rate loans	7	–	–
USD floating rate revolving short-term trade facilities	730,885	751,395	931,932
EUR floating rate revolving short-term trade facilities	–	–	3,711
Bank overdrafts	4,715	491	908
	1,150,786	1,098,037	1,552,455

The Target Group's earnings are affected by changes in interest rates due to the impact such changes have on short-term cash deposits and debt obligations. The Target Group's debt obligations are mainly denominated in Singapore dollars and United States dollars. Generally, the Target Group adopts a conservative approach in interest risk management. The Target Group's policy is to maintain its borrowings in the appropriate currencies such as to balance risks and cost effectiveness.

The Target Group enters into interest rate swap contracts to hedge its interest rate risk.

Sensitivity analysis

In managing its interest rate risk, the Target Group aims to reduce the impact of short-term fluctuations on the Target Group's earnings. Over the longer term, however, any prolonged adverse change in interest rates can have a significant impact on profit or loss.

For the variable rate bank loans, a change of 100 bp in interest rate at the reporting date would increase/(decrease) profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant.

	Profit before tax	
	Target Group	
	100 bp increase	**100 bp decrease**
	SG$'000	*SG$'000*
2014		
Variable rate loans and borrowings	(11,508)	11,508
2015		
Variable rate loans and borrowings	(10,980)	10,980
2016		
Variable rate loans and borrowings	(15,525)	15,525

(h) Currency risk

The Target Group operates internationally and is exposed to foreign currency risks arising from various currency exposures. Where possible, the Target Group seeks to minimise its foreign currency exposure in operations by matching its exposure to foreign currency receivables to its exposure to foreign currency payables. The Target Group may also explore using derivatives to hedge its foreign exchange risk.

The Target Group seeks to minimise its foreign currency exposures in foreign subsidiaries, associates and joint ventures by repatriating their earnings, where practicable. The Target Group also requires the foreign subsidiaries, associates and joint ventures to maintain their borrowings in the relevant foreign currencies which match their respective functional currencies.

In respect of the other monetary assets and liabilities held in currencies other than the functional currencies, the Target Group reviews the balances periodically to ensure the net exposure is kept at an acceptable level.

The Target Group's significant exposures to foreign currencies are as follows:

	Target Group			
	US Dollar	Singapore Dollar	Euro	Renminbi
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*
2014				
Non-current loan receivables	2,652	–	30,497	–
Current loan receivables	60,939	1,142	–	–
Trade and other receivables	45,990	62,244	10,258	113,300
Cash and cash equivalents	10,253	5,682	1,248	18,538
Trade and other payables	(59,557)	(310,118)	(3,702)	(59,317)
Loans and borrowings	(25,855)	–	–	(45,416)
Net statement of financial position exposure	34,422	(241,050)	38,301	27,105
Forward exchange contracts	–	39,143	–	–
Net exposure	34,422	(201,907)	38,301	27,105
2015				
Non-current loan receivables	2,781	–	27,562	–
Current loan receivables	61,487	1,136	463	–
Trade and other receivables	40,913	41,873	7,353	173,874
Cash and cash equivalents	26,486	5,267	3,941	6,532
Trade and other payables	(72,751)	(382,351)	(5,334)	(163,620)
Loans and borrowings	–	–	(1,410)	–
Net statement of financial position exposure	58,916	(334,075)	32,575	16,786
Forward exchange contracts	(55,109)	107,000	–	–
Net exposure	3,807	(227,075)	32,575	16,786
2016				
Non-current loan receivables	2,138	–	–	–
Current loan receivables	28,912	789	457	–
Trade and other receivables	44,012	5,865	4,906	225,039
Cash and cash equivalents	25,661	4,186	1,026	5,634
Trade and other payables	(71,393)	(195,344)	(3,344)	(238,675)
Loans and borrowings	–	(26)	(3,384)	–
Net statement of financial position exposure	29,330	(184,530)	(339)	(8,002)
Forward exchange contracts	(23,293)	17,834	122	56,414
Net exposure	6,037	(166,695)	(217)	48,412

Sensitivity analysis

A 10% strengthening of the Target Group's major functional currencies against the following currencies at the reporting date would increase/(decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Target Group As at 31 December					
	2014		2015		2016	
	Equity	Profit before tax	Equity	Profit before tax	Equity	Profit before tax
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*
US Dollar	–	(3,442)	1,705	(2,086)	1,695	(2,299)
Singapore Dollar	9,349	10,842	19,635	3,073	13,505	3,165
Euro	–	(3,830)	–	(3,258)	–	22
Renminbi	–	(2,711)	–	(1,679)	–	(4,841)
	9,349	859	21,340	(3,950)	15,200	(3,953)

A 10% weakening of the Target Group's major functional currencies against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(i) Fair values

(i) Fair value hierarchy

The table below analyse fair value measurements for financial assets and financial liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques as described in note 2(d).

	Target Group			
	Level 1	Level 2	Level 3	Total
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*
Financial assets and liabilities carried at fair value				
2014				
Available-for-sale financial assets	68,420	44	61,281	129,745
Financial assets designated at fair value through profit or loss	114	–	–	114
Derivative financial assets				
– Commodities futures	25,578	1,827	–	27,405
– Commodities options	56	–	–	56
– Commodities swaps	45,926	–	–	45,926
– Commodities forward contracts	–	9,463	–	9,463
– Fair value gain on commodity contracts	10,219	–	–	10,219
– Non-structured OTC warrant options	–	5,629	–	5,629
	150,313	16,963	61,281	228,557
Derivative financial liabilities				
– Interest rate swaps	–	(1,375)	–	(1,375)
– Commodities futures	(10,451)	484	–	(9,967)
– Commodities forward contracts	–	(10)	–	(10)
– Commodities swaps	(57,603)	–	–	(57,603)
– Currency forward contracts	–	(56)	–	(56)
	(68,054)	(957)	–	(69,011)

	Target Group			
	Level 1	Level 2	Level 3	Total
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*
Financial assets and liabilities carried at fair value				
2015				
Available-for-sale financial assets	33,672	44	130,788	164,504
Financial assets designated at fair value through profit or loss	110	–	–	110
Derivative financial assets				
– Commodities futures	81,236	4,873	–	86,109
– Commodities forward contracts	–	33,042	–	33,042
– Commodities options	50	–	–	50
– Commodities swaps	3,127	–	–	3,127
– Currency forward contracts	–	492	–	492
– Fair value gain on commodity contracts	3,800	–	–	3,800
	121,995	38,451	130,788	291,234
Derivative financial liabilities				
– Interest rate swaps	–	(733)	–	(733)
– Commodities futures	(60,846)	(2,200)	–	(63,046)
– Commodities forward contracts	–	(620)	–	(620)
– Commodities options	(3)	–	–	(3)
– Commodities swaps	(655)	–	–	(655)
– Currency forward contracts	–	(40)	–	(40)
– Fair value loss on commodity contracts	(1,288)	–	–	(1,288)
	(62,792)	(3,593)	–	(66,385)
Financial assets and liabilities carried at fair value				
2016				
Available-for-sale financial assets	29,972	44	65,208	95,224
Financial assets designated at fair value through profit or loss	100	–	–	100
Derivative financial assets				
– Commodities futures	57,865	10,552	–	68,417
– Commodities forward contracts	–	37,822	–	37,822
– Commodities swaps	3,613	–	–	3,613
– Currency forward contracts	–	2,404	–	2,404
– Fair value gain on commodity contracts	537	–	–	537
	92,087	50,822	65,208	208,117
Derivative financial liabilities				
– Interest rate swaps	–	(250)	–	(250)
– Commodities futures	(161,719)	(754)	–	(162,473)
– Commodities forward contracts	–	(455)	–	(455)
– Commodities options	–	(647)	–	(647)
– Commodities swaps	(1,315)	–	–	(1,315)
– Currency forward contracts	–	(7,551)	–	(7,551)
– Fair value loss on commodity contracts	(53)	–	–	(53)
	(163,087)	(9,657)	–	(172,744)

	Target Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*
Financial assets and liabilities not carried at fair value but for which fair value are disclosed*				
2014				
Non-current receivables	–	–	8,728	8,728
Medium term notes	–	(197,950)	–	(197,950)
Fixed interest rate bank loans	–	(78,631)	–	(78,631)
	–	(276,581)	–	(276,581)
2015				
Non-current receivables	–	–	19,043	19,043
Held-to-maturity financial assets	142,090	–	–	142,090
	142,090	–	19,043	161,133
Medium term notes	–	(298,950)	–	(298,950)
Fixed interest rate bank loans	–	(27,992)	–	(27,992)
	–	(326,942)	–	(326,942)
2016				
Non-current receivables	–	–	14,840	14,840
Held-to-maturity financial assets	216,889	–	–	216,889
	216,889	–	14,840	231,729
Medium term notes	–	(297,886)	–	(297,886)
Fixed interest rate bank loans	–	(16,222)	–	(16,222)
	–	(314,108)	–	(314,108)

* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short term nature and where the effect of discounting is immaterial.

The following table shows the carrying amounts and fair values of significant non-financial assets, including their levels in the fair value hierarchy.

	Target Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*
Non-financial assets measured at fair value				
2014				
Warrantable LME commodities	114,777	–	–	114,777
2015				
Warrantable LME commodities	306,298	–	–	306,298
2016				
Warrantable LME commodities	550,370	–	–	550,370

(ii) Measurement of fair value

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Target Group			
Available-for-sale financial assets – convertible bonds	*Discounted cash flows:* The valuation model considers the present value of expected cash received upon redemption event, discounted using a risk-adjusted discount rate.	Risk-adjusted discount rate (6.93% (2015: 6.82%; 2014: 3.33%)); and Expected fair value of the property.	The estimated fair value would increase/(decrease) if the risk-adjusted discount factor was lower/(higher); and if the fair value of the property was higher/(lower).
Available-for-sale financial assets – wealth management products	*Discounted cash flows:* The valuation model considers the present value of expected cash flows expected to be generated on maturity date due in 2016. The expected cash flows are discounted using risk-adjusted discount rate considering the credit risk of the pool of invested financial assets.	Risk-adjusted discount rate. Value of the underlying instruments.	The estimated fair value would increase/(decrease) if the risk-adjusted discount factor was lower/(higher).
Commodities forward contracts	*Market comparison technique:* The fair values are based on exchange or broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable.	Not applicable.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Commodities futures	*Market comparison technique:* The fair values are based on month end spot and forward prices received from broker.	Not applicable.	Not applicable.
Non-structured OTC warrant options	*Market comparison technique:* The fair values are based on Metal Bulletin publications for month end prices. Forward rates are based on future market development assessment done by trader.	Not applicable.	Not applicable.
Interest rate swaps	*Market comparison technique:* The fair values are based on market value (MTM value) provided by the bank.	Not applicable.	Not applicable.
Currency forward contracts	*Market comparison technique:* The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable.	Not applicable.
Fixed interest rate bank loans	*Discounted cash flows*.	Discount rate.	Discount rate.
Non-current receivables	*Discounted cash flows*.	Risk-adjusted discount rate.	The estimated fair value would increase/(decrease) if the risk-adjusted discount rate was lower/(higher).

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Medium term notes	*Market comparison technique:* The fair values are based on bank quotes. The valuations are calculated on the basis of estimated mid-market levels.	Not applicable.	Not applicable.

Non-financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Target Group			
Investment property	*Market comparison technique:* The fair value is based on market price of a similar property near the location.	Not applicable.	Not applicable.

Transfer between Level 1 and Level 2

There were no transfers from level 1 to level 2 nor the opposite direction in the reporting and comparative period.

Level 3 fair value

The following table shows a reconciliation for Level 3 fair value:

	Available-for-sale financial assets *SG$'000*
Target Group	
At 1 January 2014	–
Purchases	57,535
Total gains for the year included in other comprehensive income ("OCI") – net of change in fair value	3,746
At 31 December 2014	61,281

	Available-for-sale financial assets
	SG$'000
At 1 January 2015	61,281
Purchases	70,544
Total losses for the year included in other comprehensive income ("OCI") – net change in fair value	(1,037)
At 31 December 2015	130,788
At 1 January 2016	130,788
Purchases	876
Sales	(70,544)
Total gains for the year included in other comprehensive income ("OCI") – net change in fair value	4,088
At 31 December 2016	65,208

Sensitivity analysis

For the fair values of the available-for-sale financial assets, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

	OCI, net of tax	
	Increase	**Decrease**
	SG$'000	*SG$'000*
31 December 2014		
Risk-adjusted discount rate (1% movement)	(1,210)	1,252
Expected fair value of the property (10% movement)	686	(686)
31 December 2015		
Risk-adjusted discount rate (1% movement)	(978)	996
Expected fair value of the property (10% movement)	675	(675)
31 December 2016		
Risk-adjusted discount rate (1% movement)	(251)	255
Expected fair value of the property (10% movement)	730	(730)

(iii) Offsetting financial assets and liabilities

The table below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement.

			Target Group		
	Gross amounts of recognised financial assets/ liabilities	**Gross amounts of recognised financial assets/ liabilities offset in the statement of financial position**	**Net amounts of financial assets/ liabilities presented in the statement of financial position**	**Related amounts not offset in the statement of financial position – financial instruments**	**Net amount**
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*	*SG$'000*
2014					
Type of financial assets					
Derivatives	114,898	(16,200)	98,698	–	98,698
Type of financial liabilities					
Derivatives	85,211	(16,200)	69,011	–	69,011
2015					
Type of financial assets					
Derivatives	257,226	(130,606)	126,620	–	126,620
Type of financial liabilities					
Derivatives	196,992	(130,606)	66,386	–	66,386
2016					
Type of financial assets					
Derivatives	367,635	(254,842)	112,793	–	112,793
Type of financial liabilities					
Derivatives	427,586	(254,842)	172,744	–	172,744

43 COMMITMENTS

	Target Group		
	As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Capital commitments:			
– contracted for but not provided	–	237,861	51,543
– authorised but not contracted	315,388	16,322	52,045
	315,388	254,183	103,588

The Target Group lease land, warehouse facilities, offices and motor vehicles under operating leases. The leases typically run for an initial period of 1 to 50 years, with an option to renew the lease after the expiry dates. Lease payments for land are revised on an annual basis to reflect the market rental whilst other lease payments are revised on renewal of lease contracts to reflect market rental. None of the leases include contingent rental.

At the reporting date, the Target Group had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Target Group		
	As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Within 1 year	101,413	99,891	89,974
After 1 year but within 5 years	203,560	143,129	106,010
After 5 years	258,694	291,570	292,259
	563,667	534,590	488,243

The Target Group contracted out part of their leasehold buildings to clients under logistic contracts. The contracts typically run for an initial period of 1 to 6 years. Rates are revised at renewal of contract to reflect market rate. None of the contracts include contingent payments. The non-cancellable contract payments receivable are as follows:

	Target Group		
	As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Within 1 year	69,560	47,216	76,708
After 1 year but within 5 years	103,100	98,705	94,013
After 5 years	30,130	29,423	10,810
	202,790	175,344	181,531

44 CONTINGENCIES

The Target Group is subject to various litigation, regulatory, and arbitration matters in the normal course of business. The Target Group vigorously defends against these claims and, in the opinion of management, the resolution of these matters will not have a material effect on the financial position of the Target Group.

45 RELATED PARTIES

(a) Key management personnel remuneration

Remuneration for key management personnel of the Target Group, including amounts paid to the Target Company's directors as disclosed in note 36 and certain of the highest paid employees as disclosed in note 36, is as follows:

	Target Group Year ended 31 December		
	2014	**2015**	**2016**
	SG$'000	*SG$'000*	*SG$'000*
Fees payable to directors of the Target Company	790	790	750
Senior management team remuneration*	37,359	24,380	22,485
Post-employment benefits	544	187	221
Other long-term employee benefits	473	–	131
	39,166	25,357	23,587

* Represents short-term employee benefits

Total remuneration is included in "staff costs" (see note 35).

(b) Other material related party transactions

During the financial year, other than those disclosed elsewhere in the Historical Financial Information, the Target Group had the following significant related party transactions on terms agreed between the parties:

	Target Group			
	Entities in which directors have an interest	**Associates**	**Joint ventures**	**Other related parties**
	SG$'000	*SG$'000*	*SG$'000*	*SG$'000*
2014				
Sales of goods and/or services	3,553	22,674	6,708	15
Purchase of goods and/or services	4,289	6,371	4,034	–
Rental paid	633	–	–	–
Interest income from loan	–	94	37	–
2015				
Sales of goods and/or services	388	20,847	9,165	10
Purchase of goods and/or services	3,988	8,408	4,426	1,460
Rental paid	1,411	956	–	–
Interest income from loan	–	138	16	50
2016				
Sales of goods and/or services	174	17,347	6,314	7
Purchase of goods and/or services	2,776	4,932	4,910	–
Rental paid	1,344	–	–	–
Interest income from loan	–	156	16	–

46 TARGET COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	As at 31 December		
	2014	2015	2016
	SG$'000	*SG$'000*	*SG$'000*
Non-current assets			
Property, plant and equipment	144,846	164,887	359,134
Intangible assets	758	821	283
Subsidiaries	465,743	470,221	411,642
Associates	200	200	200
Joint ventures	4,116	4,888	4,116
Financial assets	68,420	33,672	29,972
Non-current receivables	19,875	107,594	95,242
	703,958	782,283	900,589
Current assets			
Inventories	1,581	1,662	1,085
Trade and other receivables	380,636	305,365	126,290
Derivative financial instruments	56	118	809
Cash and cash equivalents	11,395	40,342	25,120
	393,668	347,487	153,304
Total assets	1,097,626	1,129,770	1,053,893
Equity			
Capital and reserves attributable to owners of the Target Company			
Share capital	174,338	174,338	174,338
Reserves	171,396	178,942	194,546
Total equity	345,734	353,280	368,884
Liabilities			
Current liabilities			
Trade and other payables	163,966	209,521	266,790
Loans and borrowings	66,956	11,101	112,055
Derivative financial instruments	56	95	1,092
Deferred gains	18,560	12,185	7,344
Provisions	1,258	1,517	2,502
	250,796	234,419	389,783
Non-current liabilities			
Loans and borrowings	478,528	531,661	288,810
Deferred gains	22,568	10,410	6,416
	501,096	542,071	295,226
Total liabilities	751,892	776,490	685,009
Total equity and liabilities	1,097,626	1,129,770	1,053,893
Net current assets/(liabilities)	142,872	113,068	(236,479)
Total assets less current liabilities	846,830	895,351	664,110

47 SUBSEQUENT EVENTS

The significant subsequent events that arose after 31 December 2016 are as follows:

(a) The directors approved an interim one-tier dividend of 3.0 cents per ordinary share amounting to SG$18,009,140. The dividend has not been provided for in the financial statements as at 31 December 2016.

(b) On 13 March 2017, the Target Company fully redeemed its Series No. 002 SG$100,000,000 4.0% fixed rate notes under the Target Group's SG$500,000,000 Multicurrency Debt Issuance Programme.

48 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of the Historical Financial Information, the International Accounting Standards Board (IASB) has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to IFRS 12, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Target Group has not early applied the following new or amended standards in preparing the Historical Financial Information. The Target Group is currently assessing the potential impact of adopting these new standards and interpretations on the Target Group's and the Target Company's results of operations and financial position. The Target Group does not plan to adopt these standards early.

For those new standards and amendments to standards that are expected to have an effect on the results of operations and financial position of the Target Group and the Target Company in future financial periods, the Target Group has set up project teams to assess the transition options and the potential impact on its results of operations and financial position, and to implement these standards. Management provides updates to the Board of Directors on the progress of implementing these standards. These updates cover project implementation status, key reporting and business risks and the implementation approach.

Applicable to 2018 financial statements

New standards *Summary of the requirements*	***Potential impact on the financial statements***
IFRS 15 ***Revenue from contracts with customers***	
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, IFRS 15 replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction contracts*, IFRIC 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers* and SIC-31 *Revenue – Barter transactions involving advertising services*. IFRS 15 is effective for annual periods beginning of or after 1 January 2018, with early adoption permitted. IFRS 15 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.	During 2016, the Target Group performed an initial assessment of the impact on the Target Group's financial statements. Based on its initial assessment, the Target Group expects the following key impacts: **Timing of recognition** – The Target Group recognises revenue form provision of export and import freight forwarding services upon delivery to the carriers for export revenue and upon arrival of cargos for import revenue. Under IFRS 15, these revenues may have to be recognised over the journey. Per the initial assessment, the impact is expected to be on shipments in transit as at year end, which the Target Group believes, may be immaterial. **Variable consideration** – The Target Group's construction contracts may include variable considerations such as discounts, incentives, penalties, including liquidated damages for delays or other similar terms. Under IFRS 15, the Target Group is required to estimate the amount of considerations to which it expects to be entitled and variable amounts are included in the contract revenue to the extent that it is highly probable that there will be no significant reversal when the uncertainty is resolved. Per the initial assessment, the Target Group presently anticipates that the adoption of IFRS 15 in 2018 will not have a material impact on the financial statements of the Target Group. **Transition** – The Target Group plans to adopt the standard when it becomes effective in 2018 using the full retrospective approach. The Target Group is currently performing a detailed analysis under IFRS 15 to determine its election of the practical expedients and to quantify the transition adjustments on its financial statements.
IFRS 9 ***Financial instruments***	
IFRS 9 replaces most of the existing guidance in IAS 39 *Financial instruments: Recognition and measurement*. It concludes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.	During 2016, the Target Group performed an initial assessment of the impact on the Target Group's financial statements. Overall, the Target Group does not expect significant impact on its opening equity except for the potential effect of applying the impairment requirements of IFRS 9. Based on the initial assessment, the Target Group does not expect a material increases in impairment loss allowance. The Target Group's initial assessment of three elements of IFRS 9 is as described below.

New standards *Summary of the requirements*	***Potential impact on the financial statements***
IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.	**Classification and measurement** – The Target Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under IFRS 9. For financial assets currently at fair value, the Target Group expects to continue measuring most of the assets at fair value under IFRS 9. The expected classification and measurement of these financial assets under IFRS 9 is summarised below: – Convertible bonds that are currently classified as available-for-sale (AFS) are expected to be classified as financial assets measured at fair value through profit or loss (FVTPL) as the contractual terms of the financial asset does not give rise to cash flows that are solely payments of principal and interest. – AFS equity securities are held as long-term investment. For these, the Target Group expects to elect to present subsequent changes in fair value in other comprehensive income (OCI). Under IFRS 9, only dividend income is recognised in profit or loss. Any subsequent fair value changes are recognised in OCI and will not be reclassified to profit or loss even upon divestment. – Equity securities that are currently designated at FVTPL will continue to be classified as financial asset subsequently measured at FVTPL. **Impairment** – The Target Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of IFRS 15. The Target Group is currently refining its impairment loss estimation methodology to quantify the impact on its financial statements. **Hedge accounting** – The Target Group expects all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. Currently, the Target Group cannot apply hedge accounting for hedging its commodity price risk of base metals under the commodity marketing segments as the hedge relationship does not meet the quantitative threshold for hedge effectiveness. Upon adoption of IFRS 9, the Target Group will be able to apply hedge accounting for base metals as the new standard removes the quantitative threshold for hedge effectiveness and allows entity to hedge component risk and rebalance hedge ratio. The Target Group will expect less volatility in profit or loss resulting from the recognition of mark-to-market losses from hedge instruments for base metals. **Transition** – The Target Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information; and is gathering data to quantify the potential impact arising from adoption.

Applicable to 2019 financial statements

New standards *Summary of the requirements*	***Potential impact on the financial statements***
IFRS ***16 Leases***	
IFRS 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.	The Target Group is currently assessing the impact of the new standard. The Target Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio. The operating lease commitments on an undiscounted basis amount to approximately 9.0% of the consolidated total assets and 10.8% of the consolidated total liabilities as at 31 December 2016. Assuming no additional new operating leases in future years until the effective date, the Target Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease term runs down.
IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the IAS 17 operating lease and finance lease accounting models respectively. However, IFRS 16 requires more extensive disclosures to be provided by a lessor.	The Target Group plans to adopt the standard when it becomes effective in 2019. The Target Group will perform a detailed analysis of the standard, including the transition options and practical expedients in 2017.
When effective, IFRS 16 replaces existing lease accounting guidance, including IAS 17, IFRIC 4 *Determining whether an arrangement contains a lease*, SIC-15 *Operating leases – Incentives*, and SIC-27 *Evaluating the substance of transactions involving the legal form of leases*.	
IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if IFRS 15 is also applied.	

C SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 December 2016.

FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2014, 2015 and 2016 are disclosed in the following documents which have been published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk):

- the annual report 2014 of the Company for the year ended 31 December 2014 dated 27 April 2015 (pages 56 to 190);
- the annual report 2015 of the Company for the year ended 31 December 2015 dated 28 April 2016 (pages 46 to 166); and
- the annual report 2016 of the Company for the year ended 31 December 2016 dated 26 April 2017 (pages 80 to 260).

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group remains positive on the outlook for its existing businesses. While competition, government policies and weather conditions are likely to continue to impact the performance of the golf club and hotel business of Dongguan Hillview, the Group is cautiously optimistic on its outlook for 2017 given the prevailing strong economic performance in the region. Despite recent events in London and the UK, the outlook for London's Grade A commercial market remains relatively stable. The Group's Grade A commercial building, known as "17 Columbus Courtyard", situated in Canary Wharf, London is let to an international reputable investment bank till November 2024 with a tenant option to renew for another 15 years. It is expected that this property investment will provide the Group with steady rental income. The Group is of the view that the US economy is likely to experience continuous improvement in 2017. The Group's portfolio of 8 golf courses in Washington State, US will contribute annual rental income of US$7.1 million to the Group until 2021.

As at the Latest Practicable Date, the Group did not enter into any agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about any disposal, termination, and/or scaling-down of its existing businesses and major assets. However, the Group does, and will continue to, monitor the performance of the existing businesses in the interest of its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

1. For the year ended 31 December 2016

Business Review

The year 2016 was a remarkable milestone for the Group in respect of its business development. On the one hand the Group was spinning off its two loss-making businesses; on the other hand, the Group had successfully acquired two new investments, one office building in Canary Wharf of London, UK (the "**London Project**") and a portfolio of eight golf courses in the West Coast of the US. Both were in line with the Group's strategy of strengthening and expanding its core businesses, and at the same time exploring opportunities and diversifying the Group's businesses with a view to further enhancing the growth of the Group and creating value for its shareholders.

As disclosed in the announcements of the Company in the second half of 2016, the Property Investment Business was indeed an intended core business of the Group. Therefore, the acquisition of the London Project was in line with the Group's strategy of strengthening and expanding its core businesses.

As the London Project was only completed in July 2016, the Property Investment Business contributed an insignificant portion of revenue of HK$31.5 million to the financial results of the Group for the year ended 31 December 2016. Therefore, the Property Investment Business was not demonstrated as a core business in its 2016 annual report in terms of its revenue for the year ended 31 December 2016. The Group expects that the London Project can bring stable revenue to strengthen the financial base of the Group in 2017, hence the Property Investment Business is one of the core businesses of the Group.

Disposals

After the Group's endeavour to dispose of certain subsidiaries of the Group in respect of the digital television technical solution and related business (the "**DTV Disposal Group**"), the Group successfully completed the disposal on 17 October 2016 at a consideration of HK$1. Pursuant to the relevant sale and purchase agreement, the buyer will procure the DTV Disposal Group to repay the shareholders' loan of HK$950 million. As disclosed in the circular of the Company dated 15 September 2016, the Group would no longer be able to operate the digital television technical solutions and equipment business (the "**DTV Business**") under its structure due to the change in relevant regulatory regime for the DTV Business and the Group decided to exit DTV Business. Therefore, the DTV Business was discontinued and no longer generated any operating income, and was classified as "held-for-sale" as at 31 December 2015. The related light emitting diode business (the "**LED Business**") had historically been a segment that supported the DTV Business only. Upon disposal of the DTV Business, the LED Business was no longer related to the other business segments or required for the operations of the Group, and was disposed of incidentally.

The disposal of the Intelligent Information Business was completed in April 2017. Given that it had been loss-making for some time, the Board considered that the disposal of Intelligent Information Business is an appropriate opportunity to realise its interest in such loss-making business and enhance the financial position of the Company. The proceeds from both disposals may further strengthen the Group's financial position and support its future investments.

Acquisitions

In July 2016, the Group successfully acquired a Grade A commercial building, known as "17 Columbus Courtyard", situated in Canary Wharf, London, UK. The property was built in 1999 with a total gross floor area of 195,443 sq.ft. and is let to an international reputable investment bank till November 2024 with a tenant option to renew for another 15 years. It is expected that this property investment will provide the Group with steady rental income. Furthermore, in December 2016, the Group acquired a portfolio of eight golf courses in Seattle, Washington State, US with a total land area of approximately 1,887.32 acres. The properties consist of a total of 180 golf holes with clubhouses and various amenities. The Directors are of the view that the acquisition of these golf courses will enhance and create synergy with its existing golf course business by way of reciprocal club memberships, golf tournaments and golf-related tourism products.

Financial Review

For the year ended 31 December 2016, loss attributable to the owners amounted to HK$21.9 million with a significant decrease of 89.8% compared with HK$213.8 million of last year. The Group recorded total revenue from continuing operations of HK$182.5 million in 2016, representing an increase of HK$20.5 million (12.7%) compared with HK$162.0 million (as restated) in 2015. The reason for restating the comparative figures in 2015 is the reclassification of discontinued operation of the Intelligent Information Business. With reference to the annual report 2016, the comparative figures of the consolidated statement of comprehensive income for the year ended 31 December 2016 have been restated to reflect the discontinuance of the Intelligent Information Business. Loss per share was 0.19 HK cents (2015: 4.28 HK cents).

Continuing operations

The Analysis of Revenue

The Group's revenue from continuing operations is as follows:

	2016 *HK$'000*	2015 *HK$'000* **(restated)**
Golf club and hotel business		
– Dongguan Hillview Golf Company Limited ("**Dongguan Hillview**")	148,739	162,006
Property investment business		
– UK office building	31,548	–
Property investment business		
– US golf courses	2,259	–
	182,546	162,006

Revenue from golf club and hotel business of Dongguan Hillview amounted to HK$148.7 million for the year ended 31 December 2016 (2015: HK$162.0 million, as restated). The decrease in revenue is because of keen competition (referring to the direct competition within the Guangdong province, as there are over 30 golf courses operating within the area of Dongguan, Guangzhou and Shenzhen), change of government policy towards golf (referring to the anti-extravagance policy enforced by the Chinese Government to prohibit government officials from playing golf) and persistent influence of bad weather (referring to heavy rain). The golf course was closed down due to bad weather for 426.5 hours for the year ended 31 December 2016 (2015: 91 hours), representing a dramatic increase of 368.7% compared with last year.

Rental income and operating profit generated from UK office building and US golf courses for the year ended 31 December 2016 were HK$33.8 million in total (2015: Nil) and HK$21.3 million (2015: Nil), respectively.

The UK office building was acquired on 12 July 2016 and generated rental income of HK$31.5 million for the Group in 2016. The current annual rental income of the property is approximately GBP6.4 million (equivalent to approximately HK$66.7 million).

The US golf courses were acquired on 17 December 2016 and thus only added HK$2.3 million to the revenue of the Group in 2016. Pursuant to the lease agreement in relation to the US golf courses entered into between the Group and the lessee, the lessee shall pay the first lease payment in the second half of 2017 and, as a result, the Group has not yet received lease payment from the lessee as at 31 December 2016. The investment will contribute annual rental income of USD7.1 million (equivalent to approximately HK$55.4 million) to the Group until 2021.

There are eight rental agreements entered into for the US golf courses and its properties. The term for the rental of the properties is five years, with an annual rent of US$7,100,000 (equivalent to approximately HK$55,380,000) as fixed rent. In addition, the lessee shall pay to the lessor contingent amounts for the sharing of the gross revenues less expenses and fixed rent. On the other hand, the lessor shall have certain rights to participate in the management of the properties by (a) participation in the management committee, (b) approval of the annual plan, (c) annual reporting, (d) quarterly reporting, (e) monthly reporting and (f) audit rights.

Cost of sales

Cost of sales of the Group was HK$123.0 million for the year ended 31 December 2016 (2015: HK$131.2 million, as restated), representing a decrease of 6.3% compared with last year. The decrease was in line with the drop in revenue of the golf club and hotel business.

Gross profit

The gross profit of the Group amounted to HK$59.5 million for the year ended 31 December 2016 (2015: HK$30.8 million, as restated) with an increase of 93.2% compared with last year.

Other income

Other income of the Group was HK$21.4 million for the year ended 31 December 2016 (2015: HK$62.5 million, as restated), which mainly comprises of bank interest income, rental income and other interest income. The decrease was mainly due to the restructuring of loans due to/from related companies.

Rental income included in other income represented miscellaneous lease income generated from the Group's golf club and hotel operations in Dongguan, which included income from the leasing of (i) advertising boards to corporate customers, and (ii) certain area in the golf club to telecommunication service providers for setting up telecommunication facilities.

Other gains and losses

Other gains and losses of the Group amounted to HK$142.2 million for the year ended 31 December 2016 (2015: HK$103.8 million, as restated). The increase was mainly due to fair value gain on convertible bonds and investment properties.

Selling and distribution costs

During the year ended 31 December 2016, selling and distribution costs were approximately HK$6.2 million, representing a decrease of approximately HK$0.7 million or 10.1% as compared with approximately HK$6.9 million (as restated) in 2015. The decrease was resulted from the effectiveness of cost control associated with the golf club and hotel business of Dongguan Hillview.

Administrative expenses

Administrative expenses were HK$124.8 million for the year ended 31 December 2016, compared with HK$72.9 million in 2015, representing an increase of approximately 71.2%. The increase was mainly resulted from the office rent and rates, additional staff costs, legal and professional fees and the bank financing charge.

Finance costs

Finance costs of the Group were HK$113.1 million for the year ended 31 December 2016 (2015: HK$133.5 million, as restated). The decrease was mainly due to restructuring of loans between amounts due from/to related companies and promissory note.

Discontinued operations

As disclosed in the circular of the Company dated 15 September 2016, the Group would no longer be able to operate the DTV Business under its structure due to the change in relevant regulatory regime for the DTV Business and the Group decided to exit the DTV Business. Therefore, the DTV Business was discontinued and no longer generated any operating income, and was classified as "held-for-sale" as at 31 December 2015. The related LED Business had historically been a segment that supported the DTV Business only. Upon disposal of the DTV Business, the LED Business would no longer be related to the other business segments or required for the operations of the Group. The DTV Business and the LED Business were disposed of on 17 October 2016 at a consideration of HK$1 and the buyer will procure the DTV Disposal Group to repay the shareholders' loan of HK$950 million. The disposal gain was recorded as approximately HK$128.3 million. During 2016, these two businesses incurred a total loss of HK$102.9 million (2015: HK$152.6 million, as restated) representing primarily the depreciation of fixed assets.

Given that it had been loss-making for some time, the Board considered that the disposal of the Intelligent Information Business is an appropriate opportunity to realise its interest in such loss-making business and enhance the financial position of the Company. The sale and purchase agreement to dispose of the Intelligent Information Business was entered into on 13 January 2016. The disposal of the Intelligent Information Business was completed in April 2017. The Intelligent Information Business was classified as a held-for-sale business in the consolidated financial statements of the Group. The total turnover of this segment amounted to HK$239.3 million for the year ended 31 December 2016 (2015: HK$172.4 million, as restated) with an operating loss of HK$66.2 million (2015: HK$53.4 million, as restated). The Intelligent Information Business had been experiencing losses since 2012.

Loss for the year ended 31 December 2016 from discontinued operations was approximately HK$40.9 million compared with loss of HK$206.0 million (as restated) in 2015, representing a significant decrease of approximately HK$165.1 million.

Liquidity, Financial Resources And Financing Activities

As at 31 December 2016, the Group had cash and cash equivalents of HK$1,085.4 million. Correspondingly, the Group had bank borrowings of HK$1,285.6 million, of which HK$54.6 million were repayable within one year and HK$1,231.0 million were repayable within more than one year. Amongst the borrowings, 98.1% is pledged with land use rights and buildings.

As at 31 December 2016, the consolidated net debt of the Group comprising of total debt minus pledged bank deposits, bank balances and cash amounted to HK$555.1 million and the total capital (measured as total debt plus equity attributable to owners of the Company) amounted to HK$5.0 billion. The Group's gearing ratio (net debt to total capital) as at 31 December 2016 was 11.0% (31 December 2015: Nil).

The Group held HK$1,085.4 million cash and cash equivalents as at 31 December 2016 while the capital commitment which represents the equipment upgrade work amounted to HK$834,000 as at 31 December 2016. Taking into account the net cash of HK$96.4 million used in operating activities for the year ended 31 December 2016 and sufficient cash on hand as well as available banking facilities, the Group's liquidity position remains strong to satisfy its capital commitments and working capital requirements.

The Group entered into a subscription agreement on 30 May 2016 with Haitong International Investment Fund SPC ("**HTI Fund**") and China Everbright Securities International Structured Finance Company Limited ("**China Everbright Securities**"), pursuant to which HTI Fund and China Everbright Securities agreed to subscribe the convertible bonds in the principal amount of USD52 million bearing an interest rate of 8% per annum. The issuance of the convertible bonds was completed on 19 July 2016.

Capital Structure

There was no change in the total number of issued Shares during the year 2016. The total number of issued Shares remained at 11,399,996,101 Shares as at 31 December 2016.

Charge On Assets

As at 31 December 2016, the following assets were pledged to secure the Group's bank borrowings and banking facilities:

(a) the land use right, hotel and buildings and motor vehicles with an aggregate net book value of HK$1,338.0 million;

(b) the investment property in UK of HK$1,340.7 million; and

(c) bank deposits of approximately HK$37.2 million and trade receivables of approximately HK$95.8 million in China.

Foreign Currency Exposure

The existing operations and investments of the Group are mainly in Hong Kong, the UK, the US and China, with revenue and expenditure denominated in Hong Kong dollars, Pounds sterling, United States dollars and Renminbi. To minimise currency exposure, non-Hong Kong dollar assets are usually financed in the same currency as the asset or cash flow from it through borrowings. The Group will regularly review its foreign exchange exposure and may consider using financial instruments to hedge against such exposure when appropriate. As at 31 December 2016, there were no derivative financial instruments employed by the Group.

Contingent Liabilities

As at 31 December 2016, the Group's subsidiaries in relation to the Intelligent Information Business (classified as discontinued operation in 2016) provided guarantees of HK$104.9 million (31 December 2015: HK$99.7 million) to third parties in respect of bank and other borrowing facilities, and the amount drawn down was HK$90.1 million (31 December 2015: HK$79.6 million). In order to strengthen the credit rating of the Group's subsidiaries and third parties, the Group's subsidiaries and third parties provided cross guarantees to each party. The provision of guarantees ceased after the disposal of the Intelligent Information Business which was completed in April 2017.

Material Acquisitions, Disposals, Significant Investment And Future Plans Of Material Investment

The Group entered into a sale and purchase agreement with an independent third party to dispose of the Intelligent Information Business on 13 January 2016. The disposal was approved by the Shareholders on 22 February 2016, and completed in April 2017.

The Group entered into a sale and purchase agreement with an independent third party to acquire interests in a property in London on 18 April 2016. The acquisition was approved by shareholders of the Company at the general meeting held on 5 July 2016. The acquisition was completed on 12 July 2016.

The Group entered into a subscription agreement and a management agreement on 15 August 2016 to participate in a partnership with the associates of a substantial shareholder of the Company. Such partnership is currently exploring a property development opportunity in the United States.

The Group entered into a sale and purchase agreement on 17 August 2016 with a company controlled by a substantial shareholder of the Company to dispose of the DTV Business and the LED Business. The disposal was approved by shareholders of the Company on 3 October 2016. The disposal was completed on 17 October 2016.

The Group has entered into a sale and purchase agreement with an independent third party to acquire interests in eight golf courses in the State of Washington of the US on 7 October 2016. The acquisition was approved by the Shareholders on 25 October 2016. The acquisition was completed on 17 December 2016.

Save as disclosed above, the Group had no other material acquisitions, disposals, significant investments or future plans of material investment during the year ended 31 December 2016.

Employees And Remuneration Policies

The Group had a total of 912 employees as at 31 December 2016.

The Group's remuneration policies are to ensure the remuneration package as a whole is fair and competitive, so as to motivate and retain current employees and attract potential talent. These remuneration packages have already carefully taken into account, amongst other aspects, the Group's businesses in different local geographic locations. The employees' remuneration packages are comprised of salaries and discretionary bonuses, along with retirement schemes, medical insurance and share options which form a part of welfare benefits.

The Group operates a mandatory provident fund scheme (the "**MPF Scheme**") for all qualifying employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the MPF Scheme, which is matched by employees.

The employees of the Group's subsidiaries which operate in the PRC are members of a state-managed retirement benefit scheme operated by the local municipal government. For the year ended 31 December 2016, these PRC subsidiaries were required to contribute 13% to 20% (2015: 8% to 20%) of their payroll costs to the retirement benefit scheme. The obligation of the Group with respect to the retirement benefit scheme is to make the specific contribution.

Business Prospects

The Group is of the opinion that the 2017 US economy is likely to experience continuous improvement. Despite the lower risk of economic deterioration in Europe and Japan, a fundamental turnaround is unlikely in the short term, especially with risks of some member countries exiting the European Union following Brexit. On the other hand, emerging markets see the co-existence of risks and opportunities. In particular, the Chinese economy will continue to push forward with supply-side structural reform along with the implementation of a proactive fiscal policy. Notwithstanding that stronger headwinds may weigh on the overall growth pace, there are still plenty of structural opportunities. Meanwhile, in view of China's "One Belt, One Road" initiative and the improving bilateral relationships with major Southeast Asian countries, there is ample room for economic and trade development in the region. In general, the global economy is facing challenges from the "anti-globalization" movement and the rise of protectionism.

The Group has put the above into perspective in setting up its development strategy for 2017. The Group will continue to implement its strategy to strengthen its existing principal businesses and step up its efforts to develop new business simultaneously, by sticking to a prudent and justifiable investment principle and focusing on merger and acquisition opportunities in developed economies. Especially, the Group aims to seek merger and acquisition targets in sectors including logistics real estate, logistics warehousing, bulk commodity trading, logistics finance and logistics transport facilities etc., while closely monitoring the economic and trade development situation in the "One Belt, One Road" initiative, Southeast Asia and other regions. Meanwhile, the Group will actively explore relevant businesses that can create synergy effect between the Group and HNAG. The above strategies are expected to fuel the continuous development of the Group. The goals of the Group are to build a business portfolio which has a distinct core business, deliver stable cash flow, offer great growth prospects and strike a balance between risks and revenue.

2. For the year ended 31 December 2015

Business Review

The Group recorded a total revenue of HK$336.9 million in 2015 with a decrease in the amount of HK$3.1 million compared to HK$340.0 million in 2014. This decrease was mainly due to the significant slowdown in new project contracts of the Intelligent Information Business, which generated less revenue in the amount of HK$82.3 million (-32.3%) as compared to 2014. This revenue gap was largely offset by the additional revenue in the amount of HK$79.0 million contributed by the golf club and hotel business in 2015. Based on strategic consideration, the Group successfully acquired the golf club and hotel business on 30 June 2014 to restructure its then existing business portfolio with the aim of enhancing the Group's overall profitability.

The Group's loss for the year ended 31 December 2015 reduced significantly by HK$115.7 million, close to 33% as compared to 2014. The loss was mainly attributable to the poor performance of the Intelligent Information Business and depreciation expenses of the held-for-sale DTV Business of the Group.

Despite the economic slowdown and anti-extravagance policy enforced by the Chinese government in recent years, the golf club and hotel business still recorded approximately 3% growth in revenue in 2015 and its EBITDA (excluding non-operating adjustment) also increased by roughly 17% when compared to the full-year record of 2014. In particular, the core segment of the golf club itself contributed to nearly 84% of the total revenue of the combined golf club and hotel business. Under the leadership of the outstanding management team, the golf club recorded nearly a 7% increase in revenue in 2015 on a year-on-year basis.

The tourism industry has been supported by the Chinese government since the 12th Five-Year Plan through encouraging and promoting the development of the tourism industry, and the tourism industry is one of the strategic pillar industries in developing the Chinese economy and improving the social well-being of citizens. The Group believes that the nation as a whole is moving towards a more consumer-based economy with a growing middle class that commands strong purchasing power and has an appetite for leisure and tourism, and thus the golf club business will continue to grow steadily.

Financial Review

Revenue, Cost of Sales and Gross Profit of the Group

For the year ended 31 December 2015, turnover of the Group amounted to HK$336.9 million (2014: HK$340.0 million), representing a year-on-year decline of HK$3.1 million (-0.92%).

The analysis of the Group's segment revenue is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Continuing operations – segment revenue		
Golf club and hotel business	162,006	83,059
Intelligent Information Business	172,383	254,674
Others	2,480	2,260
	336,869	339,993

Cost of sales of the Group in 2015 was HK$283.0 million, representing a decrease of HK$5.0 million (-1.7%) from HK$288.0 million in 2014. The decrease in the cost of sales of the Group in 2015 was mainly due to a significant drop in revenue with respect to the Intelligent Information Business.

In light of the above, the gross profit of the Group amounted to HK$53.9 million in 2015 (2014: HK$52.0 million) with an increase of HK$1.9 million (3.7%) as compared with last year.

Loss Attributable to Owners of the Company for the year 2015

Loss attributable to owners of the Company for the year ended 31 December 2015 amounted to HK$213.8 million, representing a significant reduction of HK$121.2 million (-36.2%) from the loss of HK$335.0 million in 2014.

Segment Information

Golf Club and Hotel Business

The golf club and hotel business segment refers to the operations of the golf club and provision of hotel and leisure services.

This segment's revenue and profit reached HK$162.0 million (the period from 1 July 2014 to 31 December 2014: HK$83.0 million) and HK$6.4 million (the period from 1 July 2014 to 31 December 2014: HK$14.1 million) respectively for the year ended 31 December 2015. The remarkable increase in revenue by HK$79.0 million (95.2%) was due to different periods covered in the two years. HK$162.0 million represented the full-year revenue in the year ended 31 December 2015 while HK$83.0 million covered only a six-month period in 2014 after acquisition of the golf club and hotel business by the Group on 30 June 2014.

Intelligent Information Business

The Intelligent Information Business segment refers to the development and provision of system integration solutions, system design and sales of system hardware.

The segment turnover and operating loss for the year ended 31 December 2015 amounted to HK$172.4 million (2014: HK$254.7 million) and HK$41.0 million (2014: HK$43.5 million) respectively. As a result of the slowdown in new project contracts, the revenue for the year ended 31 December 2015 decreased considerably as compared to the previous year. The Intelligent Information Business has been experiencing losses since 2012.

DTV Business

The Group was no longer engaged in the DTV Business. There was no operating income for the year ended 31 December 2015 (2014: Nil) and the total loss of DTV Business for the year ended 31 December 2015 was HK$152.6 million (2014: HK$150.0 million). The disposal of the DTV Business completed on 17 October 2016.

Other Businesses

Other businesses include the provision of management services, sales of light emitting diode products and other products by the Group. The revenue and operating loss of the Group amounted to HK$2.5 million (2014: HK$2.3 million) and HK$0.7 million (2014: HK$2.2 million) for the year ended 31 December 2015 respectively.

Liquidity And Financing Activities

In November 2015, in order to expand the existing investment portfolio, the Group raised HK$2.8 billion by issuing 7,328,568,922 rights shares at HK$0.376 per Share. About 90% of the net proceeds (approximately HK$2,476.0 million) has been or will be used for acquisitions and the expansion of the Group's business. As at the Latest Practicable Date, approximately HK$819.9 million had been used for the acquisition of a property in London, approximately HK$733.9 million had been used for the acquisition of eight golf courses in the US, approximately HK$105.3 million had been used as capital contributions to a limited partnership engaging in a property redevelopment project in the

US, not less than HK$84.0 million had been used for the proposed acquisition of the Target Group, and HK$732.9 million is proposed to be used for acquisition and expansion of the Group's business, including but not limited to the proposed acquisition of the Target Group. The remaining 10% of the net proceeds (approximately HK$275.1 million) had been used as general working capital.

During 2015, the Group also had new bank borrowings of HK$431.0 million to support daily working capital of the Group. As a result, the debt to assets ratio reduced significantly and the Group's financial stability has improved considerably so as to enable the Group for further business expansion. After the aforesaid rights issue, the total capital (equity and total debt) increased from HK$2.7 billion as at 31 December 2014 to HK$5.0 billion as at 31 December 2015. Meanwhile, the total assets of the Group also increased from HK$4.2 billion as at 31 December 2014 to HK$6.4 billion as at 31 December 2015.

The Group's net debt to total capital ratio as at 31 December 2015 was nil, compared with 62.1% as at 31 December 2014.

With plenty of cash on hand as well as available banking facilities, the Group's liquidity position remains strong to satisfy its capital commitments and working capital requirements.

Capital Structure

As at 31 December 2015, the number of Shares in issue and issued share capital of the Company were 11,399,996,101 (31 December 2014: 3,698,713,179) and approximately HK$4.7 billion (31 December 2014: HK$1.8 billion), respectively. The Group had bank borrowings of HK$798.5 million, of which HK$280.4 million were repayable within one year and HK$518.1 million were repayable after one year. Amongst the borrowings, 71.1% were pledged with land use rights and buildings.

Charge On Assets

As at 31 December 2015, assets pledged to banks to secure banking facilities (including obligations under finance leases, bank borrowings and bills payables and mortgage granted on membership fee income) granted to the Group are as follows:

	As at	
	31 December 2015	**31 December 2014**
	HK$'000	*HK$'000*
DTV Business – investment properties	–	48,803
DTV Business – buildings	–	10,510
Hotel and buildings for golf club business	260,256	282,161
Land use rights	1,222,561	1,341,831
Bank deposits	3,220	7,460
Accounts receivable	–	33,209
Automobiles	1,329	–
Total	1,487,366	1,723,974

Foreign Exchange Exposure

The ordinary operations and investments of the Group are mainly in Hong Kong and the PRC, with revenue and expenditures denominated in Hong Kong dollars, Renminbi and United States dollars. The operation results of the Group may be affected by the volatility of Renminbi. The Group will review its foreign exchange exposures regularly and may consider using financial instruments to hedge against such exposures at appropriate times. As at 31 December 2015, there were no derivative financial instruments employed by the Group.

Contingent Liabilities

As at 31 December 2015, the contingent liabilities of the Group arose from guarantees of HK$99.7 million (31 December 2014: HK$104.4 million) in total for credit facilities granted to third parties, and the amount drawn down was HK$79.6 million (31 December 2014: HK$97.5 million). In order to strengthen the credit rating of the Group's subsidiaries and third parties, the Group's subsidiaries and third parties provided cross guarantees to each party.

Material Acquisitions, Disposals, Significant Investment And Future Plans Of Material Investment

On 27 November 2015, the Group entered into a memorandum of understanding with a potential buyer to dispose of the Intelligent Information Business and a sale and purchase agreement was entered into between the parties therein on 13 January 2016. Please refer to the progress of the disposal on page IV-7.

On 7 March 2016, the Group entered into a memorandum of understanding to sell the DTV Business. A definitive agreement was expected to be finalized by 31 May 2016, or any later date as may be agreed by the Group and the buyer. However, both parties did not enter into a definitive agreement and all negotiations were terminated.

Save as disclosed above, the Group had no other material acquisitions, disposals, significant investments or future plans of material investment during the year ended 31 December 2015.

Employees And Remuneration Policies

The Group had a total of 909 employees as at 31 December 2015.

The remuneration policies of the Group are to ensure the remuneration package as a whole is fair and competitive, so as to motivate and retain current employees as well as to attract potential talent. The determination of these remuneration packages has already taken into account carefully, amongst others, practices in different local geographical locations in which the Group operates. The employees' remuneration packages are comprised of salaries, discretionary bonuses, together with retirement schemes, medical insurances and share options to form a part of welfare benefits.

The Group operates the MPF Scheme for all qualifying employees in the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the MPF Scheme, which is matched by employees.

The employees of the Group's subsidiaries which operate in the PRC are members of a state-managed retirement benefit scheme operated by the local municipal government. For the year ended 31 December 2015, these PRC subsidiaries were required to contribute 8% to 20% (2014: 8% to 20%) of their payroll costs to the retirement benefit scheme. The obligation of the Group with respect to the retirement benefit scheme is to make the specific contribution.

3. For the year ended 31 December 2014

Business Review

Turnover from continuing operations for the year ended 31 December 2014 amounted to HK$340.0 million (31 December 2013: HK$281.4 million). The increase in turnover was primarily attributable to the revenue from the golf club and hotel business newly added in the second half of the year with HK$83.1 million.

Loss attributable to the owners of the Company for the year amounted to HK$335.0 million (31 December 2013: HK$318.4 million), which is analysed as follows:

	2014 *HK$'000*	**2013** *HK$'000*
Loss from continuing operations	185,025	178,033
Loss from discontinued operation:		
– DTV Business	149,991	140,345
Loss attributable to the owners of the Company for the year	335,016	318,378

Basic loss per share of the Group are as follows:

	2014 *HK cents*	**2013** *HK cents*
Basic loss per share from continuing operations	5.68	6.61
Basic loss per share from discontinued operation	4.60	5.22
Basic loss per share of the Group as a whole	10.28	11.83

As at 31 December 2014, the Group's equity attributable to the owners of the Company amounted to HK$983.2 million, representing an increase of HK$169.2 million over the figure as at 31 December 2013 of HK$814.0 million. The net assets value per share as at 31 December 2014 was HK$0.40 (31 December 2013: HK$0.33).

Financial Review

Revenue, cost of sales and gross profit from continuing operations

Revenue from continuing operations for the year ended 31 December 2014 increased by HK$58.6 million (20.8%) compared to last year, which is mainly attributable to the revenue from the golf club and hotel business newly acquired with HK$83.1 million. On the other hand, the turnover from the Intelligent Information Business for the year ended 31 December 2014 decreased by HK$22.7 million compared to last year as a result of the slowdown in new project contracts. Further details are disclosed in "Segment Information" below. Cost of sales from continuing operations for the year ended 31 December 2014 increased by HK$42.7 million (17.4%) with a smaller extent of increase compared with revenue, resulting in the gross profit of the Group to increase from HK$36.1 million in 2013 to HK$52.0 million in 2014.

Loss for the year from continuing operations attributable to the owners of the Company

Loss for the year from continuing operations attributable to the owners of the Company increased by HK$7.0 million (3.9%) for the year ended 31 December 2014 compared to the previous year. The main reason for the increase in loss was that the gross profit margin of the Intelligent Information Business was suppressed in 2014.

Loss for the year from discontinued operations attributable to the owners of the Company

Loss for the year ended 31 December 2014 from discontinued operations attributable to the owners of the Company increased by HK$9.6 million (6.9%) compared to the previous year. This was mainly attributable to an exchange loss of HK$5.6 million (2013: exchange gain of HK$8.7 million) that arose from translation of presentation currency from Hong Kong dollars into Renminbi, which is the functional currency of the DTV Business in accordance with Hong Kong Accounting Standards.

Segment Information

Intelligent Information Business

Intelligent Information Business segment refers to the development and provision of system value-added service solutions and development and sales of hardware of computer products. The turnover and operating loss of the Intelligent Information Business for the year ended 31 December 2014 reached HK$254.7 million (2013: HK$277.4 million) and HK$43.5 million (2013: HK$117.7 million), respectively. As a result of the slowdown in new project contracts, the turnover for the year ended 31 December 2014 decreased as compared to the previous year. However, the operating loss in the previous year was relatively large, which was primarily attributable to the one-off impairment loss on goodwill of HK$70.2 million in 2013.

Golf club and hotel business

Golf club and hotel business segment refers to the operations of the golf club and provision of hotel and leisure services. The turnover and operating profit of the golf club and hotel business for the year ended 31 December 2014 reached HK$83.1 million (2013: Nil) and HK$14.1 million (2013: Nil). With the continuous development of the economy and the tourism leisure industry in China, along with the increasingly strict management policy of Chinese government towards golf clubs without licences, the Group believes that there will be more development opportunities for the business through appropriate operating strategies.

DTV Business

The Group was no longer able to engage in the DTV Business. There was no operating income from the DTV Business for the year ended 31 December 2014 (2013: Nil), and the total loss was HK$150.0 million (2013: HK$140.3 million). The main reason for the increased loss was an exchange loss of HK$5.6 million (2013: exchange gain of HK$8.7 million) that arose from translation of presentation currency from Hong Kong dollars into Renminbi, which is the functional currency of the digital television business in accordance with Hong Kong Accounting Standards.

The disposal transaction of the DTV Business under the Group completed on 17 October 2016 at a consideration of HK$1. The Company is also planning to acquire more businesses actively so as to bring stable and better return to Shareholders.

Others

This refers to the provision of management services, sales of light-emitting diode products and other goods. The turnover and operating (loss)/profit for the year reached HK$2.3 million (2013: HK$4.0 million) and HK$(2.2) million (2013: HK$0.6 million).

Prospect

Through the disposal of the DTV Business, the Group will integrate its funding. It is the intention of the Group to expand into different businesses through acquisitions so as to provide better return to Shareholders.

Liquidity And Financial Resources

The financial leverage of the Group as at 31 December 2014, as compared to 31 December 2013 is summarised below:

	As at	
	31 December 2014	**31 December 2013**
	HK$'000	*HK$'000*
Total debt		
– from bank and other borrowings	745,042	128,012
– from convertible loan notes	173,036	264,660
– from promissory note	609,479	–
Sub-total	1,527,557	392,672
Pledged bank deposits	(7,460)	(24,101)
Cash and bank deposits	(31,096)	(5,648)
Net debt	1,489,001	362,923
Total capital (equity and total debt)	2,510,736	1,206,647
Total assets	4,197,493	2,069,470
Financial leverage		
– net debt to total capital	59.3%	30.1%
– net debt to total assets	35.5%	17.5%

Financing Activities

During the year, the Group has raised HK$280.7 million through issuing 956,572,000 ordinary shares and the Group raised new borrowings of HK$380.8 million from banks, independent third parties, a related company and a director of HK$223.0 million, HK$126.5 million, HK$26.3 million and HK$5.0 million respectively, to provide working capital for the Group.

Capital Structure

As at 31 December 2014, the number of shares in issue and issued share capital of the Company were 3,698,713,179 (31 December 2013: 2,692,141,179) and approximately HK$1,834.5 million (31 December 2013: HK$673.0 million) respectively. The Group had borrowings of HK$745.0 million, of which HK$271.8 million were repayable within one year and HK$473.2 million were repayable after one year. Amongst the borrowings of the Group, 77.0% were pledged with land use rights, hotel and buildings and accounts receivables.

Charge On Assets

As at 31 December 2014, assets pledged to banks to secure banking facilities (including bank borrowings, bills payables and mortgage granted to membership fee income) granted to the Group are as follows:

	31 December 2014	31 December 2013
	HK$'000	*HK$'000*
Investment properties	48,803	49,329
Buildings	10,510	11,106
Hotel and buildings for golf business	282,161	–
Land use rights	1,341,831	–
Bank deposits	7,460	24,101
Trade and bills receivables	33,209	–
Total	1,723,974	84,536

As at 31 December 2014, among assets pledged, investment properties of HK$48.8 million (31 December 2013: HK$49.3 million) and buildings of HK$10.5 million (31 December 2013: HK$11.1 million) were classified as disposal group held-for-sale.

Foreign Exchange Exposure

The ordinary operations and investments of the Group are mainly in Hong Kong and the PRC, with revenue and expenditures denominated in Hong Kong dollars, Renminbi and United States dollars. The operation results of the Group may be affected by the volatility of Renminbi. The Group will review its foreign exchange exposures regularly and may consider using financial instruments to hedge against such exposures at appropriate times. As at 31 December 2014, there were no derivative financial instruments employed by the Group.

Material Acquisitions, Disposals, Significant Investment And Future Plans Of Material Investment

Reference is made to the announcement of the Company dated 30 June 2014. The Group completed the acquisition of 100% of Hillview Golf Development Company Limited on 30 June 2014 through issuance of a promissory note with a principal amount of HK$743.1 million as consideration, which will be matured on the third anniversary of the issue date. Throughout the acquisition, the Group had extended its business into operations of golf club and provision of hotel and leisure services in the second half of 2014.

Save as disclosed above, the Group had no other material acquisitions, disposals, significant investments and future plans of material investment during the year ended 31 December 2014.

Contingent Liabilities

As at 31 December 2014, the contingent liabilities of the Group arose from cross guarantees of HK$104.4 million (31 December 2013: HK$126.2 million) for credit facilities granted to certain third parties, and the amount utilised was HK$97.5 million (31 December 2013: HK$111.5 million). In order to strengthen the credit rating of the Group's subsidiaries and third parties, the Group's subsidiaries and third parties provided cross guarantees to each party.

Employees And Remuneration Policies

The Group had a total of 941 employees as at 31 December 2014.

The remuneration policies of the Group are to ensure the remuneration package as a whole is fair and competitive, so as to motivate and retain current employees as well as to attract potential ones. The determination of these remuneration packages has already taken into account carefully, amongst others, practices in different local geographical locations in which the Group operates. The employees' remuneration packages include salaries, discretionary bonuses, retirement schemes, medical subsidies and share options to form as part of staff benefits.

(A) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

In connection with the proposed very substantial acquisition in relation to the pre-conditional voluntary general offer to acquire all the issued and paid-up ordinary shares of CWT Limited other than those already owned, controlled or agreed to be acquired by HNA Holding Group Co. Limited (the "**Company**") (the "**Acquisition**"), the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of cash flows and the unaudited pro forma consolidated statement of financial position of the Company and its subsidiaries (hereinafter referred to as the "**Group**"), CWT Limited and its subsidiaries (hereinafter referred to as the "**Enlarged Group**")) have been prepared to illustrate the effect of the proposed Acquisition on the Group's financial position as at 31 December 2016 and the Group's financial performance and cash flows for the year ended 31 December 2016 as if the Acquisition had taken place at 31 December 2016 and 1 January 2016 respectively.

The unaudited pro forma financial information of the Enlarged Group is prepared based on the consolidated statement of profit or loss and the consolidated statement of cash flows of the Group for the year ended 31 December 2016, and the consolidated statement of financial position of the Group as at 31 December 2016 which has been extracted from the published annual report of the Company for the year ended 31 December 2016 with a qualified opinion on the consolidated financial statements being issued, and the consolidated statement of profit or loss and the consolidated statement of cash flows of CWT Limited and its subsidiaries (the "**Target Group**") for the year ended 31 December 2016, and the consolidated statement of financial position of the Target Group as at 31 December 2016 which have been extracted from the accountants' report of the Target Group as set out in Appendix II to the Circular.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the directors of the Company in accordance with paragraph 29 of Chapter 4 of the Hong Kong Listing Rules and is solely for the purpose to illustrate (a) the financial performance and cash flows of the Enlarged Group as if the Acquisition had taken place on 1 January 2016; and (b) the financial position of the Enlarged Group as if the Acquisition had taken place on 31 December 2016.

The unaudited pro forma financial information of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the proposed Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable, is summarised in the accompanying notes.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the directors of the Company based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the unaudited pro forma financial information of the Enlarged Group may not give a true picture of the results, cash flows or assets and liabilities of the Enlarged Group would have been upon completion of the Acquisition for the year ended 31 December 2016 or as at 31 December 2016 and in any future periods or on any future dates, as appropriate.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the management discussion and analysis of the Group as set out in Appendix III to this circular, the accountants' report of the Target Group as set out in Appendix II to this circular and other financial information included elsewhere in this circular.

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. Unaudited pro forma consolidated statement of profit or loss

	The Group for the year ended 31 December 2016	The Target Group the year ended 31 December 2016		Unaudited pro forma adjustment	Unaudited pro forma of Enlarged Group
	HK$'000	*S$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 5)*	
Continuing operations					
Revenue	182,546	9,251,854	50,885,197		51,067,743
Cost of sales	(123,029)	(8,931,045)	(49,120,748)		(49,243,777)
Gross profit	59,517	320,809	1,764,449		1,823,966
Other income	21,422	31,457	173,014		194,436
Other expenses	(73)	(11,870)	(65,285)	(57,630)	(122,988)
Other gains and losses	142,224	–	–		142,224
Selling and distribution costs	(6,152)	–	–		(6,152)
Administrative expenses	(124,815)	(191,498)	(1,053,238)		(1,178,053)
Finance costs	(113,071)	(56,335)	(309,843)		(422,914)
Share of profit of associates and joint ventures, net of tax	–	12,238	67,309		67,309
(Loss) profit before taxation	(20,948)	104,801	576,406		497,828
Income tax credit (expense)	2,003	(25,781)	(141,796)		(139,793)
(Loss) profit for the year from continuing operations	(18,945)	79,020	434,610		358,035
Discontinued operations					
Loss for the year from discontinued operations	(40,895)	–	–		(40,895)
(Loss) profit for the year	(59,840)	79,020	434,610		317,140

	The Group for the year ended 31 December 2016	The Target Group the year ended 31 December 2016		Unaudited pro forma adjustment	Unaudited pro forma of Enlarged Group
	HK$'000	*S$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 5)*	
(Loss) profit for the year attributable to owners of the Company					
– from continuing operations	(8,322)	73,559	404,574	(57,630)	338,622
– from discontinued operations	(13,580)	–	–		(13,580)
(Loss) profit for the year attributable to owners of the Company	(21,902)	73,559	404,574		325,042
(Loss) profit for the year attributable to non-controlling interests					
– from continuing operations	(10,623)	5,461	30,036		19,413
– from discontinued operations	(27,315)	–	–		(27,315)
(Loss) profit for the year attributable to non-controlling interests	(37,938)	5,461	30,036		(7,902)
(Loss) profit for the year	(59,840)	79,020	434,610		317,140

2. Unaudited pro forma consolidated statement of cash flows

	The Group for the year ended 31 December 2016	The Target Group the year ended 31 December 2016		Unaudited pro forma adjustment	Unaudited pro forma of Enlarged Group
	HK$'000	*S$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Notes 3 and 5)*	
OPERATING ACTIVITIES					
(Loss) profit for the year	(59,840)	79,020	434,610	(57,630)	317,140
Adjustments for:					
Depreciation of property, plant and equipment	94,373	37,530	206,415		300,788
Income tax (credit) expense	(2,003)	25,781	141,796		139,793
Amortisation of financial guarantee contracts	(8,491)	–	–		(8,491)
Loss on financial guarantee contracts	12,061	–	–		12,061
Interest on convertible bonds	54,179	–	–		54,179
Interest on borrowings	68,149	39,267	215,969		284,118
Interest expenses on obligations under finance leases	69	–	–		69
Amortisation of intangible assets	16,442	7,900	43,450		59,892
Amortisation of land use rights	43,466	–	–		43,466
Impairment loss recognised in respect of trade receivables	21,515	6,713	36,922		58,437
Impairment loss recognised in respect of prepayments	–	1,257	6,914		6,914
Impairment loss recognised in respect of amounts due from customers for contract work	48,077	–	–		48,077
Gain on fair value change of the derivative components of convertible bonds	(61,191)	–	–		(61,191)
Loss on disposal of property, plant and equipment and intangible assets	717	319	1,755		2,472
Gain on disposal of subsidiaries and joint ventures	(128,256)	(22)	(121)		(128,377)
Interest income	(18,422)	(13,059)	(71,825)		(90,247)
Dividend income from financial assets	–	(2,773)	(15,252)		(15,252)
Loss on fair value change of financial assets designated at fair value through profit or loss	–	9	50		50
Gain in fair value change of the investment properties	(8,186)	–	–		(8,186)
Gain on derecognition of the derivative components of convertible bonds	(11,996)	–	–		(11,996)
Unrealised exchange gain	(67,377)	–	–		(67,377)

	The Group for the year ended 31 December 2016 HK$'000 (Note 1)	The Target Group the year ended 31 December 2016 S$'000 (Note 2)	HK$'000 (Note 2)	Unaudited pro forma adjustment HK$'000 (Notes 3 and 5)	Unaudited pro forma of Enlarged Group HK$'000
Share of profit of associates and joint ventures	–	(12,238)	(67,309)		(67,309)
Amortisation and reversal of deferred gains	–	(12,185)	(67,018)		(67,018)
Employee benefits expense net payments	–	(5,010)	(27,555)		(27,555)
Provisions	–	(2,480)	(13,640)		(13,640)
Operating cash flows before movements in working capital	(6,714)	150,029	825,161		760,817
Increase in inventories	(776)	(57,468)	(316,074)		(316,850)
Decrease (increase) in trade receivables, prepayments, deposits and other receivables	7,985	(336,544)	(1,850,992)		(1,843,007)
Increase in amounts due from customers for contract work	(63,046)	–	–		(63,046)
Decrease in deferred revenue	(6,427)	–	–		(6,427)
Increase in trade and bills payables, other payables, deposits received, receipt in advance, accruals and provisions	117,617	318,967	1,754,319		1,871,936
Change in derivative financial instruments	–	121,882	670,351		670,351
Increase in current financial assets	–	(237,962)	(1,308,791)		(1,308,791)
Cash from (used in) operations	48,639	(41,096)	(226,026)		(235,017)
Interest paid	(144,511)	–	–		(144,511)
Income tax paid	(512)	(21,851)	(120,181)		(120,693)
NET CASH USED IN OPERATING ACTIVITIES	(96,384)	(62,947)	(346,207)		(500,221)
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(5,737)	(221,533)	(1,218,432)		(1,224,169)
Purchase of intangible assets	(2,544)	(276)	(1,518)		(4,062)
Acquisition of investment properties	(2,537,809)	–	–		(2,537,809)
Purchase of financial assets	(155,000)	(282,342)	(1,552,881)		(1,707,881)
Investment in exploration and evaluation assets	–	(146)	(803)		(803)
Placement of pledged bank deposits and restricted bank deposits	(38,402)	–	–		(38,402)
Withdrawal of pledged bank deposits	2,552	13,028	71,654		74,206
Advance to related companies	(7,824)	–	–		(7,824)

	The Group for the year ended 31 December 2016	The Target Group the year ended 31 December 2016		Unaudited pro forma adjustment	Unaudited pro forma of Enlarged Group
	HK$'000	*S$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Notes 3 and 5)*	
Repayments from other related companies	1,721	–	–		1,721
Loans to non-controlling interests	–	(175)	(963)		(963)
Repayment from non-controlling interests	–	540	2,970		2,970
Repayment from joint ventures	–	1,084	5,962		5,962
Proceeds from disposal of property, plant and equipment and intangible assets	24	1,283	7,057		7,081
Acquisition of subsidiaries	–	–	–	(1,027,817)	(1,027,817)
Net proceeds from disposals of financial assets	–	209,786	1,153,823		1,153,823
Net cash inflow from disposal of subsidiaries	49,527	–	–		49,527
Deposits received from purchaser relating to disposal of Intelligent Information Business	39,046	–	–		39,046
Deferred consideration paid for acquisition of subsidiary	–	(1,225)	(6,738)		(6,738)
Interest received	6,981	14,871	81,791		88,772
Dividends received from:					
– Associates and joint ventures	–	13,045	71,748		71,748
– Financial assets	–	2,773	15,252		15,252
Guarantee deposits with a clearing corporation	–	551	3,031		3,031
Insurance claims received on property, plant and equipment	–	4,992	27,456		27,456
NET CASH USED IN INVESTING ACTIVITIES	(2,647,465)	(243,744)	(1,340,591)		(5,015,873)
FINANCING ACTIVITIES					
Dividends paid:					
– Owners of the CWT Limited	–	(36,018)	(198,099)		(198,099)
– Non-controlling interests	–	(4,149)	(22,820)		(22,820)
Interest paid	–	(41,774)	(229,757)		(229,757)
Acquisition of non-controlling interests	–	(1,659)	(9,125)		(9,125)
Capital contributions from non-controlling interests	–	631	3,471		3,471
Net bank loans raised	701,826	428,018	2,354,099		3,055,925
Advance from an independent third party	76,327	–	–		76,327
Repayment to an independent third party	(70,257)	–	–		(70,257)

	The Group for the year ended 31 December 2016	The Target Group the year ended 31 December 2016		Unaudited pro forma adjustment	Unaudited pro forma of Enlarged Group
	HK$'000	*S$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Notes 3 and 5)*	
Repayment of principal on convertible bonds	(116,489)	–	–		(116,489)
Repayment of obligations under finance leases	(394)	(890)	(4,895)		(5,289)
Repayment of loans from non-controlling interests	–	(2,571)	(14,141)		(14,141)
Proceeds from issue of new convertible bonds	404,560	–	–		404,560
Loans from non-controlling interests	–	217	1,194		1,194
NET CASH FROM FINANCING ACTIVITIES	995,573	341,805	1,879,927		2,875,500
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(1,748,276)	35,114	193,129	(1,085,447)	(2,640,594)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2,850,966	291,665	1,604,158		4,455,124
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(11,489)	334	1,837		(9,652)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,091,201	327,113	1,799,124		1,804,878

3. Unaudited pro forma consolidated statement of financial position

	The Group as at 31 December 2016	The Target Group as at 31 December 2016		Unaudited pro forma adjustments			Unaudited pro forma of Enlarged Group
	HK$'000	*S$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets							
Property, plant and equipment	260,655	744,218	4,093,199				4,353,854
Land use rights	1,059,477	–	–				1,059,477
Intangible assets	–	119,662	658,141				658,141
Goodwill	–	–	–		2,884,581		2,884,581
Investment properties	2,447,621	574	3,157				2,450,778
Investments in assoicates	–	28,656	157,608				157,608
Investments in joint ventures	–	31,278	172,029				172,029
Investments in subsidiaries	–	–	–	7,692,904	(7,692,904)		–
Amount due from related companies	2,500	–	–				2,500
Other financial assets	155,700	30,016	165,088				320,788
Non-current receivables	–	15,232	83,776				83,776
Deferred tax assets	–	4,084	22,462				22,462
Other non-current assets	–	5,833	32,082				32,082
	3,925,953	979,553	5,387,542				12,198,076
Current assets							
Land use rights	41,548	–	–				41,548
Amounts due from related companies	908,065	–	–				908,065
Inventories	6,916	605,004	3,327,522				3,334,438
Trade receivables, prepayments, deposits and other receivables	38,228	2,545,548	14,000,514				14,038,742
Warrantable LME Commodities	–	550,370	3,027,035				3,027,035
Other financial assets	–	282,261	1,552,436				1,552,436
Derivative financial instruments	–	112,793	620,362				620,362
Tax recoverable	–	1,634	8,987				8,987
Pledged bank deposits	27,890	–	–				27,890
Bank balances and cash	1,085,447	334,376	1,839,068	(1,027,817)		(57,630)	1,839,068
	2,108,094	4,431,986	24,375,924				25,398,571
Assets assoicated with disposed groups classified as held-for-sale	387,075	930	5,115				392,190
	2,495,169	4,432,916	24,381,039				25,790,761

	The Group as at 31 December 2016	The Target Group as at 31 December 2016		Unaudited pro forma adjustments			Unaudited pro forma of Enlarged Group
	HK$'000	*S$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Current liabilities							
Trade and bills payables, other payables, deposits received, receipt in advance, accruals and provisions	114,973	2,386,007	13,123,039				13,238,012
Consideration payable	–	–	–	6,665,087			6,665,087
Borrowings – due within one year	54,598	1,504,910	8,277,005				8,331,603
Amounts due to related companies	7,475	–	–				7,475
Derivative financial instruments	–	172,607	949,339				949,339
Tax liabilities	13,704	25,371	139,541				153,245
Deferred revenue	49,489	–	–				49,489
Deferred gains	–	7,344	40,392				40,392
Obligations under finance leases	565	–	–				565
	240,804	4,096,239	22,529,316				29,435,207
Liabilities associated with disposed groups classified as held-for-sale	396,961	–	–				396,961
	637,765	4,096,239	22,529,316				29,832,168
Net current assets (liabilities)	1,857,404	336,677	1,851,723				(4,041,407)
Total assets less current liabilities	5,783,357	1,316,230	7,239,265				8,156,669
Non-current liabilities							
Trade and other payables	–	4,300	23,650				23,650
Deferred revenue	193,909	–	–				193,909
Borrowings – due after one year	1,230,986	366,505	2,015,778				3,246,764
Convertible bonds	324,421	–	–				324,421
Embedded derivative components of convertible bonds	56,167	–	–				56,167
Derivative financial instruments	–	137	754				754
Employee benefits	–	15,261	83,936				83,936

	The Group as at 31 December 2016	The Target Group as at 31 December 2016		Unaudited pro forma adjustments			Unaudited pro forma of Enlarged Group
	HK$'000	*S$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Deferred tax liabilities	237,406	19,567	107,619				345,025
Deferred gains	–	6,416	35,288				35,288
Obligations under finance leases	1,706	–	–				1,706
	2,044,595	412,186	2,267,025				4,311,620
Net assets	3,738,762	904,044	4,972,240				3,845,049
Capital and reserves							
Share capital	4,731,480	174,338	958,859		(958,859)		4,731,480
Reverses	(1,329,029)	699,903	3,849,464		(3,849,464)	(57,630)	(1,386,659)
Amounts recognised in other comprehensive income and accumulated in equity relating to disposal group classified as held-for-sale	(42,240)	–	–				(42,240)
Equity attributable to owners of the Company	3,360,211	874,241	4,808,323				3,302,581
Non-controlling interests	378,551	29,803	163,917				542,468
Total equity	3,738,762	904,044	4,972,240				3,845,049

4. Notes to unaudited pro forma financial information

Notes:

(1) The audited consolidated statement of financial position as at 31 December 2016 and the audited consolidated statement of profit or loss and consolidated statement of cash flows of the Group for the year ended 31 December 2016 were extracted from the published annual report of the Company for the year ended 31 December 2016, on which an auditor's report has been published with a qualified opinion being issued.

(2) The audited consolidated statement of financial position as at 31 December 2016 and the audited consolidated statement of profit or loss and consolidated statement of cash flows of the Target Group for the year ended 31 December 2016 were extracted from the accountants' report of the Target Group as set out in Appendix II to the Circular, with certain reclassification being made to be in line with presentation of the consolidated financial statements of the Group, where appropriate.

For the purpose to prepare the unaudited pro forma financial information, the exchange rates adopted are as follows:

As at 1 January 2016	HK$5.50=S$1.00
As at 31 December 2016	HK$5.50=S$1.00
Average rate in year 2016	HK$5.50=S$1.00

No representation is made that the Singapore dollars amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at those rates or at any other rates or at all.

(3) The adjustment represents the consideration of the Group for the Acquisition assuming that all shareholders of CWT Limited accept the share offer. Pursuant to the Offer, the offer price per each CWT Share shall be S$2.33. The offer price shall be satisfied in cash. Based on publicly available information, CWT Limited had 600,304,650 issued and paid-up ordinary shares as at the date of this Circular, 31 December 2016 and 1 January 2016. The Offer, based on the offer price of S$2.33 per CWT Share, is valued at approximately S$1,398,710,000 (equivalent to approximately HK$7,692,904,000).

Pursuant to an agreement entered into between the Company and CWT Limited dated 9 April 2017, the Company has paid a sum of S$15,000,000 (equivalent to approximately HK$82,500,000) to CWT Limited to be held in an escrow by the escrow agent in an escrow account.

As set out in this Circular, the funding of the Acquisition will be satisfied by cash and intended to be financed by a combination of the Group's internal resources, external financing from financial institutions and an interest free unsecured fund of up to S$1,400,000,000 (equivalent to approximately HK$7,700,000,000) to be granted by HNAG's associate(s). Whilst the Company has been exploring various external financing options, in the event that such external financing from financial institutions is not available, the Company will finance the Offer solely by such funding by HNAG's associate(s) of up to S$1,400,000,000 pursuant to such definitive agreement, which is sufficient to satisfy the Offer Price payable under the Offer. As at the date of this Circular, the Company has been in negotiations with various financial institutions, and no definitive agreements for such external financing from financial institutions have been entered into.

The Group had bank balances and cash of HK$1,085,447,000 as at 31 December 2016. Had the Acquisition been taken place on 31 December 2016 and the consideration was fully settled by cash on that date, the Group has no sufficient internal resources to fully settled the consideration. Accordingly, part of the amount of consideration of HK$1,027,817,000, including the deposit paid of HK$82,500,000 is deducted from bank balances and cash of the Group and the shortfall in bank balances and cash of HK$6,665,087,000 is included as a current liability (consideration payable) for the purpose of preparation of the unaudited pro forma consolidated statement of financial position because, as at the date of this report, the directors have not yet concluded the funding allocation between the Group's internal resources, external financing and interest free unsecured fund granted by HNAG's associate(s) ("HNAG's Loan") and the repayment terms in respect of the HNAG's Loan. The amount of shortfall in bank balances and cash is presented as consideration payable, for illustrative purpose only, in preparation of the unaudited pro forma consolidated statement of financial position. The Company will pay the cash consideration in full upon actual completion of the Acquisition.

For the purpose of unaudited pro forma consolidated statement of profit or loss and pro forma consolidated statement of cash flows, no adjustment has been made to reflect the interest expenses incurred for the year should the Acquisition had taken place on 1 January 2016 because the funding allocation between the Group's internal resources, external financing and the HNAG's Loan and repayment terms of the HNAG's Loan have not yet been concluded. The amount of interest expenses cannot be reliably measured.

(4) The adjustment represents consolidation entry for the elimination of the investment cost of the Target Group, and allocation of the cost of the Acquisition to the identifiable assets acquired and liabilities assumed by the Company and recognition of the goodwill on consolidation. Upon completion of the Acquisition, the Group will apply the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations", the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value.

For the purpose of the preparation of the unaudited pro forma financial information of the Enlarged Group and for illustrative purpose, the directors of the Company had assumed that the carrying values of the identifiable assets and liabilities of the Target Group as at 31 December 2016 of HK$4,972,240,000 (details are set out in the unaudited pro forma consolidated statement of financial position) approximated to their fair values and the recognition of goodwill arising from the Acquisition is analysed as follows:

	HK$'000
Consideration of the Acquisition (note 3 above)	7,692,904
Less: Assumed fair value of the net identifiable asset of the Target Group	(4,972,240)
Add: Non-controlling interests of the non-wholly owned subsidiaries of the Target Group	163,917
Goodwill arising from the Acquisition	2,884,581

Since the fair values of the identifiable assets acquired and liabilities assumed of the Target Group at the date of completion may be substantially different from the fair values used in preparing this unaudited pro forma financial information of the Enlarged Group, therefore, the goodwill at the date of completion may be different from the amount presented above.

For the purpose of the unaudited pro forma financial information of the Enlarged Group, the Group's management has performed an impairment assessment on the provisional goodwill arising from the Acquisition in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") and concluded that there would have been no impairment of the goodwill if the Acquisition had been completed on 31 December 2016 for the purpose of unaudited pro forma consolidated statement of financial position and 1 January 2016 for the purpose of unaudited pro forma consolidated statement of profit or loss and unaudited pro forma consolidated statement of cash flows. The recoverable amount under impairment assessment was derived based on the value-in-use calculations. That calculations used cash flows projections based on financial budgets as approved by management of the Target Group covering five years period, assuming that (i) there are no material adverse changes in the fair values of the assets and liabilities of the Target Group; and (ii) the identifiable assets and liabilities can be realised at their carrying amounts. However, should there be any adverse changes to the business of the Target Group, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against provisional goodwill in accordance with HKAS 36 and the Group's accounting policies.

The directors confirmed that they will adopt consistent approach to assess impairment of goodwill in subsequent reporting periods in accordance with the requirements of HKAS 36 and will disclose in the Group's annual report the basis and assumptions adopted by the directors in the impairment assessment in accordance with the disclosure requirements in HKAS 36. The Company also confirmed with its auditors that they will audit and opine on the consolidated financial statements of the Group in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

(5) The adjustment represents the estimated transaction costs of approximately HK$57,630,000, including the accountancy, legal, valuation and other professional services related to the Acquisition. The expenses are charged to profit or loss directly.

(6) The adjustments in respect of the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows are not expected to have a continuing effect on the Enlarged Group.

(C) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report on unaudited pro forma financial information of the Enlarged Group, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of HNA Holding Group Co. Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of HNA Holding Group Co. Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2016, the unaudited pro forma consolidated statement of profit or loss and the pro forma consolidated statement of cash flows for the year ended 31 December 2016 and related notes as set out on pages V-2 to V-12 of Appendix V to the circular issued by the Company dated 30 June 2017 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information is set out in Section A of Appendix V to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Group's acquisition of all the issued and paid-up ordinary shares of CWT Limited on the Group's financial position as at 31 December 2016 and the Group's financial performance and cash flows for the year ended 31 December 2016 as if the transaction had taken place at 31 December 2016 and 1 January 2016 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2016, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Review of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 or 1 January 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 June 2017

The following is the text of a letter with the summary of values and valuation certificates received from CBRE Limited, prepared for the purpose of incorporation in the Circular, in connection with their valuation as at 30 April 2017 of all the property interests held by the Target Group in Singapore.

CBRE

4/F, Three Exchange Square
8 Connaught Place
Central, Hong Kong
T 852 2820 2800
F 852 2810 0830
香港中環康樂廣場八號交易廣場第三期四樓
電話 852 2820 2800 傳真 852 2810 0830
www.cbre.com.hk
地產代理（公司）牌照號碼
Estate Agent's Licence No: C-004065

30 June 2017

The Board of Directors,
HNA Holding Group Co. Limited
Suites 5811-5814, 58/F., Two International Finance Centre
8 Finance Street
Central, Hong Kong

Dear Sirs,

In accordance with your instructions to us to value the certain property interests held by CWT Limited and its subsidiaries (collectively referred to as the "Target Group") in Singapore, we confirm that we have carried out inspections, made relevant enquiries, and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of property interests as at 30 April 2017 (the "Valuation Date").

Valuation Basis, Assumptions and Methodology

Our valuations are prepared in accordance with "The HKIS Valuation Standards (2012 Edition)" ("the Standards") published by The Hong Kong Institute of Surveyors ("the HKIS").

Our valuations are made on the basis of Market Value which is defined by the International Valuation Standards and followed by the HKIS to mean "the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

We have also complied with all the requirements contained in Paragraph 46 of Schedule 3 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32), Chapter 5, Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Our valuations have been made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

No allowance has been made in our valuations for any charges, mortgages, or amounts owing neither on the properties nor for any expenses or taxation which may be incurred in effecting sale. Unless otherwise stated, it is assumed that the properties were free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property in Group I, which is under construction and held by the Target Group for Owner Occupancy in Singapore, and properties in Group II, which are completed and held by the Target Group for Owner Occupancy in Singapore, we have adopted the Income Capitalization Approach by capitalization of the net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the properties. In addition, we have adopted the Discounted Cash Flow Approach and analysed the long term return that is likely to be derived from a property with a combination of both income and capital growth over an assumed investment horizon. Where appropriate, we have adopted the Direct Comparison Approach assuming the sale of each of these properties in its existing state by making reference to comparable sales transactions as available in the relevant market.

For the purpose of compliance with Rule 11.3 of the Code on takeovers and Mergers, the company's advisor has confirmed potential tax liabilities which could arise. The sale of the company or properties will trigger country Stamp Duty (3.0%), however this is customarily born by the purchaser. Singapore does not tax gains of a capital nature arising on a disposal of real property. However, if the gains are not capital in nature and are instead income in nature, then if the real property is located in Singapore, such income gains would be considered Singapore sourced and taxable at the prevailing corporate tax rate, currently 17%. According to established practice, through the course of our valuations, we have not verified or taken into account such future tax liability.

In undertaking this analysis, a wide range of assumptions were made including a target or pre-selected internal rate of return, net property income, income growth, potential capital expenditure, costs associated with the initial purchase of the property and also its disposal at the end of the investment period.

Source of Information

We have relied to a considerable extent on information given by the Target Group, in particular, but not limited to, the sales records, planning approvals, statutory notices, easements, development scheme, site area and floor area, tenancies and relevant information. No on-site measurements have been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Target Group, which is material to the valuation. We were also advised by the Target Group that no material facts have been omitted from the information provided to us.

We have not been provided with current title documents for the properties. CBRE independently verified the property ownership utilising the STARS (Singapore Titles Automated Registration System). There are no known covenants, conditions, or restrictions impacting the site that are considered to affect the marketability or the highest and best use of the property which are not considered in the valuation analysis. Throughout the course of our valuations, we have relied on information provided by the Target Group.

Property Inspection

We have inspected each property and during our inspections, we did not notice any serious defects. However, we have not carried out any structural surveys nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects.

We have not carried out site measurements to verify the correctness of the site area of the properties and have assumed that the site areas shown on the documents and official site plans handed to us are correct. During our inspections, we have not carried our investigations on the sites to determine the suitability of the ground conditions and the services for any future development. Our valuations are on the basis that these aspects are satisfactory.

The property inspections in Singapore were carried out in March 2017 by James Crawford AAPI MRICS, Sim Hwee Yan BSc (Est. Mgt) Hons FSISV, and Phang Siew Ling BSc (Real Est) Hons MSISV.

Currency

Unless otherwise stated, all monetary amounts are stated in Singapore Dollars (“SGD”), the official currency of Singapore.

Disclaimers, Limitations and Qualifications

The liability of CBRE and its directors and employees is limited to the addressee of this report only. No accountability, obligation or liability to any third parties is accepted.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subjects in connection with this engagement. Your obligation for indemnification and reimbursement shall extend to any controlling person of CBRE, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to three times of the amount of fees we received for this engagement.

This valuation report is provided subject to the assumptions, qualifications, limitations and disclaimers detailed throughout this report. Reliance on this report and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. This valuation is for the use only of the party to whom it is addressed and for no other purpose. No responsibility is accepted to any third party who may use or rely on the whole or any part of the content of this valuation. The valuer has no pecuniary interest that would conflict with the proper valuation of the property.

We enclose herewith our summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
CBRE Limited
Daniel Mohr
MRICS
Executive Director
Valuation & Advisory Services

Note: Mr. Daniel Mohr is a member of Royal Institution of Chartered Surveyors. He has over 15 years of valuation experience in the PRC and Hong Kong. Under the supervision of Mr. Daniel Mohr, qualified valuers of CBRE SG conducted the inspection of the properties and undertook the valuation. Our local valuers have more than 5 years of experience in valuation of properties in Singapore.

Five valuation certificates have been presented and are summarized in the following table:

SUMMARY OF VALUES

Disclosure in Circular	Type of Property	Number of Properties	Market Value in Existing State as at 30 April 2017 *(SGD)*	Market Value in Existing State Attributed to the Target Group as at 30 April 2017 *(SGD)*
Group I – Properties under construction which are held by the Target Group for Owner Occupancy in Singapore				
Full Report	Logistics	1	382,000,000	382,000,000
Group II – Properties held by the Target Group for Owner Occupancy in Singapore				
Full Report	Logistics & Cold Storage	4	680,000,000	680,000,000
TOTAL		5	1,062,000,000	1,062,000,000

VALUATION CERTIFICATE

Group I: Property interests held by the Target Group which are Under Construction in Singapore

Property	Description and tenure	Details of occupancy	Capital value as of 30 April 2017
The Property is currently under construction and will be known as CWT Mega Hub and located at 47 Jalan Buroh in Singapore. The Property is located within the Jurong Industrial Estate, within the Jurong Industrial Precinct. The neighbourhood has immediate proximity to the Jurong Port and Jurong Island and is located approximately 17 kilometres from the city centre at Raffles Place. The neighbourhood is well served by major arterial roads and transport networks including the Ayer Rajah Expressway, the Pan Island Expressway, Boon Lay and Lakeside Mass Rapid Transit ("MRT") stations.	The site is trapezoidal in shape and consists of 87,140.2 square metres. The Property is currently under construction. Upon completion, the Property will be a 9-storey ramp-up warehouse development with ancillary office, canteen, roof garden and container storage and retrieval system. The proposed gross floor area of the Property is reported to be about 2,344,364 square feet and Net Lettable Area is approximately 2,164,254.4 square feet. The Property is expected to be completed by the third quarter of 2017. The total construction budget is reported to be SGD342,000,000. As of the date of value, the remaining cost to complete was approximately SGD92,000,000. The site is encumbered by a 30-year ground lease, which commenced on 16 August 2014. The expiry date is 15 August 2044 and current annual payment is SGD1,885,353.	The Property is currently under construction and will be owner occupied for use as a 3PL Logistics facility, upon completion. Within the market, typical logistics leases are signed on a Gross basis, with the landlord paying for all operating expenses and real estate taxes. The market rent is estimated to be $1.60 to $1.70 per square foot per month. The Potential Gross Income for Year One of the analysis is estimated to be SGD 3,867,474 per month.	**AS-IS VALUE** SGD382,000,000 (SINGAPORE DOLLARS – THREE HUNDRED EIGHTY TWO MILLION) (100% interest attributable to the Target Group: SGD382,000,000) **CAPITAL VALUE AFTER COMPLETION** SGD474,000,000 (SINGAPORE DOLLARS – FOUR HUNDRED SEVENTY FOUR MILLION) (100% interest attributable to the Target Group: SGD474,000,000)

Notes:

(a) The registered owner is CWT Limited.

(b) As reported by the client, the Target Group holds a 100% interest in CWT Limited.

(c) The site consists of two land parcels which are legally known as Lot 3924W and 4779W (JTC Private lots A0334300 and A3003157) of Mukim 6. The leasehold ownership structure is summarised as follows:

Current Land Rent:	S$1,885,353 per annum.
Term:	30 Years
Commencement Date:	16 August 2014 & 29 August 2014
Expiry Date:	15 August 2044 & 28 August 2044

The land rent is subject to revision on the 16 August of every year at the rate based on the then prevailing market rent but so that the increase shall not exceed 5.5% of the yearly rent for each immediately preceding year.

As per the JTC's Letter dated 25 July 2014, the Property is permitted to be used as an integrated logistics hub for cargoes and containers for storage, and value-add activities and supporting activities including parking, repairs and maintenance only, except with the prior consent in writing of the Lessor.

The Property is also subjected to the Anchor Subletting Condition whereby CWT Limited and its related companies (related companies means companies which must be supporting the logistics businesses according to the Authorised Use as described above) which CWT Limited holds at least 51% shareholding shall occupy at least 70% of the combined gross floor area of the Property within 10 years from issuance of Temporary Occupancy Permit (TOP) for all new buildings and structures. In the event of more than one TOPs, the first 10 years are to be taken from the issuance of the last TOP.

(d) The Property is currently under construction and expected to be completed by the third quarter of 2017; to our knowledge it is not subject to any material restrictions on development including building covenants and time limits for completion and development. A Temporary Occupation Permit is expected to be issued by June 2017. We expect the Certificate of Statutory Completion to be issued within 1 to 2 years of completion.

(e) Town Planning and Statutory Assessment details are summarised as follows:

Master Plan 2014:	Business 2 with Plot Ratio of 2.5.
Annual Value (AV):	S$8,252,100.
Property Tax:	10% of Annual Value.
Existing Use:	Appears to conform.

(f) To the best of our knowledge there have been no other sale transactions in the past five years.

(g) The Property is not encumbered by a mortgage.

VALUATION CERTIFICATE

Group II: Property interests held by the Target Group for Owner Occupancy in Singapore

Property	Description and tenure	Details of occupancy	Capital value as of 30 April 2017
The Property is known as Singapore Wine Vault Building and is located at 6 Fishery Port Road in Singapore. The Property is situated within the Jurong Industrial Estate which is located at the Western part of Singapore. Developments within the vicinity primarily comprise Jurong Town Corporation (JTC) and purpose-built warehouse and logistics industrial buildings. The neighbourhood is located approximately 17 kilometres from the city centre at Raffles Place. The neighbourhood is well served by major roads/expressways such as Boon Lay Way, Ayer Rajah Expressway (AYE), and Pan Island Expressway (PIE). In addition, the neighbourhood is within close proximity to Jurong East MRT Station.	The site is near rectangular-shaped and consists of 27,959.0 square metres. The Property is a 7-storey ramp-up warehouse and logistics development predominantly featuring temperature-controlled storage facilities with ancillary office. The gross floor area of the Property is advised to be 751,434.0 square feet, and the Net Lettable Area as currently configured is approximately 660,889.0 square feet. The site is encumbered by a 30+24-year land lease which commenced on 29 June 2011. The expiry date is 29 June 2065 and current annual payment is SGD 815,004.85.	The Property is primarily owner-occupied. A portion of floor space on Level's 1 & 3 is sub-leased. Within the market, typical logistics leases are signed on a Gross basis, with the landlord paying for all operating expenses and real estate taxes. The market rent is estimated to be $2.10 to $2.25 per square foot per month. The Potential Gross Income for Year One of the analysis is estimated to be SGD 1,631,706 per month.	SGD249,000,000 (SINGAPORE DOLLARS – TWO HUNDRED AND FORTY-NINE MILLION) (100% interest attributable to Target Group: SGD249,000,000)

Notes:

(a) The registered owner is CWT Limited.

(b) As reported by the client, the Target Group holds a 100% interest in CWT Limited.

(c) The site consists of two land pots, legally known as Lot 04741A & 04742K of Mukim 6 (Private Lot A0334310). The leasehold ownership structure is summarised as follows:

Lease No.:	IB/293564T.
Current Land Rent:	S$815,004.85 per annum.
Term:	30 Years + 24 Years*
Commencement Date:	29 June 2011.
Expiry Date:	29 June 2065.

* As per the JTC letter dated 9 December 2014, CWT Limited (as advised) has complied with the JTC required investment criteria and an extension of lease for a further 24 years from 29 June 2041 has been granted.

The land rent is subject to revision on 29 June of every year at the rate based on the then prevailing market rent but so that the increase shall not exceed 5.5% of the yearly rent for each immediately preceding year.

As per the JTC Memorandum of Lease, the Property is permitted to be used for cold storage warehousing services and food logistics value-added services including processing only, except with the prior consent in writing of the Lessor.

(d) The Property was originally constructed in 2014. Completion and Occupation permits were issued as follows:

- The Certificate of Statutory Completion was granted 13th October 2015. This is a permanent Certificate which is issued after the TOP.

- The TOP was granted on 25 June 2014 (storeys 1-5) and 4 July 2014 (storeys 6 and 7).

(e) Town Planning and Statutory Assessment details are summarised as follows:

Master Plan 2014:	Business 2 with Plot Ratio of 2.5.
Annual Value (AV):	S$11,368,000.
Property Tax:	10% of Annual Value.
Existing Use:	Appears to conform.

(f) To the best of our knowledge there have been no other sale transactions in the past five years.

(g) The Property is currently encumbered by a mortgage to DBS Bank according to a caveat lodged. The mortgage caveat was logged on document ID/217253S on 16 October 2012 and document ID/337297W on 26 December 2012.

VALUATION CERTIFICATE

Group II: Property interests held by the Target Group for Owner Occupancy in Singapore

Property	Description and tenure	Details of occupancy	Capital value as of 30 April 2017
The Property is known as CWT Logistics Hub 3 and is located at 52 Tanjong Pejuru in Singapore. The Property is situated within the Pandan area at the fringe of the Jurong Industrial Estate which is located at the Western part of Singapore. Developments within the vicinity primarily comprise Jurong Town Corporation (JTC) and purpose-built warehouse and logistics industrial buildings. The neighbourhood is located approximately 17 kilometres from the city centre at Raffles Place. The neighbourhood is well served by major roads/expressways such as Boon Lay Way, Ayer Rajah Expressway (AYE), and Pan Island Expressway (PIE). In addition, the neighbourhood is within close proximity to Jurong East MRT Station.	The site is rectangular-shaped and consists of 31,138.3 square metres. The Property is a 5-storey ramp-up warehouse and logistics development with ancillary office. The gross floor area of the Property is advised to be 846,303.0 square feet, and the Net Lettable Area as currently configured is approximately 806,193.0 square feet. The site is encumbered by a 30+10-year land lease, which commenced on 1 July 2009. The expiry date is 1 July 2049 and current annual payment is SGD941,622.	The Property is primarily owner-occupied. Within the market, typical logistics leases are signed on a Gross basis, with the landlord paying for all operating expenses and real estate taxes. The market rent is estimated to be $1.60 to $1.70 per square foot per month. The Potential Gross Income for Year One of the analysis is estimated to be SGD 1,389,102 per month.	SGD181,000,000 (SINGAPORE DOLLARS – ONE HUNDRED EIGHTY-ONE MILLION) (100% interest attributable to Target Group: SGD181,000,000)

Notes:

(a) The registered owner is SM Integrated Transware Pte Ltd.

(b) As reported by the client, the Target Group holds a 100% interest in SM Integrated Transware Pte Ltd.

(c) The site consists of on land plot, legally known as Lot 3262P of Mukim 5. The leasehold ownership structure is summarised as follows:

Lease No.:	ID/70504B.
Current Land Rent:	S$941,622 per annum.
Term:	30 Years + 10 Years*
Commencement Date:	1 July 2009.
Expiry Date:	1 July 2049.

* As per the JTC letter dated 9 July 2012, SM Integrated Transware Pte Ltd has complied with the JTC required investment criteria and an extension of the lease for a further 10 years from 1 July 2039 has been granted.

The land rent is subject to revision on 1 July of every year at the rate based on the then prevailing market rent but so that the increase shall not exceed 5.5% of the yearly rent for each immediately preceding year.

As per the JTC Lease Agreement, the Property is permitted to be used for transportation and warehousing logistics and distribution centre (service provider), except with the prior written consent of the Lessor.

(d) The Property was originally constructed in 2011. Completion and Occupation permits were issued as follows:

- The Certificate of Statutory Completion was granted on 15 September 2011. This is a permanent Certificate which is issued after the TOP.

- The TOP was granted 15th April 2011.

(e) Town Planning and Statutory Assessment details are summarised as follows:

Master Plan 2014:	Business 2 with Plot Ratio of 2.5.
Annual Value (AV):	S$9,140,000.
Property Tax:	10% of Annual Value.
Existing Use:	Appears to conform.

(f) To the best of our knowledge there have been no other sale transactions in the past five years.

(g) The Property is encumbered by a mortgage to United Overseas Bank Limited. The mortgage was recorded on document IC/381835A on 15 November 2012.

VALUATION CERTIFICATE

Group II: Property interests held by the Target Group for Owner Occupancy in Singapore

Property	Description and tenure	Details of occupancy	Capital value as of 30 April 2017
The Property is known as CWT Pandan Logistics Centre and is located at 4 Pandan Avenue in Singapore. The Property is situated within the Pandan area at the fringe of the Jurong Industrial Estate which is located at the Western part of Singapore. Developments within the vicinity primarily comprise Jurong Town Corporation (JTC) and purpose-built warehouse and logistics industrial buildings. The neighbourhood is located approximately 17 kilometres from the city centre at Raffles Place. The neighbourhood is well well served by major roads/expressways such as Boon Lay Way, Ayer Rajah Expressway (AYE), and Pan Island Expressway (PIE). In addition, the neighbourhood is within close proximity to Jurong East MRT Station.	The site is rectangular-shaped and consists of 23,761.1 square metres. The Property is a 5-storey ramp-up warehouse and logistics development with ancillary office. The gross floor area of the Property is advised to be 638,857.0 square feet, and the Net Lettable Area as currently configured is approximately 585,565.0 square feet. The site is encumbered by a 30-year land lease which commenced on 9 October 2014. The expiry date is 9 October 2044 and current annual payment is SGD718,536.	The property is primarily owner occupied. A portion of the premises is sub-leased to a single tenant expiring 30 June 2021. Within the market, typical logistics leases are signed on a Gross basis, with the landlord paying for all operating expenses and real estate taxes. The market rent is estimated to be $1.65 to $1.75 per square foot per month. The Potential Gross Income for Year One of the analysis is estimated to be SGD 1,082,250 per month.	SGD138,000,000 (SINGAPORE DOLLARS – ONE HUNDRED AND THIRTY-EIGHT MILLION) (100% interest attributable to Target Group: SGD138,000,000)

Notes:

(a) The registered owner is CWT Project Logistics Pte. Ltd.

(b) As reported by the client, the Target Group holds a 100% interest in CWT Project Logistics Pte. Ltd.

(c) The site consists of on land plot, legally known as Lot 7841K of Mukim 5. The leasehold ownership structure is summarised as follows:

Lease No.:	IE/74044W.
Current Land Rent:	S$718,536 per annum.
Term:	30 Years
Commencement Date:	9 October 2014.
Expiry Date:	9 October 2044.

The land rent is subject to revision on the 9 October of every year at the rate based on the then prevailing market rent but so that the increase shall not exceed 5.5% of the yearly rent for each immediately preceding year.

As per the JTC Lease Agreement, the Property is permitted to be used for integrated logistics services including secured and other general storage services, except with the prior written consent of the Lessor.

(d) The Property was originally constructed in 2015. Completion and Occupation permits were issued as follows:

- The Certificate of Statutory Completion was granted 4th September 2015. This is a permanent Certificate which is issued after the TOP.

- The TOP was granted 30th January 2015.

(e) Town Planning and Statutory Assessment details are summarised as follows:

Master Plan 2014:	Business 2 with Plot Ratio of 2.5.
Annual Value (AV):	S$9,097,400.
Property Tax:	10% of Annual Value.
Existing Use:	Appears to conform.

(f) To the best of our knowledge there have been no other sale transactions in the past five years.

(g) The Property is encumbered by a mortgage to United Overseas Bank Limited. The mortgage was recorded on document ID/898236H on 25 April 2015.

VALUATION CERTIFICATE

Group II: Property interests held by the Target Group for Owner Occupancy in Singapore

Property	Description and tenure	Details of occupancy	Capital value as of 30 April 2017
The Property is known as CWT Jurong East Logistics Centre and located at 5A Toh Guan Road East in Singapore. The Property is situated within the Jurong Industrial Estate which is located at the Western part of Singapore. Developments within the vicinity primarily comprise Jurong Town Corporation (JTC) and purpose-built warehouse and logistics industrial buildings. The neighbourhood is located approximately 17 kilometres from the city centre at Raffles Place. The neighbourhood is well served by major roads/expressways such as Boon Lay Way, Ayer Rajah Expressway (AYE), and Pan Island Expressway (PIE). In addition, the neighbourhood is within close proximity to Jurong East MRT Station.	The site is trapezoidal-shaped and consists of 22,346.5 square metres. The Property is a 6-storey ramp-up warehouse and logistics development with ancillary offices. The gross floor area of the Property is advised to be 600,301.0 square feet, and the Net Lettable Area as currently configured is approximately 566,090.0 square feet. The site is encumbered by a 30+21-year land lease, which commenced on 1 March 1991. The expiry date is 1 March 2042 and current annual payment is SGD1,073,079.	The Property is primarily owner-occupied. Within the market, typical logistics leases are signed on a Gross basis, with the landlord paying for all operating expenses and real estate taxes. The market rent is estimated to be $1.60 to $1.70 per square foot per month. The Potential Gross Income for Year One of the analysis is estimated to be SGD990,658 per month.	SGD112,000,000 (SINGAPORE DOLLARS – ONE HUNDRED TWELVE MILLION) (100% interest attributable to Target Group: SGD112,000,000)

Notes:

(a) The registered owner is CWT Logistics (S) Pte Ltd.

(b) As reported by the client, the Target Group holds a 100% interest in CWT Logistics (S) Pte Ltd.

(c) The site consists of on land plot, legally known as Lot 06563M of Mukim 5. The leasehold ownership structure is summarised as follows:

Lease No.:	IA/348753J.
Current Land Rent:	S$1,073,079 per annum.
Term:	30 Years + 21 Years*
Commencement Date:	1 March 1991.
Expiry Date:	1 March 2042.

* As per the JTC letter dated 18 June 2015, CWT Logistics (S) Pte Ltd has complied with the JTC required investment criteria and an extension of the lease for a further 21 years from 1 March 2042 has been granted.

The land rent is subject to revision on the 1 March of every year at the rate based on the then prevailing market rent but so that the increase shall not exceed 5.5% of the yearly rent for each immediately preceding year.

As per the JTC Lease Agreement, the Property is permitted to be used for warehousing and distribution services only, except with the prior consent in writing of the Lessor.

(d) The Property was constructed in 2014. The Property's Completion and Occupation permits were issued as follows:

- The Certificate of Statutory Completion was granted 13th November 2014. This is a permanent Certificate which is issued after the TOP.

- The TOP was granted 3rd January 2014.

(e) Town Planning and Statutory Assessment details are summarised as follows:

Master Plan 2014:	Business 2 with Plot Ratio of 2.5.
Annual Value (AV):	S$7,564,000.
Property Tax:	10% of Annual Value.
Existing Use:	Appears to conform.

(f) To the best of our knowledge there have been no other sale transactions in the past five years.

(g) The Property is encumbered by a mortgage to DBS Bank Ltd. The mortgage caveat was recorded on document ID/492225H on 15 May 2013 and document ID/858495T on 26 November 2013.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The Company does not have any authorised share capital nor any nominal value in its Shares.

As at the Latest Practicable Date, the total number of issued Shares of the Company was 11,399,996,101.

Since 31 December 2016 (being the date to which the latest published audited accounts of the Group were prepared) and up to the Latest Practicable Date, no Shares have been issued by the Company.

As at the Latest Practicable Date, the Company had (i) 96,307,200 share options outstanding under the share option scheme adopted by the Company on 7 June 2002 (the "**2002 Scheme**"); and (ii) convertible bonds with an aggregate principal amount of US$52,000,000 at an initial conversion price of HK$0.40 per share (subject to adjustments) as described in the announcement of the Company dated 30 May 2016 and the circular of the Company dated 24 June 2016.

Save for such share options and convertible bonds, the Company did not have any outstanding options, warrants, derivatives and other securities convertible or exchangeable into Shares or any other derivatives as at the Latest Practicable Date. The issued Shares are listed and traded on the main board of the Hong Kong Stock Exchange. No part of the issued share capital of the Company is listed on any other stock exchanges.

3. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the "**Model Code**") were as follows:

Long positions in the Shares and underlying Shares of the Company

Name of Director	Capacity in which interests were held	Number of Shares/underlying Shares in the Company: Interests in Shares	Derivative Interests*	Total Interests	Total interests as to % of the total number of issued Shares as at the Latest Practicable Date
Leung Shun Sang, Tony	Beneficial owner	20,000,000	15,360,000	35,360,000	0.31%
Leung Kai Cheung	Beneficial owner	5,000,000	1,843,200	6,843,200	0.06%

* The interests are unlisted physically settled options granted pursuant to the 2002 Scheme. Upon exercise of the share options in accordance with the 2002 Scheme, ordinary shares in the share capital of the Company are issuable. The share options are personal to the respective Directors.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

4. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, companies and persons who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares and underlying Shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to% of the total number of issued Shares as at the Latest Practicable Date	*Note(s)*
HNAGI	Beneficial owner	1,109,244,000	9.73%	*1*
Hong Kong HNA	Beneficial owner	6,510,130,189	57.11%	*1, 2*
HNA Financial Holdings International Co., Ltd. 海航金控國際有限公司	Interests of controlled corporations	6,510,130,189	57.11%	*1*
Beijing HNA Financial Holdings Co., Ltd.* 北京海航金融控股有限公司	Interests of controlled corporations	6,510,130,189	57.11%	*1*
HNA Investment Holding Co., Ltd.* 海航投資控股有限公司	Interests of controlled corporations	6,510,130,189	57.11%	*1*
HNAG	Interests of controlled corporations	7,619,374,189	66.84%	*1*
Hainan Traffic Administration Holding Co. Ltd.* 海南交管控股有限公司	Interests of controlled corporations	7,619,374,189	66.84%	*1*
Tang Dynasty Development (Yangpu) Company Limited* 盛唐發展(洋浦)有限公司	Interests of controlled corporations	7,619,374,189	66.84%	*1*
Hainan Province Cihang Foundation* 海南省慈航公益基金會	Interests of controlled corporations	7,619,374,189	66.84%	*1*
Hainan Airlines Co., Ltd. Trade Community Union* 海南航空股份有限公司工會委員會	Interests of controlled corporations	7,619,374,189	66.84%	
China Construction Bank Corporation 中國建設銀行股份有限公司	Security interests	1,484,000,000	13.02%	2
Central Huijin Investment Ltd. 中央匯金投資有限責任公司	Security interests	1,484,000,000	13.02%	2

Notes:

1. As at the Latest Practicable Date, HNAG is a company established in the PRC with limited liability which owns approximately 91.01% of HNAGI and directly owns 100% of HNA Holding Group Co., Ltd.* (海航實業集團有限公司), which in turn directly owns 100% of HNA Investment Holding Co., Ltd.* (海航投資控股有限公司), which in turn directly owns 100% of Beijing HNA Financial Holdings Co., Ltd.* (北京海航金融控股有限公司), which in turn owns 100% of HNA Financial Holdings International Co., Ltd. (海航金控國際有限公司). HNA Financial Holdings International Co., Ltd. (海航金控國際有限公司) directly owns 100% of Hong Kong HNA. HNAG was held as to 70% by Hainan Traffic Administration Holding Co. Ltd.* (海南交管控股有限公司), which was in turn directly held as to 50% by Tang Dynasty Development (Yangpu) Company Limited* (盛唐發展(洋浦)有限公司). Tang Dynasty Development (Yangpu) Company Limited* (盛唐發展(洋浦)有限公司) was held as to 65% by Hainan Province Cihang Foundation* (海南省慈航公益基金會) (the "**Foundation**"). The committee members of the Foundation should be jointly nominated by the business supervising unit (業務主管單位) (being the Office of Civil Affairs of the Hainan Province (海南省民政廳)), the committee (理事會), the sponsor (發起人) and the major donor (主要捐贈人) of the Foundation.

2. As at the Latest Practicable Date, Hong Kong HNA, the controlling shareholder of the Company, pledged 1,484,000,000 Shares to China Construction Bank Corporation, whose beneficial owner is Central Huijin Investment Ltd. The Company is not a party to the agreement in connection with the pledge of the said 1,484,000,000 Shares. To the best of the Company's understanding, it is not related to the Acquisition.

Save as disclosed above, so far as is known to the Directors or chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates (as if each of them was treated as a controlling shareholder under Rule 8.10 of the Hong Kong Listing Rules) had any direct or indirect interest in a business which competes or is likely to compete with the business of the Group.

7. INTEREST IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased, or which were proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Company were made up). As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Enlarged Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. STATEMENT OF INDEBTEDNESS

Statement of indebtedness of the Group

As at the close of business on 31 May 2017, being the latest practicable date for the purpose of this statement of indebtedness of the Group prior to the printing of this Circular, the Group had the following indebtedness:

Bank borrowings

	HK$'000
Bank borrowings – secured and guaranteed	585,024
Bank borrowings – secured and unguaranteed	750,688
	1,335,712

The Group pledged certain assets for bank borrowings granted to the Group, which include:

(i) Hotel and buildings for golf club business in China and an office building located in London, the United Kingdom, with aggregate carrying amount of HK$1,646.6 million as at 31 May 2017;

(ii) Land use rights of golf courses in China, with carrying amount of HK$1,110.5 million as at 31 May 2017; and

(iii) Bank deposit in a bank in China of RMB30 million (equivalent to HK$34.3 million).

Bank borrowings with an aggregate amount of HK$585,024,000 were guaranteed by HNAG, the ultimate holding company of the Company; Dongguan Hillview Golf Company Ltd.* (東莞峰景高爾夫有限公司), a subsidiary of the Company; HNA Asset Management Group Co., Ltd.* (海航資產管理集團有限公司) and HNA Commercial Holding Co., Ltd.* (海航商業控股有限公司), related companies of the Company.

Amounts due to related companies

On 31 May 2017, amounts due to Leader Well Management Limited, HNA Shareholding Rights Management Co., Ltd.* (海航股權管理有限公司) and Hong Kong Island Construction Properties Co., Limited (香港海島建設地產有限公司), related companies of the Company, were unsecured, interest-free and unguaranteed and the outstanding amounts were approximately HK$1,476,000.

Convertible bonds

On 31 May 2017, the Company had unsecured and unguaranteed convertible bonds in an aggregated principal amount of US$52,000,000 (equivalent to approximately HK$404,560,000) held by corporate and institutional investors.

These convertible bonds shall bear interest from and including the issue date, that is 19 July 2016, to and excluding the maturity date which is two years from the date of the issue date on the outstanding amount of the convertible bonds at the interest rate of 8% per annum. Subject to certain conditions, the bondholders have the right to convert their bonds into Shares at the initial conversion price of HK$0.4 per Share (equivalent to approximately US$0.05 at a fixed exchange rate of US$1.00 to HK$7.78), subject to adjustments, at any time on and after a date which is six months after the issue date up to the close of business on the seventh business day prior to the maturity date or if such bond shall have been called for redemption before the maturity date, then up to and including the close of business on a date prior to the date of giving the notice of redemption, provided that such conversion rights can only be exercised in respect of the bonds in the aggregate principal amount of not less than US$600,000 and in the integral multiples of US$100,000.

Obligations under finance leases

On 31 May 2017, the Company had unguaranteed finance lease obligations to a bank in Hong Kong with outstanding lease payments of approximately HK$2,191,000. Such obligations under finance leases are secured by motor vehicles.

Apart from intra-group liabilities and normal trade and bills and other payables in the ordinary course of the business, as at the close of business on 31 May 2017, the Group did not have other material debt securities issued and outstanding or authorised or otherwise created but unissued, mortgage, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or material contingent liabilities.

Statement of indebtedness of the Target Group

As at the close of business on 31 May 2017, being the latest practicable date for this indebtedness statement of the Target Group prior to the printing of this Circular, the Target Group had the following indebtedness:

	S$'000
Indebtedness – secured	862,012
Indebtedness – unsecured	205,719
Obligations under finance leases	2,707
	1,070,438

Some of bank borrowings of the Target Group were secured by charges over its property, plant and equipment, inventory, trade and other receivables, warrantable LME commodities and deposits.

Included in the unsecured indebtedness of the Target Group are two (2) tranches of bonds (S$100 million each), issued by CWT. The bonds bear fixed coupon rates of 3.90% and 4.8% per annum, payable semi-annually. The maturity dates of the bonds are 18 April 2019 and 18 March 2020, respectively.

Included in the secured indebtedness are revolving short-term trade facilities of S$582 million which are self-liquidating facilities used to finance the Target Group's commodity marketing business.

Save as aforesaid or as otherwise disclosed herein, and apart from intragroup liabilities, at the close of business on 31 May 2017, the Target Group did not have any loan capital issued and outstanding, agreed to be issued, or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

10. WORKING CAPITAL SUFFICIENCY

Taking into account the expected completion of the Acquisition and the Group's presently available financial resources, including internally generated funds from operation, available financial facilities of the Group and the interest free unsecured fund of not more than S$1,400,000,000 (equivalent to approximately HK$7,700,000,000) granted by HNAG's associates, the Directors after due and careful enquiry, are of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances or information not known to the Company.

11. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following sets out the qualifications of the experts who have given opinion or advice which are contained in this circular:–

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
KPMG LLP	Public Accountants and Chartered Accountants
KPMG	Certified Public Accountants
TSMP Law Corporation	Singapore legal advisors
CBRE Limited	Property valuer
Ipsos Limited	Industry consultant

As at the Latest Practicable Date, each of the above experts had no shareholding interest in any member of the Enlarged Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, and each of the above experts had no interest, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group, since 31 December 2016, the date to which the latest published consolidated financial statements of the Company were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report (as the case may be) and references to its name, in the form and context in which they respectively appear.

12. LITIGATION

As at the Latest Practicable Date, save as disclosed in this circular, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

13. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Enlarged Group, have been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date and are material:

(a) the supplemental agreement dated 24 August 2015 entered into between Templeton Strategic Emerging Markets Fund III, LDC and the Company in respect of the extension of the maturity date of the convertible bonds in a principal amount of US$15 million issued to Templeton Strategic Emerging Markets Fund III, LDC to the seventh anniversary of the date of issue (i.e. 5 June 2016), details of which are disclosed in the announcement of the Company dated 24 August 2015;

(b) the underwriting agreement dated 29 August 2015 entered into between the Company, HNAGI and Hong Kong HNA in relation to the Rights Issue, involving the issue of not less than 7,328,568,922 Shares and not more than 7,888,154,625 Shares at HK$0.376 per Share, details of which are disclosed in the prospectus of the Company dated 27 October 2015;

(c) the deposit agreement dated 4 December 2015 entered into among Viva Success Investments Limited ("**Viva Success**"), Viva Success's subsidiary, the Company and its subsidiary in relation to the payment of deposit in the amount of RMB5,000,000 in respect of the sale and purchase of 100% of the issued share capital of Made Connection Limited provided under the memorandum of understanding dated 27 November 2015, details of which are disclosed in the circular of the Company dated 17 March 2016;

(d) the sale and purchase agreement dated 13 January 2016 entered into among the Company, Viva Success and Zhongcheng Zhihuiyun (Hangzhou) Information Technology Company Limited* (中程智慧雲(杭州)信息科技有限公司) ("**Hangzhou Zhihuiyun**") providing for the terms and conditions of the proposed disposal of 100% of the issued share capital of Made Connection Limited by the Company to Viva Success for consideration of RMB120,000,000, details of which are disclosed in the circular of the Company dated 17 March 2016;

(e) the supplemental sale and purchase agreement dated 29 February 2016 entered into among the Company, Viva Success and Hangzhou Zhihuiyun to supplement one company name into the list of Made Connection subsidiaries and investee companies as set out in schedule 2 of the sale and purchase agreement dated 13 January 2016, details of which are disclosed in the circular of the Company dated 17 March 2016;

(f) the collaboration agreement dated 9 March 2016 entered into between Dongguan Hillview and HNA Travel Development Co., Ltd.* (海航旅遊開發有限責任公司) in respect of the procurement of a maximum of 240 Hillview membership cards from Dongguan Hillview, the transaction value of which was expected to be approximately RMB10,320,000, details of which are disclosed in the announcement of the Company dated 9 March 2016;

(g) the sale and purchase agreement dated 18 April 2016 entered into between the Company and Fourteen Ninety Two Limited in relation to the acquisition of a property in London, the United Kingdom by the Company, details of which are disclosed in the circular of the Company dated 17 June 2016;

(h) the subscription agreement dated 30 May 2016 entered into between the Company, Haitong International Investment Fund SPC and China Everbright Securities International Structured Finance Company Limited in relation to the issue of convertible bonds by the Company in the aggregate principal amount of US$52,000,000, details of which are disclosed in the circular of the Company dated 24 June 2016;

(i) the non-legally binding strategic cooperation framework agreement dated 16 June 2016 entered into between the Company and China Securities (International) Finance Holding Company Limited in relation to a strategic cooperation in the field of, inter alia, investment funds (in particular, the scale of the investment funds is proposed to be HK$20,000,000,000), details of which are disclosed in the announcement of the Company dated 16 June 2016;

(j) the subscription agreement and the management agreement dated 15 August 2016 entered into among 海航實業發展(深圳)有限公司 (Haihang Shiye Fazhan (Shenzhen) Company Limited*), a wholly-owned subsidiary of the Company, with 海航投資控股有限公司 (HNA Investment Holdings Ltd.*) and 海南一帶一路股權投資基金有限公司 (Hainan Yidai Yilu Equity Investment Fund Company Limited*) (the "**General Partner**") in relation to (i) the purchase of 10% of the limited partnership interest in 海南海投一號投資合夥企業(有限合夥) (Hainan Haitou Number 1 Investment Limited Partnership*) (the "**Limited Partnership**") with its principal scope of business in asset management (excluding management of financial products and securities and other restricted businesses), investment management (excluding futures, insurance, financial products and securities), investment development, investment consultation, trade and export and import services; and (ii) the governance of the rights and obligations of the General Partner and each of the limited partners of the Limited Partnership, details of which are disclosed in the announcement of the Company dated 15 August 2016;

(k) the sale and purchase agreement dated 17 August 2016 entered into between the Company and Leader Concept Investments Limited ("**Leader Concept**") providing for the terms and conditions of the proposed disposal of 100% of the issued share capital of South China Digital TV Holdings Limited to Leader Concept for consideration of HK$1, details of which are disclosed in the announcement of the Company dated 17 August 2016;

(l) the real estate purchase and sale agreement dated 7 October 2016 entered into among the Company, as purchaser, and Newcastle Golf, L.L.C., Washington National Golf, LLC, Redmond Ridge Golf, LLC, Trophy Lake Golf, LLC, Harbour Pointe Golf, LLC, Hawks Prairie Golf, LLC, Plateau Golf, LLC and Indian Summer, LLC, as sellers, and in relation to the acquisition of eight golf courses located in Washington State, the USA together with certain related assets by the Company, details of which are disclosed in the circular of the Company dated 23 November 2016;

(m) the Deposit Agreement; and

(n) the Vendor Undertakings.

14. GENERAL

(a) The registered office of the Company is located at Suites 5811-5814, 58/F., Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong.

(b) The joint company secretaries of the Company are Mr. Huang Tianbo, who is qualified as a board secretary accredited by Shanghai Stock Exchange since August 2014, and Mr. Lau Lap Ngai, an associate member of each of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(c) The share registrar of the Company is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English names of the Chinese entities marked with "*" are translations of their Chinese names and are included in this circular for identification purposes only; such translations should not be regarded as their official English names. In any other event, the English text of this circular shall prevail over the Chinese translation in the event of inconsistency.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company at Suites 5811-5814, 58/F., Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong, from the date of this circular up to and including the date of the GM:

(a) the articles of association of the Company;

(b) the letter from the Board as set out on pages 12 to 37 of this circular;

(c) the written consents referred to in the paragraph headed "Qualification and Consents of Experts" in this appendix;

(d) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(e) the accountant's report dated 30 June 2017 in respect of the Target Group as set out in Appendix II to this circular;

(f) the report dated 30 June 2017 in respect of the unaudited pro forma financial information on the Enlarged Group as set out in Appendix V to this circular;

(g) the property valuation report dated 30 June 2017 in respect of the Target Group as set out in Appendix VI to this circular;

(h) the annual reports of the Company for the two financial years ended 31 December 2015 and 2016; and

(i) this circular.