SINWA

RELIABILITY IS OUR BUSINESS

SINWA LIMITED | ANNUAL REPORT 2017

ABOUT SINWA LIMITED

With a history that dates back to the 1960s, Sinwa Limited is Asia Pacific's leading marine, offshore supply and logistics company servicing the marine and offshore industry in Singapore, China, Thailand and Australia.

Sinwa Group is certified by ISO 9001, ISO 14001, OHSAS 18001 and bizSAFE (Level Star).

VISION STATEMENT

To be a service-focused, reliability driven Marine, Offshore Supply and Logistics Company delivering reliable service and quality products on time, every time

MISSION STATEMENT

We continuously challenge our employees to exceed customers' expectations

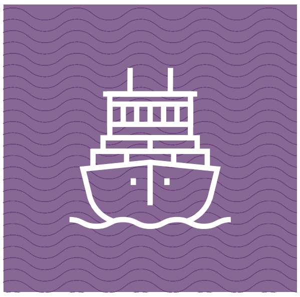
COMPANY MOTTO

Reliability is our business

CONTENTS

As we continue on our path of expansion, we are undeterred by the challenges of the subdued operating environment and remain steadfast in our aim to provide our clients reliable, competitive and efficient services. These tough conditions were a test of our operational resolve but we were successful in delivering an exceptional set of results. We emerged with strengthened operational capabilities which have better positioned us to capture further viable opportunities in the region.

MARINE, OFFSHORE SUPPLY AND LOGISTICS

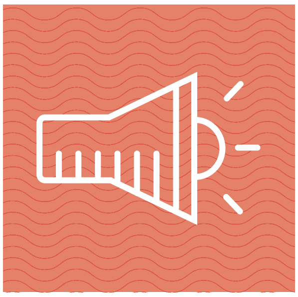


MARINE & OFFSHORE SUPPLY

Supply of Deck & Engine Stores, Provisions, Drydock Assistance and Catering to the Marine & Offshore Industry

LOGISTICS & AGENCY

General Shipping Agency Service, Warehousing and Freight Forwarding



SAFETY AND INDUSTRIAL LAMPS

Agent and Distributor of Wolf and Raytec Explosion Proof Safety Lighting for South East Asia.

WE COVER MORE THAN

100

PORTS

10

LOCATIONS IN SINGAPORE, CHINA, THAILAND AND AUSTRALIA.

OUR ASIA PACIFIC NETWORK

SINGAPORE

SINWA (SINGAPORE) PTE LTD
Email: sinwa@sinwaglobal.com

Sinwa Singapore is the head office of the Sinwa Group. In Singapore, the office and warehouses are conveniently located nearby major shipyards and terminals. Sinwa Singapore carries a complete and comprehensive inventory of ship stores, provisions and bonded stores.

Services: ● ● ●

SINWA OFFSHORE PTE LTD
Email: offshore@sinwaglobal.com

Sinwa Offshore specialises in the supply of anchors, anchor chains, ropes and heavy deck fittings such as bollards and panama chocks.

Services: ●

WINDSOR MARINE PTE LTD
Email: wolflite@windsormarine.com.sg

Windsor Marine is the exclusive distributor and stockist of Raytec and Wolf Safety Lamps.

Services: ●

SEAFIRST MARINE SERVICES PTE LTD
Email: logistics@sinwaglobal.com; seafirst@sinwaglobal.com

Seafirst offers logistics, warehousing and agency services to the marine & offshore industry, specialising in project logistics.

Services: ● ●

Ports/Shipyards: Singapore, Kuala Lumpur, Pasir Gudang, Tanjung Pelapas, Penang, Port Klang

AUSTRALIA

PERTH
SINWA AUSTRALIA PTY LIMITED
Email: australia@sinwaglobal.com
Ports/Shipyards: Perth, Albany, Broome, Bunbury, Esperance, Fremantle, Geraldton, Kwinana, Onslow, Port Hedland, Port Walcott, Wyndham
Services: ● ● ● ●

KARRATHA
SINWA AUSTRALIA KARRATHA
Email: australia@sinwaglobal.com
Ports/Shipyards: Karratha, Dampier, Port Sampson and Port Walcott
Services: ● ● ● ●

DARWIN
SINWA AUSTRALIA DARWIN
Email: australia@sinwaglobal.com
Ports/Shipyards: Darwin
Services: ● ● ● ●

CHINA

HONG KONG
SINWA SHIP SUPPLY (HK) PTE. LTD
Email: hongkong@sinwaglobal.com
Ports/Shipyards: Hong Kong
Services: ● ● ● ● ● ●

SHANGHAI
SINWA SHANGHAI SHIP SUPPLY PTE. LTD.
Email: shanghai@sinwaglobal.com
Ports/Shipyards: Shanghai, Changzhou ,Chongming Isl., Nantong, Ningbo Zhenhai, Taizhou, Yangzhou, Zhenjiang, Changshu, Changxing Island, Jiangyin, Nanjing, Taicang, Wenzhou, Zhangjiagang, Zhousan, Ningbo, Beilun
Services: ● ● ● ● ●

TIANJIN
SINWA MARINE SERVICES (TIANJIN) PTE LTD
Email: china@sinwaglobal.com
Ports/Shipyards: Tianjin, East Port, Jing Tang, QingHuangDao, South Port, Xin Gang Yard, Xin Gang, Cao Fei Dian, Huang Hua Port, North Port, Shanhaiguan, Shen Bao Wang, Wu Zhou Port
Services: ● ● ● ●

QINGDAO
SINWA MARINE SERVICES (QINGDAO) PTE LTD
Email: china@sinwaglobal.com
Ports/Shipyards: Qingdao, Lanshan, Longkoa, Weihai, Beihai, Lingshan, Rizhao, Yantai
Services: ● ● ● ● ●

DALIAN
SINWA MARINE SERVICES (DALIAN) PTE LTD
Email: china@sinwaglobal.com
Ports/Shipyards: Dalian, Bayuquan, DanDong, Jinzhou, Dalian Cosco, Dalian Shipyard, Dalian Dayaowan
Services: ● ● ● ●

THAILAND

SINWA (THAILAND) LTD.
Email: patrice@sinwaglobal.com
Ports: Bangkok, Songkhla, Sattahip, Ranong
Services: ● ● ● ● ● ●

● Deck & Engine Stores ● Achors & Anchor Chains ● Provisions ● Bonded Stores ● Logistics ● Agency ● Wolf Safety Lamps and Raytec

EXECUTIVE CHAIRMAN'S STATEMENT

Dear Shareholders,

FINANCIAL REVIEW

For the financial year ended 31 December 2017 ("FY2017"), the Group registered an increase in revenue of 13.4% year on year ("y-o-y"), achieving record revenue of $172.6 million. The Group reported a net profit of $9.5 million for FY2017 compared to a $9.5 million loss for the year prior. Excluding foreign exchange differences, impairment reversals and allowances, the Group's net profit increased by 8.8% y-o-y to $8.6 million.

We generated net cash from operating activities of $8.2 million and remained in a net cash position with cash and cash equivalents of $26.1 million as at 31 December 2017.

OUR BUSINESS

Our main revenue driver, the Marine and Offshore Supply business, contributed 98% of the Group's revenue. Underpinned by a strengthened global economic outlook, global trade volumes saw gradual improvements during the year, driving higher sales from the marine and offshore supply business. This led to a 14.0% jump in revenue y-o-y to $169.0 million, with revenue increasing year on year across all three geographical segments. Consequently, the Marine and Offshore Supply business achieved a 3.6% y-o-y increase in net profit to $7.6 million for FY2017. The increases in revenue and net profit were also a result of the Group's marketing initiatives, continuing efforts in maintaining strong relationships with key clientele and further widening our reach in existing major markets.

ASSET HELD FOR SALE

Further to the impairment loss which was provided for in FY2016, the Group entered into two full and final deeds of settlement on 8 December 2017 to resolve all disputes on the jointly-owned seismic vessel. This resulted in a reversal of impairment loss of approximately $1.4 million which is reflected in the FY2017 income statement.

OUTLOOK AND PROSPECTS

The marine and offshore sectors were adversely affected in the last couple years by the plunge in oil prices, shipping overcapacity, and muted global economic growth. It may seem that a path to normalcy is afoot, with the stabilisation oil prices and favourable macroeconomic factors coming into play, but the year ahead is not expected to be all smooth sailing. The offshore industry, in particular, continues to remain extremely challenging with further corporate restructuring expected in the short term.

The Group's ongoing strategy remains one of structured pragmatism, aimed at identifying key pockets of opportunity such as container shipping, LNG, product tankers and possibly dry bulkers which could help sustain our growth.

As the industry climate continues to improve, we press ahead with our marketing efforts to capture opportunities in the market. This year, we also fully completed the redevelopment of our existing warehousing infrastructure in Singapore. This added a further 54,000 square feet of warehousing space to our current storage facilities and enhanced our cold chain integrity with increased freezer, chiller and ante-room capability. The acquisition of refrigerated delivery truck, coupled with our impending ISO 22000 and HACCP certifications, will extend our cold chain supply capabilities, enabling us to explore expansion into additional industry sectors.

In the Asia Pacific region, the oil and gas sectors are beginning to display a slow and gradual recovery due to the improvement in oil prices over 2017. That being said, a full recovery is not expected in the foreseeable future as it will take time for upstream companies to increase production and for these increases to be

passed down to midstream and services businesses. Depending on global oil demand and economic performance, a pickup in oil supply may result in the oil demand and supply gap holding steady for the year. In Australia and Thailand, where our operations primarily serve the oil and gas sectors, we do see encouraging results. Through a combination of quality supply and reliable service, we were able to secure new customers whilst retaining our existing client base. We will continue to work closely with our business partners to enable us to maintain our position as the market leader in Western Australia and build on our strong foundation in Thailand.

Adopting a systematic and measured approach, we have managed to turn adversity into opportunity, emerging a stronger entity than when we entered into these tough times. Our financial position remains strong and our robust operating cash flow continues to fuel our ability to shore up our operations.

PROPOSED DIVIDENDS

In appreciation to our loyal shareholders, the Board has recommended a final dividend of 0.5 cents per share. During the year, the Group paid out an interim dividend of 0.5 cents per share. Overall, this represents a dividend payout out ratio of 35.8% for FY2017.

APPRECIATION

The Group has achieved a set of excellent results amidst the challenges faced, and it is with sincere gratitude that I recognise my fellow Board members, management team and staff for their dedication and commitment. I would also like to thank our shareholders, partners, suppliers, customers, bankers and business associates for their unwavering support.

SIM YONG TENG
EXECUTIVE CHAIRMAN

Wolf

PORTABLE Ex SAFETY LAMPS

rayTEC

FIXED Ex SAFETY LUMINAIRES


DRYDOCK ASSISTANCE

LOGISTICS & WAREHOUSING

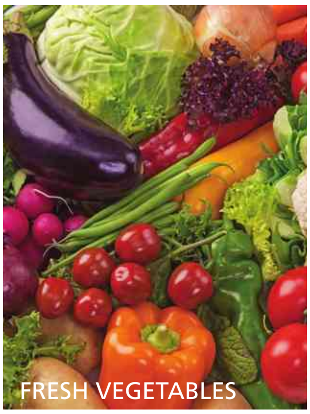

SAFETY EQUIPMENT


LIQUOR & TOBACCO


CABIN STORES


DECK & ENGINE STORES


FROZEN MEAT


FRESH VEGETABLES


SEAFOOD


DRY PROVISIONS

OPERATIONS AND FINANCIAL REVIEW

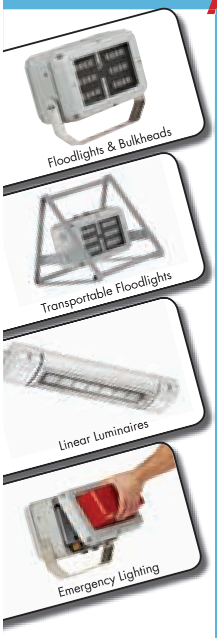
Marine, offshore supply and logistics business remains the core business of Sinwa. Amidst a sluggish economic environment, we continue to grow and expand by providing our clients with reliable, efficient services and one-stop solutions for all their shipping needs.

Marine, offshore supply and logistics business remains the core business of Sinwa. Currently, our geographical presence includes Singapore, the People's Republic of China (including Hong Kong), Thailand and Australia. Amidst a sluggish economic environment, we continue to grow and expand in marine and offshore supply industry by providing our clients with reliable, efficient services and one-stop solutions for all their shipping needs. Our comprehensive suite of services include agency, logistics and warehousing services which go hand in hand with our proven reputation for timeliness, reliability and quality. Through this, we have gained the continuous support from many of our clients, converting them into our long-term customers.

In recent years, we had and will continue to expand our area of operations through leveraging on our established brand name and identifying viable opportunities which add value to our business. In our third year in Thailand, we continue to maintain a strong base working closely with one of our major oil and gas customers. We aim to further capitalise on the resilience in the growing offshore market there.

With a wealth of experience of over 50 years, our marine, offshore supply and logistics business continues to remain the key driver in our revenue growth.

EXCLUSIVE AGENT OF RAYTEC HAZARDOUS AREA LUMINAIRES



ATEX & IECEx LED fixed lighting solutions for hazardous environments in Manufacturing, Processing, Marine, Offshore and Oil & Gas Industries.

EXCLUSIVE AGENT AND DISTRIBUTOR OF WOLF SAFETY LAMPS

A wide selection of high quality ATEX & IECEx Certified explosion-proof portable and temporary lighting equipment for the Marine, Offshore and Oil & Gas Industry

OPERATIONS AND FINANCIAL REVIEW

REVENUE

The Group achieved record revenue growth by 13.4% y-o-y to $172.6 million for FY2017, mainly due to increased sales from the marine offshore supply business in Singapore, Australia and Thailand operations.

MARINE AND OFFSHORE SUPPLY

Marine and Offshore Supply revenue for the Group increased 14% y-o-y from $148.2 million in FY2016 to 169.0 million in FY2017. Revenue from our Agency and logistics decreased 9.8% y-o-y from $3.8 million in FY2016 to $3.5 million in FY2017 with profit for the year from this segment remaining relatively stable at about $0.4 million for FY2017.

PROFITABILITY

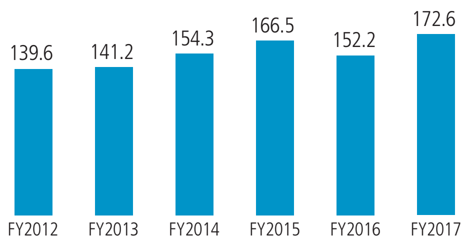
Overall gross profit increased 8% to $39.9 million in FY2017 correspondingly with higher revenue.

In FY2017, the Group's trade receivables turnover days rose to 93 as compared to 87 in FY2016. Inventory turnover days are comparable to the previous year. The Group's current ratio was 1.96 times for FY2017 as compared to 2.02 times for FY2016 mainly due to higher receivables and payables. The Group's gearing ratio was 0.04 times as a result of the Group's efforts to maintain a strong balance sheet with a sustainable cashflow from operations.

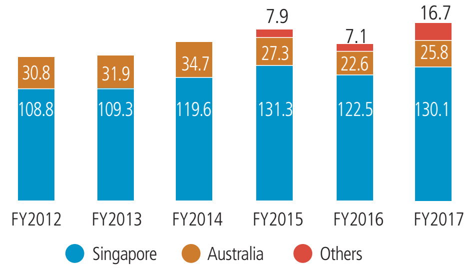
Group Financial Position	2017	2016
Trade receivables turnover days	93	87
Inventory turnover days	15	14
Current asset/Current liabilities	1.96	2.02
Gearing Ratio (Total Borrowings/Total Equity)	0.04	0.07

FINANCIAL HIGHLIGHTS

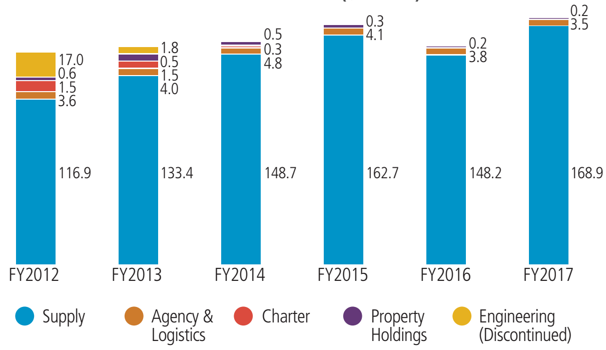
REVENUE ($million)



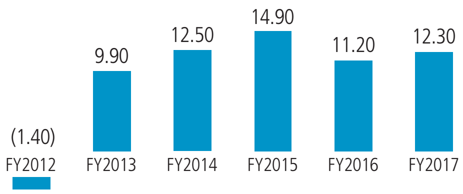
REVENUE - GEOGRAPHICAL SEGMENTS ($million)



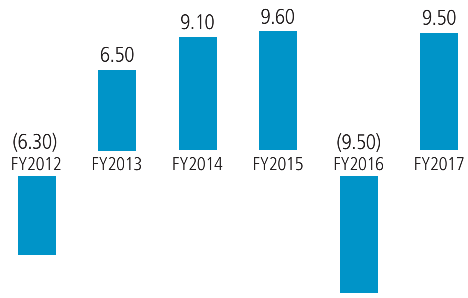
REVENUE - BUSINESS SEGMENTS ($million)



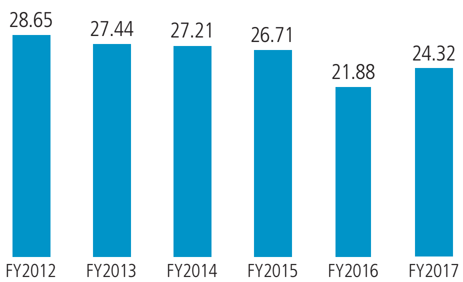
EBITDA ($million)



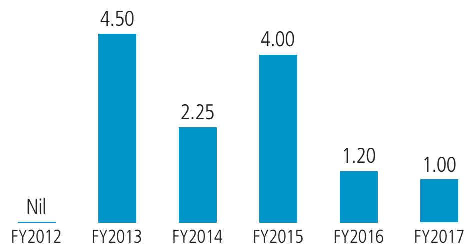
NET PROFIT ($million)



NET ASSETS VALUE PER SHARE (cents)



DIVIDEND PER SHARE (cents)



BOARD OF DIRECTORS

SIM YONG TENG
Executive Director and Executive Chairman

Mr. Sim was re-appointed as Executive Chairman of the Group on 8 January 2016. He brings with him more than 49 years of marketing and corporate management expertise, of which 31 years are in the ship supply and logistics industry.

He is instrumental in charting the corporate direction of the Group as well as formulating business strategies in the past 31 years.

Through his leadership and vision, he has established Sinwa as a leading regional marine, offshore supply and logistics company with a network of companies in Singapore, Australia, China and Thailand.

Mr Sim was President of Singapore Association of Ship Suppliers (SASS) from 1994 to 1998, and from 2002 to 2003, and was the first Asian to be elected to the Executive Board of the International Ship Suppliers Association as Executive Vice President from 1996 to 1998. He was also the Chairman of the School Advisory Committee, Commonwealth Secondary School from 1987 to 1996.

BRUCE WILLIAM RANN
Executive Director and Chief Executive Officer

Mr Rann was appointed as the Managing Director of Sinwa Australia Pty Ltd, with effect from 15 March 2007. He is tasked with developing the Group's offshore and marine supply business in Australia and Thailand.

Prior to his appointment with Sinwa, Mr Rann was the Offshore Operations Manager at a marine supply company based in Western Australia, where he was in charge of the overall shipping division including off shore and general shipping. He has been involved in the marine and offshore industry for over 21 years.

Mr Rann graduated with a Bachelor of Arts degree, with a double major in Economics and History, from West Australian Institute of Technology (now known as Curtin University of Technology) in 1975.

Mr Rann was appointed as CEO on 1 July 2011.

TAN LAY LING
Executive Director and Chief Operating Officer

Ms Tan was appointed as Executive Director of the Group in year 2002 and was re-designated as Chief Operating Officer on 8 January 2016.

Ms Tan is directly responsible for overseeing the day to day operations of the Singapore's companies.

She has more than 21 years' experience in this industry having served in different capacities during her tenure with the Group from IT Administrator to Operations Director.

Her past working experience included 6 years' service in the Ministry of Defence (MINDEF) as a military officer involved in logistics management and procurement of specialized training equipment.

Ms Tan obtained her Bachelor of Science (Computer Science) degree and Masters in Business Administration (MBA) from Oregon State University, USA.

BOARD OF DIRECTORS

HENG LEE SENG
Independent Director

Mr Heng is an Independent Director and Chairman of the Audit Committee, member of the Nominating and Remuneration committees. He is also an independent director of some other listed companies.

Mr Heng is a partner of Heng Lee Seng LLP, Public Accountants and Chartered Accountants, Singapore since 1974. He is a member of CPA Australia, Association of Chartered Certified Accountants, Chartered Institute of Management Accountants, Institute of Chartered Secretaries and Administrators and Singapore Institute of Directors.

He is a holder of the designation of CGMA (Chartered Global Management Accountant).

YEO NAI MENG
Independent Director

Mr Yeo is an Independent Director and the Chairman of both the Nominating Committee and the Remuneration Committee. He is also a member of the Audit Committee.

Mr Yeo is currently the owner of GPS System. He is also the Principal Consultant in Strategic Planning Services.

He has 47 years of working experience in Engineering, Tourism and Travel Industry and Information Technology.

An engineer by training, he has a wealth of experience in the areas of Operations Management, Marketing and Strategic Planning. He presently devotes his time to development of Internet Marketing systems and consulting on Tourism Development and Team Building Training.

CHNG LOY TEOH, PATRICK
Independent Director

Mr Chng is a Non-Executive Director and a member of the Audit, Nominating and Remuneration committees.

Mr Chng is a master mariner, ship handler and salvage master. He is the owner of East Asia Marine and currently specialises in small to medium sized offshore marine turnkey projects, offshore Ship-to-Ship Operations and consultancy in inter-modal transportation.

Mr Chng is a member of the Singapore Institute of Directors and has a Master in Logistics Management from Curtin University, Australia.

KEY EXECUTIVES

RICHARD ANG
Director, Purchasing

Richard was appointed as Purchasing Director on 7 May 2004. He is responsible for the sourcing and provision of reliable, quality supplies and services to our customers.

Prior to joining the Group he was the Marketing Manager of a marine supply company where he helped to develop the Greek and Scandinavian markets. His experience includes managing the logistics operations of a manufacturing organisation.

ALEXANDER M. VAN ZUYLEN
Director, Marketing

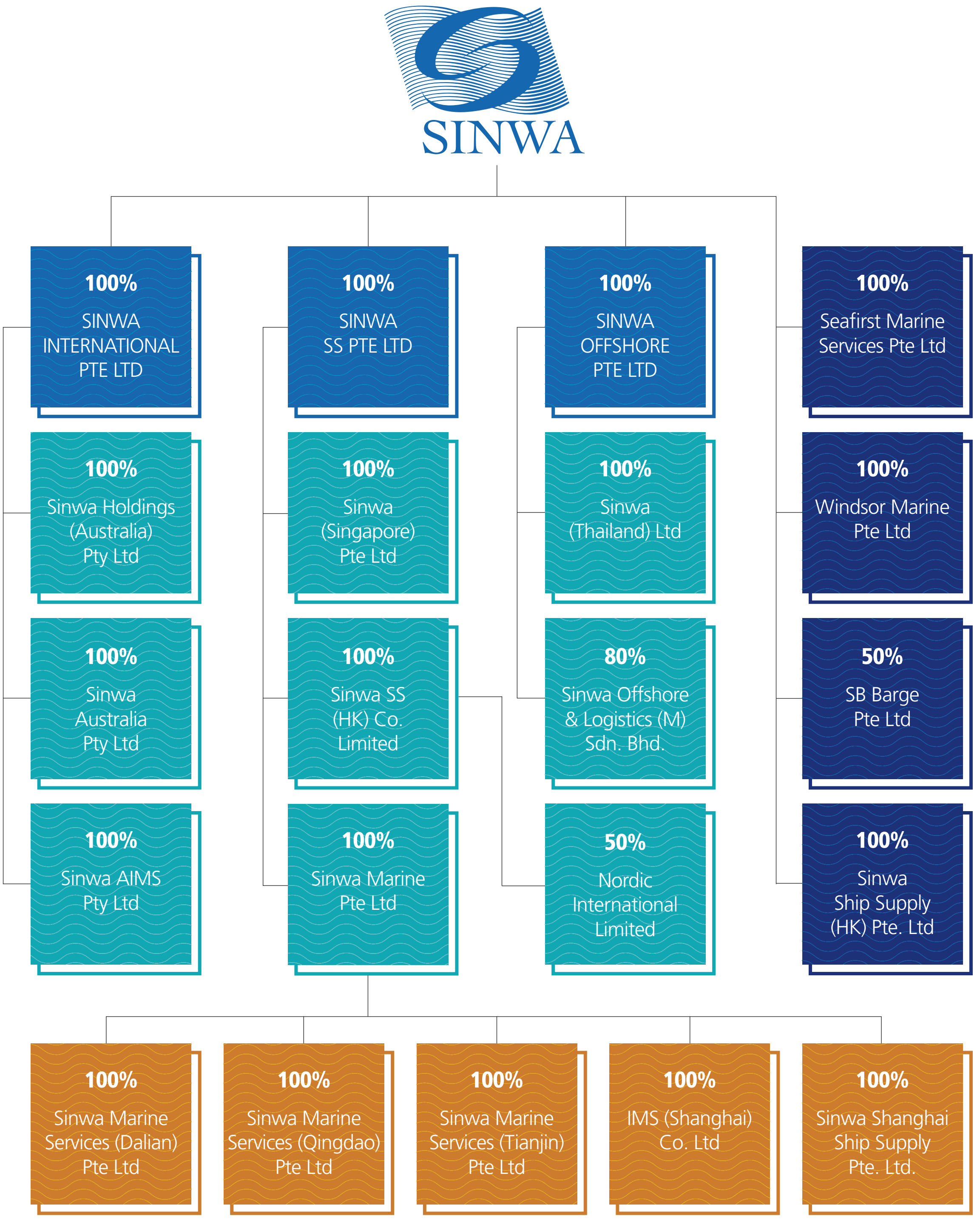
Alex moved to Asia Pacific in 1997 and has been working in the Marine, Offshore Supply and Logistics Industry since.

Besides being employed with Sinwa from 2005-2011 previously, he has filled management positions for ranking multinationals such as SGX listed Swiber Offshore Ltd and Fortune 50 NYSE listed UPS Supply Chain Solutions. Originating from The Netherlands, his appointments have lead him to take up residence in Malaysia, Singapore and Mexico.

His management positions in Marine & Offshore supply companies IST Marine Services and Sinwa Singapore Pte Ltd have equipped him with profound insight and expertise in the Marine and Offshore Supply vertical. Well versed in International Logistics, Alex has made significant impact to cost control and bottom line performance of procurement and transportation projects for the Marine, Offshore and upstream Oil & Gas segment.

Returning to his roots, Alex re-joined Sinwa in January 2015 as Group Sales & Marketing Director.

CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

SIM YONG TENG
(Executive Chairman/Executive Director)

BRUCE WILLIAM RANN
(Chief Executive Officer/Executive Director)

TAN LAY LING
(Chief Operating Officer/ Executive Director)

HENG LEE SENG
(Independent Director)

YEO NAI MENG
(Independent Director)

CHNG LOY TEOH, PATRICK
(Independent Director)

COMPANY SECRETARY

SIAU KUEI LIAN

AUDIT COMMITTEE

HENG LEE SENG *(Chairman)*
YEO NAI MENG
CHNG LOY TEOH, PATRICK

NOMINATING COMMITTEE

YEO NAI MENG *(Chairman)*
HENG LEE SENG
CHNG LOY TEOH, PATRICK
SIM YONG TENG

REMUNERATION COMMITTEE

YEO NAI MENG *(Chairman)*
HENG LEE SENG
CHNG LOY TEOH, PATRICK

REGISTERED OFFICE

28 Joo Koon Circle
Singapore 629057
T: 65 6862 6300
F: 65 6862 8300
E: sinwa@sinwaglobal.com
W: www.sinwaglobal.com

SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place, #29-01
Republic Plaza Tower 1,
Singapore 048619

AUDITORS

Mazars LLP
135 Cecil Street,
#10-01 MYP Plaza,
Singapore 069536

Partner-in-charge:
CHAN HOCK LEONG, RICK
(appointed since financial year ended 31 December 2016)

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624
Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

CORPORATE SOCIAL RESPONSIBILITY

We continue to contribute to the sustainable development of socioeconomic benefits for all stakeholders in our community. We advocate the contribution towards CSR values throughout our operations and continue to encourage meaningful initiatives that matter to the community.

OCCUPATIONAL HEALTH AND SAFETY

We are always looking to improve health and safety standards in order to minimise the risk of accidents, injuries and illness to our employees as well as people we work with.

Our operations are closely monitored and reviewed by our appointed safety officers, who ensure all employees comply to the codes of practice and safety procedures they have set out. Our emphasis on promoting workers' health and improving occupational safety has resulted in low numbers of accidents in our workplace and we will continue to uphold our mandate to target zero injuries and fatalities amongst our workforce.

COMMUNITY ENGAGEMENT

We are mindful that our successes are tied to the prosperity of Singapore and her ports. We believe in giving back to the community as much as we can. Since 2011, we have partnered with Bizlink Centre, a Non-Profit Organisation that provides employment services for disadvantaged people. We engaged Bizlink Centre for data entry works on a regular basis and remain until this day satisfied with their services.

Bizlink Centre was in 1985 entrusted by then Ministry of Community Development and Singapore Council of Social Service to implement employment aid programmes. We assent to their mission statement, "To reach out to people with disabilities in Singapore and to assist them in achieving independence, dignity and integration into mainstream society through open and sheltered employment" and are proud to be associated with their quest. Sinwa will continue to seek ways to participate in meaningful initiatives in making positive differences to the community.

CORPORATE GOVERNANCE

The Board of Directors (the "**Board**") and Management of Sinwa Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), are committed to set in place good corporate governance practices to provide the structure through which the objectives of protecting the shareholders' interests and enhancing long term shareholders' value are met. This commitment and continuous support of the Code of Corporate Governance 2012 issued on 2 May 2012 (the "**Code**") can be seen from the efforts of the Board and Management to promote and to maintain values which emphasise transparency, accountability, integrity and proper conduct at all times in the business operations and dealings of the Company whilst pursuing sustainable growth and enhancement of corporate performance so as to create value for its stakeholders and safeguard the Company's assets.

This report describes the practices the Company has undertaken with respect to each of the principles and guidelines and the extent of its compliance with the Code and should be read as a whole, instead of being read separately under the different principles of the Code. The Company has complied in all material aspects with the principles and guidelines set out in the Code and any deviations are explained in this report.

BOARD MATTERS

The Board's Conduct of its Affairs

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

As of the date of this report, the Company is headed by an effective Board comprising six (6) Directors of whom three (3) are Executive Directors and three (3) are Independent Directors. Their combined wealth and diversity of skills, experience, gender and knowledge of the Company enable them to contribute effectively to the strategic growth and governance of the Group. The Board assumes responsibility for stewardship of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for shareholders. It supervises the management of the business and affairs of the Group, provides corporate direction, monitors managerial performance and reviews financial results of the Group.

Sim Yong Teng	Executive Chairman and Executive Director
Bruce William Rann	Chief Executive Officer ("**CEO**") and Executive Director
Tan Lay Ling	Chief Operating Officer ("**COO**") and Executive Director
Heng Lee Seng	Independent Director
Yeo Nai Meng	Independent Director
Chng Loy Teoh Patrick (Appointed on 25 April 2017)	Independent Director
Sim Li-Meng Timothy (Shen Liming) (Resigned on 30 June 2017)	Executive Director
Chew Kok Liang (Retired on 25 April 2017)	Non-Executive Director

The principal functions of the Board, apart from its statutory and fiduciary responsibilities, include:

- Setting the Group's values and standards, providing entrepreneurial leadership and setting the overall strategy and direction of the Group, taking into account environmental and social factors as part of its strategic formulation;

- Overseeing the management of the Group's business affairs, financial controls, performances and resource allocation;

- Approving the Group's strategic plans, key business initiatives, acquisition and disposal of assets, significant investments and funding decisions and major corporate policies;

- Establishing a framework of prudent and effective controls and overseeing the processes of risk management, financial reporting and compliance, evaluating the adequacy of internal controls and safeguarding the shareholders' interests and the Group's assets;

CORPORATE GOVERNANCE

- Approving the release of the Group's quarterly and full-year financial results, related party transactions of material nature and submission of the relevant checklists to the Singapore Exchange Securities Trading Limited ("**SGX-ST**");

- Appointing directors and key management staff, including the review of their performances and remuneration packages;

- Reviewing and endorsing corporate policies in keeping with good corporate governance and business practice;

- Identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation; and

- Setting the Company's values and standards (including ethical standards) and ensuring that obligations to shareholders and other stakeholders are understood and met.

All Directors have objectively discharged their duties and responsibilities at all times as fiduciaries in the interests of the Company.

The following matters require Board's approval:

- Approval of quarterly and full year results announcements for release to the SGX-ST;

- Approval of annual reports and audited financial statements;

- Convening of shareholders' meetings;

- Approval of corporate strategies;

- Approval of material acquisitions and disposal of assets;

- Approval of major investments and funding decisions;

- Issuance of shares or declaration of dividends;

- Approval of interested persons' transactions;

- Appointment of new Directors; and

- Approval of announcements or press release concerning the Group for release to the SGX-ST.

While matters relating in particular to the Company's objectives, strategies and policies require the Board's direction and approval, Management is responsible for the day-to-day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

The schedules of the Board and Board Committee meetings are given to all Directors well in advance. The Board meets regularly on a quarterly basis. Besides the scheduled quarterly Board meetings, the Board also meets on an ad-hoc basis as warranted by circumstances. Board meetings will be convened as and when required to address any significant matters that may arise. The Company's Constitution (the "**Constitution**") provides for meetings of the Directors to be held by means of telephone conference or other methods of simultaneous communication via electronic or telegraphic means. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information relating to the proposed transactions.

The agendas for meetings are prepared in consultation with the Executive Chairman and/or the Chairman of the Board Committees. The agendas and meeting materials are circulated in advance of the scheduled meetings to the members of the Board and Board Committees.

During the year under review, the number of Board meetings held and the attendance of each Board member are set out as follows:

Name of Director	Number of Board Meetings held	Attendance
Sim Yong Teng (Executive Chairman of the Board)	5	5
Bruce William Rann	5	5
Tan Lay Ling	5	5
Sim Li-Meng Timothy (Shen Liming)[1]	5	3
Heng Lee Seng	5	5
Yeo Nai Meng	5	5
Chng Loy Teoh Patrick[2]	5	3
Chew Kok Liang[3]	5	2

1 Resigned as Executive Director on 1 July 2017

2 Appointed as Independent Director on 25 April 2017

3 Retired as Non-Executive Director of the Board on 25 April 2017

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

To enable the Board to fulfil its responsibilities, Management provides the Board with a management report containing complete, adequate and timely information prior to Board meetings. The Directors, whether as a Group or individually, have the opportunity to meet with the Management to gain a better understanding of the Company's business operations.

To assist the Board in the execution of its responsibilities, the following Committees were established:

1. Nominating Committee ("**NC**")

2. Remuneration Committee ("**RC**")

3. Audit Committee ("**AC**")

4. Risk Management Committee ("**RMC**")

(Collectively "the Board Committees")

These Committees, which operate within clearly defined terms of reference, play an important role in ensuring good corporate governance in the Company and within the Group. These terms of reference are reviewed on a regular basis to ensure their continued relevance and to enhance the effectiveness of these Board Committees. The minutes of all Board and Board Committee meetings provide a fair and accurate record of the discussion and key deliberations and decisions taken during the meetings, are circulated and available to the Board and Board Committees.

Directors receive appropriate induction training and coaching to develop individual skills as required. The Group provides extensive background information about its history, mission and values to its Directors. The Company also provides ongoing education on Board processes and best practices.

CORPORATE GOVERNANCE

The Company will prepare appointment letters setting out Directors' duties and obligations. Newly appointed directors are also informed about matters such as the Code of Dealing in the Company's shares. Changes to regulations and accounting standards are monitored closely by Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from SGX-ST that affect the Company and/or the directors in discharging their duties effectively.

The Company has adopted a policy where directors are encouraged to make enquiries on any aspects of the Company's operations or business issues from the Management. The Chairman, CEO, COO or the Company Secretary will make the necessary arrangements for the briefings, informal discussions or explanations as and when required.

Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the business operations.

The Board as a whole is updated regularly on corporate governance, insider trading (if any) and key changes to the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Board or Board Committee members. In addition, the Directors are encouraged to attend appropriate or relevant courses, conference and seminars conducted by professional organisations, which may be funded by the Company.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("**ACRA**"), which are relevant to the Directors are circulated to the Board. The Company Secretary also informs the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. The external auditors would update the AC and the Board on new and revised financial reporting standards annually.

Board Composition and Guidance

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

As of the date of this report, the Board comprises six (6) Directors, three (3) of whom Mr Heng Lee Seng, Mr Yeo Nai Meng and Mr Chng Loy Teoh Patrick are independent. The Board has adopted the Code's criteria of an Independent Director in its review and is of the view that all Independent Directors have satisfied the criteria of independence. The Board considers a Director as "independent" if he has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgement in conducting the affairs of the Group.

In line with Guideline 2.2 of the Code, the independent directors of the Company make up half of the Board. The independence of each director is reviewed annually by the NC in accordance with the Code's definition of independence. Each independent director is required to complete a 'Confirmation of Independence' form to confirm his independence. The said form, which was drawn up based on the definitions and guidelines set forth in Guideline 2.3 in the Code and the Guidebook for Audit Committees in Singapore issued by the Audit Committee Guidance Committee, requires each director to assess whether he considers himself independent despite not having any of the relationships defined in the Code. The NC has reviewed the forms completed by each independent director and is satisfied that the independent directors are independent of the Company's management as contemplated by the Code. Although the Chairman is not an independent director, the Board considers that there is considerable accountability and transparency within the Group. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. The decisions are based on collective decisions without any individual or small group of individuals influencing or dominating the decision making process.

The Board is available to shareholders where they have concerns and for which contact through the normal channels of chairman or the CEO has failed to resolve or is inappropriate. For reason as stated above, the Board is of the view that it is not necessary to appoint any lead Independent Director.

In line with Guideline 2.4 of the Code, the Company with the recommendation of NC has engaged RHTLawTaylor Wessing, as independent professional consultant (the "**Consultant**") to conduct rigorous reviews on the independence of Mr Heng Lee Seng (appointed on 3 January 2003) and Mr Yeo Nai Meng (appointed on 19 April 2005) who have served the Board beyond nine (9) years ("**Independent Evaluation**"). At the conclusion of the Independent Evaluation, the members of NC were satisfied with the findings and documents presented by the Consultant and unanimously agreed and confirm that Mr Heng and Mr Yeo are considered independent. The relevant factors taken into consideration of the independence of Mr Heng Lee Seng and Mr Yeo Nai Meng are set out under Principle 4 on page 25. Mr Heng and Mr Yeo have abstained from voting on any resolutions related to their independence and re-election.

The Board comprises of Directors who possess the core competencies, experience and knowledge in business, finance, legal, audit, accounting, tax matters, industry knowledge and management skills critical to the Group's business and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The size and composition of the Board are reviewed from time to time by the NC, with a view to determine the impact of its number upon effectiveness. The NC decides on what it considers an appropriate size for itself taking into account the scope and nature of the Company's operations, the requirements of the business and the need to avoid undue disruptions from the changes to the composition of the Board and Board Committees. The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. When a vacancy arises under any circumstance or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, will determine the selection criteria and select candidates with the appropriate expertise and experience for the position.

Non-executive and independent members of the Board exercise no management functions but have equal responsibility for the performance of the Group, the role of the Non-Executive and Independent Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and take account of the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the social responsibility to many communities in which the Group conducts business. The Non-Executive and Independent Directors have no financial or contractual interests in the Group other than by way of their fees and shareholdings as set out in the Directors' Statement. When necessary, The Non-Executive and Independent Directors meet regularly amongst themselves and with the Company's auditors, without the presence of Management, to discuss and facilitate a more effective check on Management. The Non-Executive and Independent Directors participate actively during Board meetings. The Company has benefited from Management's access to its Directors for guidance and exchange of views both within and outside of the meetings of the Board and Board Committees.

The Board is of the opinion that the current composition of six (6) Directors is sufficient to serve the needs of the Group, taking into account the long-term interests of the shareholders, in reviewing the performance of Management in meeting agreed goals and objectives, and in monitoring the performance reporting.

To-date, none of the Independent Directors of the Company has been appointed as Director of the Company's principal subsidiaries.

CORPORATE GOVERNANCE

Chairman and Chief Executive Officer

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

There is a distinct separation of responsibilities between the Chairman and Chief Executive Officer ("CEO") which ensures that there is an appropriate balance of power and authority, increased accountability and greater capacity of the Board in terms of independent decision-making.

Mr Sim Yong Teng is the Executive Chairman of the Company. As the Executive Chairman, Mr Sim Yong Teng leads the Board and is responsible for the effective working of the Board, including:–

- the business direction and development of the Group;
- ensuring that the Directors receive complete, adequate and timely information between the Board, Management and shareholders of the Company;
- encouraging constructive relations within the Board and between the Board and Management;
- facilitating the effective contribution of Non-Executive Directors;
- setting the agenda with the assistance of the Company Secretary, scheduling Board meetings as and when required and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate at the Board;
- ensuring and fostering constructive and effective communication with shareholders; and
- promoting high standards of corporate governance practices.

He is assisted by the CEO, Mr Bruce William Rann, and the COO, Ms Tan Lay Ling. As the CEO, Mr Bruce William Rann oversees the day-to-day management of all lines and staff operations for the Company and the Group. He plays an instrumental role in charting the direction and strategic development of the Group, formulating business strategies, the development of the Group, the overall financial performance and the direct implementation of the policies for all aspects of the Company and the Group's operations as set out by the Board. He is to ensure that each member of the Board and Management works well together with integrity and competency.

The CEO is the most senior executive in the Company and bears executive responsibility for the Company's business, while the Chairman bears responsibility for the workings of the Board.

Although the Executive Chairman of the Company is an Executive Director and part of management team, major decisions are made in consultation with the Board, where half of the Board comprises of independent directors. The Board is of the opinion that the process of decision making by the Board has a strong independent element and provides for collective decisions without any individual or small group of individuals dominating the Board's decision making.

All major decisions made by the Board are subject to majority approval of the Board. The Executive Chairman and CEO's performance and appointment to the Board are reviewed periodically by the NC and their remuneration packages are reviewed periodically by the RC. The Board therefore believes that there are adequate safeguards in place to ensure an appropriate balance of power and authority within the spirit of good corporate governance.

Board Membership

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

The Board established the NC which currently consists of the Executive Chairman, Mr Sim Yong Teng and three (3) Independent Directors, Mr Yeo Nai Meng, Mr Heng Lee Seng and Mr Chng Loy Teoh Patrick, with Mr Yeo Nai Meng chairing the NC.

The NC Chairman is also an Independent Director who has no relationship with the Company, its related corporations, its 10% shareholders or its officer and is not associated with 10% shareholders, whom could impair his fair judgement. The responsibilities of the NC are, among other things, to evaluate and select the most competent individuals for nomination to the Board, to assess the effectiveness of the Board as a whole, Board Committees and the contribution of each Director to the Board particularly when the Director has multiple board representations and having regard to the director's contribution and performance. Candidates will be selected on their character, judgement, business experience and acumen.

The functions of the NC include the following, *inter alia*:

- reviewing the Board structure, size and composition having regard to the scope and nature of the operations and the core competencies of the directors as a group;
- annually assessing the contribution and the effectiveness of the Board and Board Committees as a whole;
- evaluating the performance of the Board through the establishment of quantifiable performance criteria;
- reviewing and assessing candidates' suitability and make recommendations for appointment to the Board and various Board Committees;
- reviewing and make recommendations on all re-nomination/re-election;
- reviewing the independence of the Directors on an annual basis;
- deciding whether a Director is able to and has been adequately carrying out his or her duties as a Director of the Company, notwithstanding that the director has multiple board representations, based on internal control guidelines such as attendance, contactability and responsiveness;
- reviewing the board succession plans for Directors and CEO;
- development of a process for evaluation of the performance of the Board and its Board Committees; and
- assessing the needs for Directors' training and review the training and professional development programs conducted for the Board.

The NC has the objective of searching for talent and expertise to enrich the Board and to strengthen the Management in the Group. Accordingly, the NC is charged with the responsibility of identifying, selecting and recommending candidates for Board memberships and key executive management positions. The NC is regulated by its term of references which is in accordance with the guidelines recommended in the Code.

CORPORATE GOVERNANCE

The number of NC meetings held and the attendance of each member at the meetings during FY2017 are set out as follows:

Name of Director	Appointment	Number of meetings held	Attendance
Yeo Nai Meng (Chairman)	Independent	2	2
Heng Lee Seng	Independent	2	2
Chng Loy Teoh Patrick (appointed *as a member on 25 April 2017*)	Independent	2	0
Sim Yong Teng	Executive Chairman	2	2
Chew Kok Liang (retired *as member on 25 April 2017*)	Non-Executive	2	2

The NC has also adopted internal guidelines addressing the commitments that are faced when Directors serve on multiple boards. Currently, the NC and Board do not limit the maximum number of listed Board representations which any Director may hold as long as each of the Board members is able to commit his time and attention to the affairs of the Company. The NC and Board believe that each individual director is best placed to determine and ensure that he is able to devote sufficient time and attention to discharge his duties and responsibilities as a Director of the Company, bearing in mind his other commitments. The NC and Board will review the requirement to determine the maximum number of listed Board representations as and when it deems fit. For the current financial year, the Board is satisfied that each Director has allocated sufficient time and resources to the affairs of the Company. Currently, the Company does not have any Alternate Director.

All Directors, including the CEO, submit themselves for re-nomination and re-election at regular intervals of at least once every three years. As provided in the Company's Constitution (Regulations 108 and 119), one-third, or the nearest one-third, of the Directors is required to submit himself for re-nomination and re-election at least once every three years by rotation and all newly appointed Directors elected by Directors will have to retire at the next annual general meeting ("**AGM**") following their appointment. The retiring Directors are eligible to offer themselves for re-election.

The Board recognises the contribution of its Independent Directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for each of its Independent Directors so as to be able to retain the services of the directors as necessary.

The dates of initial appointment and last re-election of each director are set out as below:

Name of Director	Position held on the Board	Date of first appointment to the Board	Date of last re-election as Director
Sim Yong Teng	Executive Chairman	8 January 2016	25 April 2016
Tan Lay Ling	COO and Executive Director	30 July 2002	25 April 2016
Bruce William Rann	CEO and Executive Director	18 June 2007	25 April 2017
Heng Lee Seng	Independent Director	3 January 2003	25 April 2017
Yeo Nai Meng	Independent Director	19 April 2005	25 April 2016
Chng Loy Teoh Patrick[1]	Independent Director	25 April 2017	N.A.

[1] appointed on 25 April 2017

Each member of the NC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC in respect to his/her re-nomination as a director.

Particulars of interests of Directors who held office at the end of the financial year in shares, share options and warrants in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Statement.

The NC is also responsible for determining annually, the independence of Directors. The NC takes into account the circumstances set forth in Guidelines 2.3 and 2.4 the Code and any other salient factors. In considering the independence of Directors who have served the Board beyond nine (9) years, the Board and the NC has taken into consideration of the following factors:

- Experience and wealth of knowledge of the Independent Directors bring to the Company.
- Attendance and participation in discussion and decision making process of the Board and Board Committees' Meetings.
- Constructive suggestions provided by the Independent Directors to assist the Board and Management in resolving business and operational issues.
- Qualification and expertise of the Independent Directors provide reasonable checks and balances for Management to act as safeguard for the protection of Company's assets and shareholders' interest.
- The Independent Directors have provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company.
- The Independent Directors provide overall guidance to Management.

In this regard, the NC with the concurrence of the Board, has conducted a rigorous review together with the Consultant on the suitability of Mr Heng Lee Seng and Mr Yeo Nai Meng being an Independent Director having served on the Board for beyond nine (9) years and considered that Mr Heng Lee Seng and Mr Yeo Nai Meng remain independent. They abstain from voting on any resolution where it relates to their respective re-appointments.

The NC has recommended and the Board has approved the re-election of Mr Sim Yong Teng, Mr Yeo Nai Meng and Mr Chng Loy Teoh Patrick, who are retiring at the forthcoming AGM. Each member of the NC and the Board shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC and the Board in respect of his re-nomination as a director.

The key information of the Directors, such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three (3) years in other listed companies and other major appointments, whether the appointment is executive or non-executive are disclosed in the section on particular of directors pursuant to the Code set out on page 38 of the Annual Report.

Board Performance

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

The Board ensures compliance with applicable laws and Board members act in good faith, with due diligence and care and in the best interests of the Company and its shareholders.

The financial indicators set out in the Code as guides for evaluating Directors are, in the Company's opinion, more of a measure of Management's performance and, hence, are less applicable to Directors. In any case, such financial indicators provide a snapshot of a Company's performance, and do not fully measure the long-term wealth and value creation of the Company.

In line with the Code, the NC had formulated, and the Board has implemented, new evaluation procedures and the new performance criteria for the assessment of the Board's performance as a whole and its Board Committees. The performance criteria include, but are not limited to, financial targets, the contribution by directors, their expertise, their sense of independence and their industry knowledge. The implemented performance criteria approved by the Board is comparable against industry peers and to enhance long-term shareholder value as this encourages constructive feedback from the Board and leads to an enhancement of its performance over time.

CORPORATE GOVERNANCE

It had conducted a Board performance evaluation for FY2017 together with the performance evaluation of AC, RC and NC. Renewals or replacement of Board members do not necessarily reflect their contributions to-date but may be driven by the need to position and shape the Board in line with the needs of the Company and its businesses. Although the Directors are not evaluated individually, the factors taken into considerations for the re-nomination of the Directors are based on the Director's integrity, independence mindedness, contribution and performance (such as attendance, participation, preparedness and condour) and any other factors as may be determined by the NC.

Access to Information

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

In order to ensure that the Board is able to fulfil its responsibilities, the Management is required to provide complete, adequate and timely information to the Board on Group affairs and matters that require the Board's decision as well as ongoing reports relating to the operational and financial performance of the Group to enable the Board to make informed decisions. Where a physical Board meeting is not possible, timely communication with Board members is effected through electronic mail and teleconferencing.

Periodic financial reports and operational updates, budgets, forecasts, material variance reports, disclosure documents, board papers and any other related materials are also provided to the Board, and where appropriate, prior to the Board meeting to enable the Board to be properly informed of matters to be discussed and/or approved. Any requests by Directors for further explanation, briefing on any aspect of the Group's operations or business are met in a timely manner.

The Board has separate and independent access to the Management team, as well as to all Board and Board Committee minutes, resolutions and information. The Board takes independent professional advice as and when necessary to enable it or the Independent Directors to discharge their responsibilities effectively.

The Board has independent access to the Company Secretary, whom provides the Board with regular updates on the requirements of the Companies Act and all the rules and regulations of the SGX-ST and advises the Board on all governance matters. Under the direction of the Chairman, the Company Secretary or his/her representatives ensure good information flows within the Board and its Board Committees and between Management and Non-Executive Directors. The Company Secretary or his/her representatives also attend all the Board and Board Committee meetings and assists the Chairman of the Board and Board Committees in ensuring that the relevant procedures are followed and reviewed such that the Board and Board Committees function effectively. The decision to appoint or remove the Company Secretary is a decision made by the Board as a whole.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC comprises of three (3) independent Directors, Mr Heng Lee Seng, Mr Yeo Nai Meng and Mr Chng Loy Teoh Patrick, with Mr Yeo Nai Meng chairing the RC. In discharging their duties, the RC members have access to advice from the internal human resources personnel. The RC has also access to expert advice in the field of executive compensation outside the Company where required.

The RC is regulated by its terms of reference and its key functions include, *inter alia:*

- Reviewing and recommending to the Board a framework of remuneration and specific remuneration packages for all Directors and key management personnel of the Company;

- Reviewing the service agreements of the Executive Directors and key management personnel of the Company;
- Reviewing and enhancing the compensation structure with incentive performance base for key executives;
- Overseeing the general compensation of employees of the Group with a goal to motivate, recruit and retain employees and Directors through competitive compensation and progressive policies; and
- Administering the Sinwa Share Option Scheme, Sinwa Share Plan and any other incentive schemes which may be set up and/or adopted by the Company from time to time.

The number of RC meeting held and the attendance of each member at the meetings during FY2017 are set out as follows:

Name of Director	**Appointment**	**Number of meetings held**	**Attendance**
Yeo Nai Meng (Chairman)	Independent	2	2
Heng Lee Seng	Independent	2	2
Chew Kok Liang *(retired as member on 25 April 2017)*	Non-Executive	2	1
Chng Loy Teoh Patrick *(appointed as member on 25 April 2017)*	Independent	2	2

The Group's remuneration policy aims to provide compensation packages which reward successful performance and to attract, retain and motivate Directors and key management executives and avoids rewarding poor performance.

The RC recommends, in consultation with the Executive Chairman, a framework of remuneration policy for key management personnel and Directors serving on the Board and Board Committees, and determines specifically the remuneration package for each Director of the Company. The RC review of remuneration packages takes into consideration the long term interest of the Group and ensures that the interest of the Directors align with that of the shareholders. The review covers all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, share options performance shares and benefits in kind. In addition, the RC also reviews the remuneration package of the key management personnel, where appropriate and necessary. The RC ensures that the remuneration packages for the Executive Directors and senior management are fair and not overly generous.

The RC's recommendations are submitted to the entire Board for approval. Each member of the RC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package.

In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's relative performance and the performance of the individual Directors and key management personnel.

The RC has full authority to engage any external professional advisor on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company. Currently, the RC, in considering the remuneration of all Directors, has neither sought external advice nor appointed remuneration consultants.

The RC administers (1) Sinwa Share Option Scheme, which was adopted on 22 April 2004 and has expired on 22 April 2014; and (2) Sinwa Share Plan, which was adopted on 25 April 2007 and has expired on 25 April 2017. The RC, with the concurrence of the Board, was of the view that there is no necessity for Sinwa Share Option Scheme and Sinwa Share Plan to be extended and the RC will continue to explore a suitable incentive plan/scheme as and when it deems necessary.

CORPORATE GOVERNANCE

Level and Mix of Remuneration

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

The Group's remuneration policy sets out to provide compensation packages appropriate to attract, retain and motivate Directors and key management personnel required to manage the Group effectively.

In setting remuneration packages, the Company takes into consideration of the remuneration packages and employment conditions within the industry and in comparable companies as well as the Company's relative performance and the performance of individual Directors.

The Independent Directors are paid Directors' fees taking into accounts factors including but not limited to effort and time spent, contribution, and responsibilities of the Directors. Independent Directors should not be over-compensated to the extent that their independence may be compromised and no Director is involved in deciding his own remuneration. The Directors' fees are recommended by the RC and submitted to the Board for endorsement. Directors' fees are recommended by the Board for approval at the Company's AGM. To facilitate timely payment of Directors' fees are paid in advance on a quarterly basis for the current financial year in which the fees are incurred.

The Executive Directors do not receive Directors' fees. The remunerations for the Executive Directors are tied to the performance of the Group. The service contracts of the Executive Directors are subject to review by the RC. The service contracts of the Executive Chairman, CEO and Executive Director provide for termination by either party (i.e. (1) the Executive Chairman, CEO and/or Executive Directors or (2) the Company) giving to the other not less than twelve (12) and six (6) months respectively, written notice. During the Financial year, the RC has reviewed and renewed the service contract of the Executive Chairman for another 3 years from FY2018. The remuneration of the top key management personnel have already been reviewed prior to the release of the FY2017 annual report and no reviews are expected until the financial year ending 31 December 2018.

The RC conducts an annual review of Directors' compensation to ensure that the remuneration of the Executive Directors and the key management personnel are commensurate with their responsibilities, skills, expertise and contribution to the Group without compromising the financial health of the Group. Having reviewed and considered the variable components of remuneration of the Executive Directors and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group. The executive directors owe a fiduciary duty to the Company and the Group, remedies against the executive directors would be available in the event of such breach of fiduciary duties.

Disclosure on Remuneration

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

The breakdowns of the remuneration of the Directors of the Company and the top 5 key management personnel of the Group for the FY2017 are set out below:

	Salary (%)	Bonus (%)	Allowances and benefits (%)	Director's Fees (%)	Total (%)
A. Directors of the Company					
From S$750,000 to S$1,000,000					
Sim Yong Teng	75	25	–	–	100
From S$250,000 to S$750,000					
Bruce William Rann (CEO)	63	5	32	–	100
Tan Lay Ling (COO)	64	32	4	–	100
Below S$250,000					
Sim Li-Meng Timothy (Shen Liming)[2]	62	35	3	–	100
Heng Lee Seng	–	–	–	100	100
Yeo Nai Meng	–	–	–	100	100
Chng Loy Teoh Patrick[1]	–	–	–	100	100
B. Top 5 Key Management Personnel of the Group					
From S$250,000 to S$500,000					
Richard Ang	74	21	5	–	100
Below S$250,000					
Alexander M. Van Zuylen	87	8	5	–	100
Bettina Tan Leh Hong	70	30	–	–	100
Patrice Robustelli	71	29	–	–	100
Elvin Law	82	18	–	–	100

1 Appointed as Independent Director of the Board on 25 April 2017

2 Resigned as Executive Director on 1 July 2017

The aggregate total remuneration paid to the top five (5) key management personnel (who are not directors or the CEO) for FY2017 is approximately S$1,196,000.

The Board believes that it is for the benefit of the Company and the Group that the remuneration of Directors be kept confidential due to its sensitive nature.

CORPORATE GOVERNANCE

Remuneration of employee related to Director

As at 31 December 2017, we have employees who are related to the Executive Directors of the Company whose remuneration exceeded S$50,000:

	Salary (%)	Bonus (%)	Allowances and benefits (%)	Share Awards (%)	Director's Fees (%)	Total (%)
Employee who are family members of a Director or CEO						
From S$100,000 to S$250,000						
Bettina Tan Leh Hong	70	30	–	–	–	100
From S$50,000 to S$100,000						
Andy Tan Beng Kiat	72	17	11	–	–	100

Ms Bettina Tan Leh Hong and Mr Andy Tan Beng Kiat are siblings of Ms Tan Lay Ling, the Executive Director of the Company. The basis of determining the remuneration of related employee is the same as the basis of determining of other unrelated employees.

Shareholders' approval will be sought at the forthcoming AGM of the Company on 25 April 2018 for the payment of directors' fees proposed in advance for the financial year ending 31 December 2018 amounting to an aggregate of S$138,000.

No termination, retirement and post-employment or other long-term incentives have been granted to the directors or key management personnel during the financial year ended 31 December 2017.

ACCOUNTABILITY AND AUDIT

Accountability

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

The Board recognises it has a responsibility to the shareholders to present a balanced and comprehensible assessment of the Group's financial position, performance and progress, including the prospects of the Group in presenting the annual audited financial statements and full-year and quarterly results announcements.

The Board ensures that the Management maintains a sound system of internal control to protect shareholders' interests and the Group's assets. Management provides the Executive Directors with management accounts of the Group's performance on monthly basis and Independent Directors on quarterly basis prior to Board meetings and as and when necessary. The Directors also have separate and independent access to all levels of key management personnel in the Group.

Besides that, in line with the SGX Listing Rules, the Board provides a negative assurance statement to the shareholders in respect to the interim financial statements. For the financial year under review, the Executive Director and Financial Controller have provided assurance to the Board on integrity of the Group's financial statements.

All the Directors and executive officers of the Company also signed undertakings letter pursuant to the amended Rule 720(1) of the Listing Manual of SGX-ST.

Risk Management and Internal Controls

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

The Board is responsible for the overall internal control framework, but acknowledges that no cost-effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial reporting, operational, compliance risks and the information technology controls. The objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss, there is proper maintenance of accounting records, financial information is reliable and assets are safeguarded.

The Group has put in place a Risk Management Committee ("**RMC**") comprising the members of the AC and members of the Executive Committee to assist the Board in overseeing the risk of governance and risk management of the Group. As the RMC is sub-committee of AC and therefore is regulated by AC's terms of reference. Together with the AC, the RMC helps to ensure that Management maintains a sound system of risk management and internal controls to safeguard the interests of shareholders and the assets of the Group. During the financial year, the RMC has met up once to discuss and define the role of each members of the RMC and for the members to feedback and follow up on the status of the key risks faced by the Group. The meetings of RMC are attended not only by the members but also Management and it serves as a forum to review and discuss material risks and exposures of the Group's business and the strategy to mitigate risks in general.

A Risk Assessment Questionnaire ("**RAQ**") has been implemented by the RMC to identify, prioritise, assess, manage and monitor key risks. The RAQ is a tool to assess whether the Group has effective control activities in place to address the key risks identified by the RMC. The RAQ covers, inter alia, financial reporting, operational (including information technology), and compliance risks faced by the Group.

To ensure that internal controls and risk management processes are adequate and effective, the Board and AC have accessed to independent professional service providers. The assistance of the internal auditors together with the implemented RAQ and the report from the RMC, enable the Board and AC to carry out assessments of the effectiveness of key internal controls during the year.

Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve the internal controls will be reported to the AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal and external auditors.

For FY2017, the Board has received assurances from the CEO and Financial Controller of the Company that (a) the financial records have been properly maintained and the financial statements are in accordance with the Companies Act and Singapore Financial Reporting Standards and are not false or misleading in any material aspect, and they give a true and fair view of the Group's operations and performance; and (b) the Group's risk management and internal control systems are sufficiently effective to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

The Board also notes that all internal controls systems and risk management policies and procedures established contain inherent limitations and no system of internal controls or risk management could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Based on the various management controls put in place and the reports from the internal and external auditors, reviews by Management, and in the absence of any evidence to the contrary, the Board with the concurrence of the AC is of opinion that the system of internal controls addressing financial reporting, operational, compliance and information technology controls and risks management systems maintained by the Group during the year are adequate and effective in meeting the needs of the Group, provide reasonable assurance against material financial misstatements or material loss and safeguard the Group's assets.

CORPORATE GOVERNANCE

Audit Committee ("AC")

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

The AC comprises of three (3) independent Directors, Mr Heng Lee Seng and Mr Yeo Nai Meng and Mr Chng Loy Teoh Patrick, with Mr Heng Lee Seng chairing the AC.

The Chairman of the AC, Mr Heng Lee Seng is a chartered accountant ("**CA**"). He has been a practising CA for more than 40 years. The other members of the AC are appropriately qualifies in that they have sufficient accounting and related finance and business management experiences. The Board is of the view that the members of the AC are appropriately qualified in that they have sufficient accounting or related financial management expertise and experiences to discharge the AC's function.

The role of the AC is to assist the Board in discharging its responsibilities to safeguard the Company's assets, maintain adequate accounting records and develop and maintain effective systems of internal control. To achieve this, the AC ensures that its members have the appropriate qualifications to provide independent, objective and effective oversight.

The AC has scheduled four (4) meetings in this financial year. In accordance with the terms of reference adopted by the AC, the duties and powers of the AC is in accordance with the guidelines recommended in the guidebook by Guidance Committee released in August 2014 and the Code which include, inter alia:

- Review independence of external auditors;
- Review and discuss with external auditors the audit plan, their management letter and the Management's response and their independence and objectivity of producing results, including the nature and scope of the audit and its cost effectiveness before the audit commences;
- Review with internal auditors their internal audit plan and evaluation of the adequacy of the Company's internal controls and accounting system before submission of the results of such review to the Board for approval prior to the incorporation of such results in the annual report, if applicable;
- Monitor and review the implementation, with the concurrence of Management, of the recommendation in relation to the adequacy of the internal controls and accounting systems addressing financial controls with the external auditors; and the adequacy of the internal controls and accounting systems addressing operational compliance and information technology controls with the internal auditors;
- Review the financial statements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern basis, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- Discuss problems and concerns, if any, arising from interim and final audit, and any matters which the auditors may wish to discuss in the absence of Management;
- Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approve the remuneration and term of engagement of the external auditors;
- Review scope of the internal audit programs and outcome of the internal audit;
- Review interested person transactions, falling within the scope of Chapters 9 and 10, to ensure they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders in accordance with the requirements of the SGX-ST Listing Manual;

- Review quarterly, half-yearly and full year financial statements and announcements to shareholders before submission to the Board for release to the SGX-ST;

- Review, implement and administer the Sinwa Group's Whistle-Blower Policy which set out the provisions by which employees and other persons may, in confidence, raise serious concerns about possible incorrect financial reporting or other matters that could have a large impact on the Group and is authorised to do such acts as are necessary to ensure, inter alia, that (i) independent investigations are carried out in an appropriate and timely manner, (ii) appropriate action is taken to correct the weaknesses in internal controls and policies which had allowed such incidences to occur and to prevent a recurrence and (iii) administrative, disciplinary, civil or other actions that are initiated following the completion of investigations are appropriate balanced and fair; and

- Any other duties that are requested by the Board.

To enable members to perform their role effectively, the AC has the explicit authority to investigate any matter within its terms of reference and has full access to and co-operation by Management. It has the full discretion to invite any Director or Executive Director to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly. The AC has, within its terms of reference, the authority to obtain independent professional advice and reasonable resources at the Company's expense to enable it to discharge its functions properly.

The number of AC meetings held and the attendance of each member at the meetings during FY2017 are set out as follows:

Name of Director	**Appointment**	**Number of meetings held**	**Attendance**
Heng Lee Seng (Chairman)	Independent	4	4
Yeo Nai Meng	Independent	4	4
Chng Loy Teoh Patrick[1]	Independent	4	3
Chew Kok Liang[2]	Non-Executive	4	1
Sim Yong Teng	Executive Chairman	4	4[#]
Tan Lay Ling	COO and Executive Director	4	4[#]
Bruce William Rann	CEO and Executive Director	4	4[#]
Sim Li-Meng Timothy (Shen Liming)[3]	Executive	4	2[#]

1 Appointed as Independent Director on 25 April 2017

2 Retired as Non-Executive Director of the Board on 25 April 2017

3 Resigned as Executive Director on 30 June 2017

\# By invitation

Where, by virtue of any vacancy in the membership of the AC for any reason, the number of members is reduced to less than three (3), the Board shall, within three (3) months thereafter, appoint such number of new members to the AC. During the year, a Non-Executive Director, Mr Chew Kok Liang, one of the three members of the AC retired during the AGM and was replaced by Chng Loy Teoh Patrick, an Independent Director. The AC meets at least four (4) times a year and as and when necessary.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters when there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

Each member of the AC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the AC in respect of matters in which he is interested.

CORPORATE GOVERNANCE

Annually, the AC meets with the internal and external auditors separately without the presence of the Management to review any matter that might be raised. For the financial year end under review, the AC had also reviewed the non-audit services provided by the external auditors, which comprise tax advisory services and was satisfied to the extent that such services would not prejudice the independence and objectivity of the external auditors. The fees that were charged to the Group by the external auditors for audit and non-audit services were S$178,000 and S$4,000 for FY2017.

The AC has undertaken a review of the services, scope, independence and objectivity of the external auditors, Messrs Mazars LLP. The external auditors of the Company, has confirmed that they are a Public and Chartered Accounting Firm registered with Accounting & Corporate Regulatory Authority ("ACRA") and provided a confirmation of their independence to the AC. Having assessed the external auditors based on factors, such as performance and quality of their audit partners and auditing team, their overall qualification and their independence status, the AC is satisfied that Rule 712(2)(a) of the Listing Manual of the SGX-ST has been complied with. In this regard, the AC recommends to the Board the nomination of Messrs Mazars LLP for re-appointment as the external auditor at the forthcoming AGM.

The AC and Board of the Company have confirmed that in appointing the auditing firms for the Company, subsidiaries and significant associated companies, the Company has complied with SGX-ST Listing Rules 712 and 715.

In July 2010, SGX-ST and Accounting and Corporate Regulatory Authority ("ACRA") launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the audit quality indicators ("AQIs") set out in the Guidance such as performance, adequacy of resources and experience of their audit engagement partner and auditing team assigned to the Group's audit, the size and complexity of the Group.

In addition, in October 2015, with the support from SGX and Singapore Institute of Directors, ACRA had introduced the AQIs Disclosure Framework to assist the ACs in evaluating the re-appointment of external auditors based on eight (8) quality markers that correlate closely with audit quality. Accordingly, the AC had evaluated the external auditors based on the eight (8) AQIs at engagement and/or firm-level.

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the external auditor in their meetings with the AC. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

With the introduction of the new and revised Auditor Reporting Standards applicable to the audit of financial statements for periods ending on or after 15 December 2016, the external auditors are required to include the Key Audit Matters ("**KAMs**") in the Company's Annual Report. KAMs typically include significant risk areas of the financial statements most susceptible to misstatements, involving key judgements and estimates, as well as major transactions that require extensive auditing efforts. In line with the recommendations by SGX, ACRA and Monetary Authority of Singapore to provide greater transparency and enhance the quality of SGX-listed companies' corporate reporting, the AC had discussed and assessed the KAMs presented by the external auditors together with Management. The AC has considered and discussed, together with the external auditors and Management on the approach and methodology applied by the external auditors in relation to the assessment of judgements and estimates on the significant matter reported by the external auditors in the KAMs.

Fraud and Whistle-Blowing Policy

The AC has in consultation with the Board, initiated the implementation of a whistle-blowing policy for all employees including overseas subsidiaries and associates. This policy aims to provide an avenue for employees to raise concerns and provide reassurance that they will be protected from reprisals or victimisation for raising any concerns about incidents of fraud and whistle-blowing in good faith.

The Board noted that no incidents in relation to fraud and whistle-blowing matters have been raised during the year by any staff to indicate possible improprieties in matters of financial reporting, financial control, or any other matters.

Internal Audit

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

The AC and the Board approved the outsourcing of its internal audit function to a professional auditing firm, Nexia TS Risk Advisory Pte. Ltd.. During the Financial year, the internal auditors have conducted the internal audits for the Australia wholly-owned subsidiary, Sinwa Australia Pty Ltd.

The appointed internal auditor reports directly to the AC and assist the Board in monitoring the implementation and improvements required on internal controls of the Group. The AC is of the opinion that the appointed audit firm is adequately resourced with qualified personnel to discharge its responsibilities. The AC is further satisfied that the internal audit term has unfettered access to all the Company's documents, records properties and personnel including access to the AC. The AC has reviewed the internal audit plan for FY2017 and is satisfied that the internal audit function has been adequately carried out.

The AC noted that the systems of internal control under review are generally adequate and effective.

The AC, in conjunction with RMC, Management and the Board, continues to review the reports submitted by the internal auditors and the external auditors, so that improvements can be implemented where internal control deficiencies have been identified. Information on outstanding issues is included in the follow-up reports to the AC, the Chairman of the Board and senior management.

In carrying out its duties, the internal auditors have adopted the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC also met with the internal and external auditors, without Management's presence, to discuss the reasonableness of the financial reporting process, the system of internal controls and the significant comments and recommendations by the internal and external auditors.

The AC also reviews the adequacy of the internal audit function annually and ensures that the internal audit functions is adequately resourced and has appropriate standing within the Company.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

In line with the continuous obligations of the Company under SGX-ST Listing Manual and the Companies Act, high standard of transparent corporate disclosure, the Board firmly believes that all the shareholders should be equally and on a timely basis be informed of all major developments which would be likely to materially impact the Group. The Company does not practise selective disclosures as all material and price-sensitive information is released through SGXNet.

All shareholders of the Company will receive the Annual Report together with the notice of AGM by post, published in a newspaper and via SGXNet within the mandatory period. Besides that, all the shareholders also will receive the relevant circular together with the notice of Extraordinary General Meeting ("**EGM**") by post, published in a newspaper and via SGXNet. Accompanying to the notice of AGM and EGM, a copy of the proxy form is attached for the shareholders, so that the shareholders may appoint maximum up to two (2) proxies to attend, vote and question the Board and Management, for and on behalf of the shareholders who are not able to attend the general meetings personally.

In view of the above, all the shareholders are given an opportunity to participate effectively and vote at the general meetings.

CORPORATE GOVERNANCE

Communication with Shareholders

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

The Company adopts the practice of providing adequate and timely disclosure of material information to its shareholders. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication is made through:

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Singapore Companies Act and Singapore Financial Reporting Standards;

- quarterly financial statements in the format prescribed by SGX-ST announced on SGXNet;

- notices of and explanatory memoranda for AGMs and EGMs;

- shareholders' and analysts' briefing and press releases during releases of the Group's quarterly, half-yearly and full year results;

- press releases on major developments and initiatives undertaken by the Group; and

- disclosures of all major announcements to the SGX-ST.

The Company also communicates through its corporate website http://www.sinwaglobal.com provides shareholders with corporate announcements, press releases, annual reports and profile of the Group. In addition, the Company also engaged the services of a public relations firm to assist in communication with its shareholders.

The Company does not have a policy on payment of dividends. The issue of payment of dividends is deliberated by the Board annually having regard to various factors (e.g. Company's profit, cash flow, capital requirements for investment and growth, general business conditions and other factors as the Board deems appropriate.).

Conduct of Shareholder Meetings

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

Our shareholders are encouraged to attend the AGM to ensure a high level of accountability and to be updated on the Company's strategies and goals. Notice of the AGM is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least fourteen (14) clear calendar days for ordinary resolutions and/or twenty-one (21) clear calendar days for special resolutions before the general meeting. The Board welcomes questions from shareholders who wish to raise issues concerning the Company, either informally or formally before or during the general meeting. Every matter requiring shareholders' approval is proposed as a separate resolution at the general meeting to address each distinct issue. Voting procedures and rules that govern general meetings of shareholders are clearly disclosed to the shareholders during the general meeting.

The Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective committees at general meetings. Furthermore, the external auditors are present to assist the Board in addressing any relevant queries by the shareholders.

The Company's Constitution allows corporations and members of the Company to appoint one (1) or two (2) proxies to attend and vote at general meetings. A Relevant Intermediary[1] may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his/her vote(s) at the general meeting in person. CPF and SRS Investors who are unable to attend the general meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the general meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the general meeting.

Every matter requiring shareholders' approval is proposed as a separate resolution at the general meeting to address each distinct issue and all the resolutions are put to vote by poll. To promote greater transparency and effective participation, the Company has implemented the system of voting of all its resolutions by electronic polling at all its general meetings since the general meetings for the financial year ended 31 December 2015. Results of each resolution put to vote at the general meeting(s) will be announced with the detailed voting results, including the total number and/or percentage of votes cast for or against each resolution tabled in the AGM, were announced immediately at the general meeting(s) and via SGXNet.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution.

The Company Secretary prepares minutes of general meetings incorporating the substantial and relevant comments or queries from shareholders that is relevant to the agenda of the meeting, and responses from the Board and the Management. Such minutes are available to shareholders upon their request.

DEALING IN SECURITIES

In compliance with the Rule 1207(19) of the Listing Manual of the SGX-ST, the Group has adopted a Code of Conduct to provide guidance to Directors and certain officers with regard to dealings in the Company's shares.

In compliance with the SGX-ST Listing Manual, the Company, Directors, Management and officers of the Group are reminded not to deal in shares of the Company during the period commencing two weeks before the announcement of the Group's quarterly results and one month prior to the announcement of the Group's full year results and ending on the date of the announcement of the relevant results or if they are in possession of unpublished material price-sensitive information of the Group, Directors, Management and officers should also not deal in the Company's securities on short-term considerations. Directors and officers are also expected to observe insider trading laws at all times.

INTERESTED PERSON TRANSACTIONS

The Board is mindful of its obligations to comply with Chapter 9 of the SGX-ST Listing Manual in respect of interested person transactions. The AC reviews the interested person transactions as and when they arise and on a quarterly basis to ensure that the relevant disclosure on the transactions are complied with and that all interested person transactions are conducted at arm's length and on normal commercial terms. In addition, where there is a potential conflict of interest, the Board ensures that the Director involved does not participate in discussions and refrains from exercising any influence over other members of the Board.

[1] A Relevant Intermediary is:

a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

CORPORATE GOVERNANCE

The aggregate value of interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST) entered into during the financial year are as follows:

Name of Interested Person	Aggregate value of all interested person transaction under the financial year under review (excluding transactions less than $100,000 and transactions under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Sim Yong Teng	S$142,000 (Rentals paid to Evenstar (Australia) Pty Ltd.)	Not Applicable

RISK MANAGEMENT

Risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle for each business division. Having identified the significant business risks to the achievement of their strategic objectives, each business division is required to document the management and mitigating actions in place and proposed in respect of each significant risk. The significant risk management policies are as disclosed in the Notes to the Financial Statements section of this annual report.

MATERIAL CONTRACTS

Save as disclosed in the Directors' Statement and notes to the financial statements, there are no material contracts of the Company or its subsidiaries involving the interests of any Directors or substantial shareholders subsisting at the end of FY2017 or have been entered into since the end of the previous financial year.

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed/ Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Mr Sim Yong Teng	GCE A Level	Executive Chairman	Executive Chairman of the Board and Member of the Nominating Committee	8 January 2016 (he was the Executive Chairman from 30 July 2002 to 12 October 2012)/ 25 April 2016	NIL	NIL
Ms Tan Lay Ling	Diploma in Electrical Engineering from Singapore Polytechnic; Bachelor of Science (Computer Science) and Masters in Business Administration from the Oregon State University, USA	Executive Director and Chief Operating Officer	NIL	30 July 2002/ 25 April 2016	NIL	NIL

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed/ Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Mr Bruce William Rann	Bachelor of Arts degree, with a double major in Economics and History, from West Australian Institute of Technology (now known as Curtin University of Technology)	Executive Director and Chief Executive Officer	NIL	18 June 2007/ 25 April 2017	NIL	NIL
Mr Heng Lee Seng	Member of CPA Australia, Association of Chartered Certified Accountants, Chartered Institute of Management Accountants, Institute of Chartered Secretaries and Administrators and Singapore Institute of Directors	Independent Director	Chairman of the Audit Committee and Member of the Nominating Committee, Remuneration Committee and Risk Management Committee	3 January 2003/ 25 April 2017	Federal Int (2000) Ltd	NIL
Mr Yeo Nai Meng	B. Engineering (Electrical) NUS; Dip. Marketing Management (SIM), BBA	Independent Director	Chairman of Nominating Committee and Remuneration Committee, Risk Management Committee and Member of Audit Committee	19 April 2005/ 25 April 2016	NIL	NIL
Mr Chng Loy Teoh Patrick (appointed on 25 April 2017)	Class 1 Master Mariner; Master Business (Logistic Management) from Curtin University Australia; Graduate Diploma (BA) from Singapore Institute of Management University; Certificate Business Re-Engineering from National University of Singapore; Certificate in Marine Disaster (Salvage) & Emergency Mitigation (Japan); Chartered Institute of Transport Certificate (UK-CIT)	Independent Director	Member of the Nominating Committee, Remuneration Committee, Audit Committee and Risk Management Committee	25 April 2017	NIL	NIL

The details on shareholdings of the directors are disclosed on page 40 of the Annual Report under Directors' Interest in Shares or Debentures section of the Directors' Statement.

DIRECTORS' STATEMENT

The directors of Sinwa Limited (the "Company") are pleased to present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") and the statement of financial position and the statement of changes in equity of the Company for the financial year ended 31 December 2017.

1. OPINION OF THE DIRECTORS

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

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

2. DIRECTORS

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

Sim Yong Teng	(Executive Chairman and Executive Director)
Bruce William Rann	(Chief Executive Officer and Executive Director)
Tan Lay Ling	(Chief Operating Officer and Executive Director)
Heng Lee Seng	(Independent Director)
Yeo Nai Meng	(Independent Director)
Chng Loy Teoh, Patrick	(Independent Director, appointed on 25 April 2017)

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

	Shareholdings registered in name of director			Shareholdings in which director is deemed to have an interest		
Name of directors and companies in which interests are held	**At beginning of year/date of appointment**	**At end of year**	**At 21.01.18**	**At beginning of year/ date of appointment**	**At end of year**	**At 21.01.18**
The Company Ordinary shares						
Sim Yong Teng	5,952,150	5,952,150	5,952,150	140,147,928	140,147,928	140,147,928
Tan Lay Ling	4,773,500	4,773,500	4,773,500	–	–	–
Bruce William Rann	1,664,468	1,664,468	1,664,468	–	–	–
Heng Lee Seng	525,000	525,000	525,000	–	–	–
Chng Loy Teoh, Patrick	10,000	10,000	10,000	–	–	–

By virtue of Section 7 of the Act, Sim Yong Teng is deemed to have an interest in all related corporations of the Company.

5. OPTIONS TO TAKE UP UNISSUED SHARES

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

6. AUDIT COMMITTEE

The members of the Audit Committee at the date of this report are as follows:

Heng Lee Seng (Chairman)	(Independent Director)
Yeo Nai Meng	(Independent Director)
Chng Loy Teoh, Patrick	(Independent Director, appointed on 25 April 2017)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Act, the SGX-ST Listing Rules and the Code of Corporate Governance. Among others, it performed the following functions:

- Reviewed the external and internal audit plans with the external and internal auditors respectively;
- Reviewed with the external auditors their report on the financial statements and the assistance given by the Company's officers to them;
- Reviewed the quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Listing Manual of SGX-ST).

Other functions performed by the Audit Committee are described in the report on corporate governance included in the annual report.

The Audit Committee has recommended to the Board of Directors that the external auditors, Mazars LLP, be nominated for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

7. INDEPENDENT AUDITOR

The external auditors, Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Bruce William Rann	**Tan Lay Ling**
Chief Executive Officer and Executive Director	Chief Operating Officer and Executive Director

Singapore
19 March 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINWA LIMITED

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Sinwa Limited (the "Company") and its subsidiaries (collectively the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies from pages 48 to 121.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance, changes in equity and cash flows of the Group and statement of changes in equity of the Company for the financial year ended on that date.

Basis of Opinion

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

Overview

Audit Approach

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

Materiality

As in all our audits, we exercised our professional judgment in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

Scope of Audit

For the audit of the current financial year's financial statements, other than Singapore entities audited by Mazars Singapore for statutory reporting purpose, we identified 1 significant component which required a full scope audit of its financial information, because of their size or/and their risk characteristics.

The significant component was audited by other Mazars office as component auditor under our instruction. We determined the component materiality and our level of involvement in their audit necessary for us, in our professional judgement, to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's financial statements as a whole.

Area of focus

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgments and estimates to be made by directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINWA LIMITED

Key Audit Matters

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

<table>
<tr><td colspan="2">Allowance for receivables
(Note 18 to the financial statements)</td></tr>
<tr><td>Key audit matter</td><td>Our audit response</td></tr>
<tr><td>The Group follows the guidance of FRS 39 Financial Instruments: Recognition and Measurement to determine when trade and other receivables are impaired. This determination requires a certain level of judgment from management.

The Group first assesses whether objective evidence of impairment exists for individually significant debtors and collectively for debtors which are not individually significant. The Group evaluates, among other factors, financial status of the debtors, any changes in the collection status and changes in industry conditions that affect the debtors.

Trade and other receivables that are collectively evaluated for impairment are based on historical loss experience for receivables with similar credit risk characteristics. The methodology and assumptions used for estimating potential impairment loss are reviewed regularly to reduce any differences between loss estimates and actual loss experience.</td><td>Our audit procedures included, but were not limited to, the following:

(i) An independent review of outstanding debts, stratified in two streams, namely major customers and long outstanding debts exceeding credit terms granted.

(ii) For major customers, we performed background checks on their financial standing and researched whether there is adverse news relating to their operations or financial position. Additionally, we performed subsequent receipts testing.

(iii) For long outstanding debts, we have reviewed the past payment trends for the relevant debtors and reviewed evidence of payments made during and after the financial year.</td></tr>
</table>

Key Audit Matters (Continued)

Valuation of inventories (Note 19 to the financial statements)	
Key audit matter	**Our audit response**
Following the slowdown of the global marine environment, the susceptibility of the Group's inventories to obsolescence impairment is increased, especially food provisions which have a shorter shelf life. Management's judgement is required to assess the appropriate level of impairment for items which may be ultimately scrapped or sold below cost as a result of a reduction in consumer demand. Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete inventory and identifies items of inventory which have a market price, being the selling price quoted from the market of similar items, which is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's and Company's results, cash flows and financial position. The inventory turnover ratio is 24 times (2016: 25 times) and turnover days are 15 days (2016: 14 days).	We have reviewed management's assessment of net realisable value of the inventories and attended the inventory count conducted by the Group. We also assessed for slow moving inventory based on the turnover ratio and inventory turnover days by the nature of inventories (i.e. food provisions, technical goods and anchor chain related).

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

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

In connection with our audit of the financial statements our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SINWA LIMITED

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Chan Hock Leong, Rick.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
19 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $'000	2016 $'000
Revenue	4	**172,594**	152,209
Cost of sales		**(132,651)**	(115,219)
Gross profit		**39,943**	36,990
Other item of income:			
Financial income	5	**214**	306
Other items of expense:			
Marketing and distribution expenses		**(8,312)**	(6,897)
Administrative expenses		**(21,568)**	(20,566)
Other income/(expenses) – net	6	**1,358**	(17,834)
Financial expenses	5	**(354)**	(68)
Share of profit in joint venture, net of tax	16	**10**	11
Profit/(Loss) before income tax	7	**11,291**	(8,058)
Income tax expense	8	**(1,778)**	(1,447)
Profit/(Loss) for the year		**9,513**	(9,505)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences on foreign operations		**(67)**	164
Item that will not be reclassified subsequently to profit or loss:			
Gain/(Loss) on revaluation of leasehold and buildings, net of tax		**4,654**	(1,174)
Other comprehensive income for the year, net of tax		**4,587**	(1,010)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**14,100**	(10,515)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group	
	Note	**2017 $'000**	**2016 $'000**
Profit/(Loss) attributable to:			
Owners of the Company		**9,513**	(9,505)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**14,100**	(10,515)
Earnings/(Loss) per share – cents			
Basic	9	**2.79**	(2.79)
Diluted	9	**2.79**	(2.79)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
ASSETS					
Non-current assets					
Property, plant and equipment	10	**46,013**	38,479	**43**	77
Intangible assets	11	**–**	–	**–**	–
Goodwill	12	**548**	548	**–**	–
Investments in subsidiaries	14	**–**	–	**22,908**	23,222
Investment in associate	15	**–**	–	**–**	–
Investment in joint venture	16	**52**	42	**25**	25
Deferred tax assets	8	**417**	468	**–**	–
Other assets	17	**55**	55	**–**	–
Other receivables	18	**336**	356	**66**	86
Total non-current assets		**47,421**	39,948	**23,042**	23,410
Current assets					
Held-to-maturity financial asset	13	**–**	250	**–**	250
Inventories	19	**5,601**	4,651	**–**	–
Trade and other receivables	18	**44,969**	38,010	**26,746**	30,174
Prepayments		**401**	368	**17**	17
Cash, bank balances and fixed deposits	21	**26,143**	30,902	**17,166**	22,178
		77,114	74,181	**43,929**	52,619
Asset classified as held for sale	20	**1,380**	–	**–**	–
Total current assets		**78,494**	74,181	**43,929**	52,619
Total assets		**125,915**	114,129	**66,971**	76,029

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 **$'000**	**2016** **$'000**	**2017** **$'000**	**2016** **$'000**
EQUITY AND LIABILITIES					
Equity					
Share capital	22	**41,963**	41,963	**41,963**	41,963
Treasury shares	22	**(961)**	(961)	**(961)**	(961)
Other reserves	23	**13,438**	8,851	**108**	108
Retained earnings		**28,497**	24,782	**17,596**	11,573
Equity attributable to owners of the Company/Total equity		**82,937**	74,635	**58,706**	52,683
Non-current liabilities					
Deferred tax liabilities	8	**2,810**	2,666	**124**	–
Finance leases	24	**109**	84	**–**	–
Total non-current liabilities		**2,919**	2,750	**124**	–
Current liabilities					
Income tax payable		**1,479**	1,368	**53**	44
Trade and other payables	26	**35,520**	30,324	**5,088**	18,302
Finance leases	24	**60**	52	**–**	–
Borrowings	25	**3,000**	5,000	**3,000**	5,000
Total current liabilities		**40,059**	36,744	**8,141**	23,346
Total liabilities		**42,978**	39,494	**8,265**	23,346
Total equity and liabilities		**125,915**	114,129	**66,971**	76,029

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Note	Total equity attributable to owner of the Company $'000	Share capital $'000	Treasury shares $'000	Capital reserve $'000	Retained earnings $'000	Revaluation reserve $'000	Foreign currency translation reserve $'000
Balance at 1 January 2017		74,635	41,963	(961)	108	24,782	12,835	(4,092)
Foreign currency translation differences on foreign operations		(67)	–	–	–	–	–	(67)
Revaluation on leasehold land and buildings, net of tax		4,654	–	–	–	–	4,654	–
Other comprehensive income, net of tax		4,587	–	–	–	–	4,654	(67)
Profit for the year		9,513	–	–	–	9,513	–	–
Total comprehensive income		14,100	–	–	–	9,513	4,654	(67)
Dividends/**Total transactions with owners of the Company**	27	(5,798)	–	–	–	(5,798)	–	–
Balance at 31 December 2017		82,937	41,963	(961)	108	28,497	17,489	(4,159)

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Note	Total equity attributable to owner of the Company $'000	Share capital $'000	Treasury shares $'000	Capital reserve $'000	Retained earnings $'000	Revaluation reserve $'000	Foreign currency translation reserve $'000
Balance at 1 January 2016		91,119	41,963	(961)	108	40,256	14,009	(4,256)
Impairment loss on leasehold land and buildings, net of tax		(1,174)	–	–	–	–	(1,174)	–
Foreign currency translation differences on foreign operations		164	–	–	–	–	–	164
Other comprehensive income, net of tax		(1,010)	–	–	–	–	(1,174)	164
Loss for the year		(9,505)	–	–	–	(9,505)	–	–
Total comprehensive income		(10,515)	–	–	–	(9,505)	(1,174)	164
Dividends/**Total transaction with owners of the Company**	27	(5,969)	–	–	–	(5,969)	–	–
Balance at 31 December 2016		74,635	41,963	(961)	108	24,782	12,835	(4,092)

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Company	Note	Total equity $'000	Share capital $'000	Treasury shares $'000	Capital reserve $'000	Retained earnings $'000
Balance at 1 January 2017		**52,683**	**41,963**	**(961)**	**108**	**11,573**
Total comprehensive income for the year		**11,821**	**–**	**–**	**–**	**11,821**
Dividends/**Total transaction with owners of the Company**	27	**(5,798)**	**–**	**–**	**–**	**(5,798)**
Balance at 31 December 2017		**58,706**	**41,963**	**(961)**	**108**	**17,596**
Balance at 1 January 2016		54,106	41,963	(961)	108	12,996
Total comprehensive income for the year		4,546	–	–	–	4,546
Dividends/**Total transactions with owners of the Company**	27	(5,969)	–	–	–	(5,969)
Balance at 31 December 2016		52,683	41,963	(961)	108	11,573

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Operating activities			
Profit/(Loss) for the year		**9,513**	(9,505)
Adjustments for:			
Allowance for doubtful trade receivables	6	**–**	381
Allowance for doubtful other receivables	6	**159**	532
Write back of allowance for doubtful trade receivables	6	**(9)**	–
Bad debts written-off (trade)	6	**5**	36
Depreciation of property, plant and equipment	10	**2,334**	2,015
Interest income	5	**(214)**	(256)
Interest expense	5	**68**	68
Gain on disposal of property, plant and equipment (net)	6	**(10)**	(70)
Property, plant and equipment written-off	6	**24**	6
Allowance for impairment loss on freehold land and buildings	6	**174**	2,339
(Reversal)/Allowance for impairment on asset classified as held for sale	6	**(1,380)**	15,116
Share of profit in joint venture	16	**(10)**	(11)
Income tax expense	8	**1,778**	1,447
Operating cash flows before movements in working capital		**12,432**	12,098
Prepayments, trade and other receivables		**(7,127)**	6,770
Inventories		**(950)**	310
Trade and other payables		**5,196**	(2,493)
Cash generated from operations		**9,551**	16,685
Interest paid		**(68)**	(68)
Interest received		**214**	256
Income tax paid		**(1,472)**	(2,277)
Net cash from operating activities		**8,225**	14,596

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Investing activities			
Proceeds from disposal of property, plant and equipment		**31**	95
Purchase of property, plant and equipment	Note A	**(5,377)**	(7,158)
Proceed from redemption of held-to-maturity financial assets		**250**	–
Fixed deposits pledged with bank		**–**	3,242
Effect of foreign currency alignment on investing activities		**42**	(139)
Net cash used in investing activities		**(5,054)**	(3,960)
Financing activities			
Drawdown of borrowings		**–**	5,000
Repayment of borrowings		**(2,000)**	(2,499)
Repayment of finance leases		**(66)**	(52)
Dividends paid		**(5,798)**	(5,969)
Net cash used in financing activities		**(7,864)**	(3,520)
Net (decrease)/increase in cash and cash equivalents		**(4,693)**	7,116
Cash and cash equivalents at 1 January		**30,902**	23,624
Effect of exchange rate changes on cash and cash equivalents		**(66)**	162
Cash and cash equivalents at 31 December	21	**26,143**	30,902

Reconciliation of liabilities arising from financing activity:

		Cash movement	Non-cash movement	
	1 January 2017	Repayment	Drawdown	31 December 2017
	$'000	$'000	$'000	$'000
Liabilities				
Borrowings	**5,000**	(2,000)	–	**3,000**
Finance leases	**136**	(66)	99	**169**

Note A:

During the financial year, the Group acquired property, plant and equipment amounting to $5,476,000 (2016: $7,405,000) of which $99,000 (2016: $Nil) were acquired under finance lease. Certain construction-in-progress amounting to $Nil (2016: $247,000) remains unpaid and are included in payables.

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

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

1. GENERAL

Sinwa Limited (the "Company") (Registration Number 200206542H) is incorporated and domiciled in Singapore with its principal place of business and registered office at 28 Joo Koon Circle, Singapore 629057. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activities of the Company are those of investment holding and provision of management services.

The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2017 were authorised for issue by the Board of Directors on 19 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as otherwise described in the notes below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000") as indicated.

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3.

In the current financial year, the Group has adopted all the new and revised FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior years.

FRS 7 *Amendments to FRS 7: Disclosure Initiative*

Consequent to the adoption of these amendments, the Group has disclosed additional information to enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Comparative information has not been presented. This disclosure has been included in the Consolidated Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group were issued but not yet effective and have not been early adopted in these financial statements:

		Effective date (annual periods beginning on or after)
FRS 28	Amendments to FRS 28: Long-term interests in Associates and Joint Ventures	1 January 2019
FRS 40	Amendments to FRS 40: Transfers of Investment Property	1 January 2018
FRS 102	Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 104	Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 109	Amendments to FRS 109: Prepayment Features with Negative Compensation	1 January 2019
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115: Effective Date of FRS 115	1 January 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019
Various	Improvements to FRSs (December 2016)	Various
INT FRS 122	Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123	Uncertainty over Income Tax Treatments	1 January 2019

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will have no material impact on the financial statements of the Group in the period of their initial adoption except as disclosed below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRS 109 Financial Instruments

FRS 109 supersedes *FRS 39 Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets measured at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum of) 12 months of expected credit losses in profit or loss. Lifetime expected credit losses will be recognised on these affected assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt the standard in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. The Group is currently assessing the impact of FRS 109. The Group will apply the simplified approach on its trade receivables to recognise lifetime expected credit losses and based on its preliminary assessment, the Group expects to recognise 12-month expected credit losses for the other applicable financial assets. Based on currently known and reasonably estimable information relevant to its preliminary assessment, the Group does not expect a significant impact on its initial adoption.

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

FRS 115 Revenue from Contracts with Customers (Continued)

The Group plans to adopt the standard in the financial year beginning on 1 January 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year. The Group is in the process of assessing the potential impact on accounting for contract with customers. Preliminarily, based on currently known and reasonably estimable information relevant to its assessment, the Group does not expect a significant impact on its initial adoption.

FRS 116 Leases

FRS 116 supersedes FRS 17 Lease, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* to set out the principles for the recognition, measurement, presentation and disclosure of leases. The changes introduced by FRS 116 will primarily affect the financial statements of the lessees.

FRS 116 requires, with limited exceptions, the lessee to recognise, at initial recognition, lease liabilities, measured at the present value of lease payments that are not paid as of that date to reflect the present value of the future lease payments, and right-of-use assets at cost, comprising elements including the amount of the initial measurement of the lease liabilities, initial direct costs incurred by the lessee and estimates of other contracted costs to be incurred by the lessee, for its lease contracts. Leases of "low-value" assets and qualifying short term leases entered into by lessees can be exempted from the new recognition criteria.

The Group does not intend to early adopt FRS 116. The Group is still assessing the potential impact of FRS 116 on its financial statements in the initial year of adoption.

Singapore Financial Reporting Standards (International)

In December 2017, the Accounting Standards Council (the "ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)") as the new accounting framework to be mandatorily applied by qualifying entities, which include Singapore-incorporated entities whose debt or equity instruments are traded in a public market in Singapore, in the preparation and presentation of their general purpose financial statements for annual reporting periods beginning on or after 1 January 2018.

This first volume of SFRS(I) contains the equivalent of consolidated text of IFRS as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual reporting periods beginning on 1 January 2018. Simultaneous to its compliance with SFRS(I), the Group can hence elect to include an explicit and unreserved statement of compliance with IFRS in its first and subsequent SFRS(I) financial statements.

In the initial adoption of its first SFRS(I) financial statements and each interim financial report presented in accordance with SFRS(I) 1-34 Interim Financial Reporting, the Group is required to apply SFRS(I) 1 First-Time Adoption of Singapore Financial Reporting Standards (International) ("SFRS(I) 1") which is equivalent to IFRS 1 *First-Time Adoption of International Financial Reporting Standards* and which mandates, amongst other disclosure requirements, the Group's presentation of at least 3 statements of financial position, including comparative information for all statements presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Singapore Financial Reporting Standards (International) (Continued)

The Group has not early adopted SFRS(I) and has commenced its assessment of the impact of the initial adoption of SFRS(I) on its financial statements. Such assessment includes its consideration and application of the transition requirements and options made available in SFRS(I) 1 in the financial statements. Concurrently, the Group considered the impact of the initial adoption of the aforementioned relevant revised/new FRS, amendments to and interpretations of FRS, for which there are equivalent standards in the SFRS(I) framework, which are also effective from the same date of the Group's initial adoption of SFRS(I) on its financial statements.

Preliminarily, based on currently known and reasonably estimable information relevant to its assessment, other than the possible impact arising from its initial adoption of FRS 116 which is still under management's assessment, the Group does not expect material impact on its financial statements in its initial adoption of SFRS(I) 1.

2.2 Basis of consolidation

Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Business combinations (Continued)

<u>Business combinations from 1 January 2010 (Continued)</u>

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

<u>Business combinations before 1 January 2010</u>

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Business combinations (Continued)

Business combinations before 1 January 2010 (Continued)

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the 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.

Associates and joint venture (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policy decisions of these entities. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as joint ventures.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Any goodwill arising on the acquisition of the Group's interest in a joint venture is accounted for in accordance with the Group's accounting policy for goodwill under Note 2.11.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Where the Group transacts with an associate or a joint venture, unrealised profits are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

Accounting for subsidiaries, joint ventures and associates in the separate financial statements

Investments in subsidiaries, joint ventures and associates are stated in the Company's statement of financial position at cost less accumulated impairment losses.

2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates, other similar allowances and sales related taxes.

Sale of goods

The Group supplies deck stores, engine stores, electrical stores, safety equipment, general consumables and tools, provisions and bonded stores (duty free liquor and tobacco products).

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Normally these criteria are met when the goods are delivered to and accepted by the buyer.

Rendering of services

Revenue is recognised when the services are completed.

Revenue is derived from rendering of services related to the provision of logistical and agency services.

Rental income

Rental income arising from operating leases on warehouse is accounted for on utilisation of storage space and agreed rate over the lease period.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2.5 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.6 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated, liability for annual leave, expected to be settled wholly within 12 months from the reporting date, as a result of services rendered by employees up to the end of the financial year.

2.7 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or received from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Income tax (Continued)

Deferred tax (Continued)

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when they relate to items recognised outside profit and loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination is taken into account in calculating goodwill on acquisition.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the statement of financial position.

Withholding tax

Withholding tax arise when foreign subsidiaries remit funds to Singapore from foreign jurisdictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.9 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve. Such accumulated translation reserve are reclassified to profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities) are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.10 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Land and buildings are revalued by independent professional valuers with sufficient regularity such that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Property, plant and equipment (Continued)

Any revaluation increase arising from the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. The revaluation of land and buildings will be conducted every three (3) years provided there is only insignificant changes in fair value.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is re-presented to the revalued amount of the asset.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method, on the following basis:

Freehold buildings	2%
Leasehold land and buildings (over the terms of leases)	4.0% to 4.4%
Equipment and vehicles	10% to 20%

Freehold land is not depreciated, but carried at valuation.

No depreciation is charged on construction-in-progress as they are not yet in use at the end of financial year.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation method are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Intangible assets

Computer software licences

Acquired computer software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software licence is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 5 years.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill on associate and joint venture is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the profit or loss.

On disposal of a subsidiary, a joint venture or an associate, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

2.12 Asset classified as held for sale

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

2.13 Club memberships

Investment in transferable corporate club memberships are stated at cost less any impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of non-financial assets excluding goodwill

At the end of each financial year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.15 Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial assets

Financial assets are classified into the following specified categories: loans and receivables, available-for-sale financial assets and held-to-maturity financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially recognised at fair value.

Held-to-maturity financial assets

If the 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.

Held-to-maturity financial assets comprise quoted debt securities.

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's and the Company's loans and receivables in the statement of financial position comprise trade and other receivables and cash, bank balances and fixed deposits.

Available-for-sale financial assets

Certain shares held by the Group are classified as available-for-sale if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised directly in the available-for-sale reserve with the exception of impairment losses, interests calculated using the effective interest method and foreign exchange gains and losses which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the period.

The Group does not have the intention to dispose the investment in unquoted shares within 12 months after the balance sheet date. The fair value of the investment in unquoted shares cannot be measured reliably as the probabilities of the various estimates in the range cannot be reasonably assessed as used in estimating fair value. Consequently, they are carried at cost less allowance for impairment, if any.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

***Financial assets* (Continued)**

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, the estimated future cash flows of the assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment losses directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

***Financial liabilities and equity instruments* (Continued)**

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.4 above).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial liabilities and equity instruments **(Continued)**

Financial guarantee contracts

A subsidiary has issued corporate guarantees to banks for borrowings of the Company and these guarantees qualify as financial guarantees because the subsidiary is required to reimburse the banks if the Company breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised, less cumulative amortisation in accordance with FRS 18 *Revenue*.

Intra-group financial guarantees are eliminated on consolidation.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

Offsetting financial instruments

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

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits (net of pledged fixed deposits) and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 2.4 above).

Operating leases

Lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expenses on a straight-line basis over the lease term on the same basis as the lease income.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised by deducting the grant in arriving at the carrying amount of the asset in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the life of a depreciable asset by way of a reduced depreciation charge.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Allowances for doubtful receivables

An allowance is made for doubtful receivables for estimated losses resulting from the subsequent inability of our customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful receivables. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2017 were $45,305,000 (2016: $38,366,000) and $26,812,000 (2016: $30,260,000) respectively (Note 18).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

(ii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates in relation to future cash flows and suitable discount rates (Note 12). The carrying value of the goodwill as at 31 December 2017 of $548,000 (2016: $548,000) (Note 12).

(iii) Impairment of investments in subsidiaries

In assessing whether the investments in subsidiaries are impaired, management used value-in-use calculations. These calculations are based on cash flow projections prepared using financial budgets approved by the Directors covering a five-year period. Management has considered and determined the factors applied in the financial budgets, which include budgeted gross margins and average growth rates. The budgeted gross margins are based on past performance and the average growth rates are based on industry growth forecasts. Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating units. The carrying amount of the Company's investments in subsidiaries as at 31 December 2017 was $22,908,000 (2016: $23,222,000) (Note 14).

(iv) Depreciation of property, plant and equipment

The depreciable amounts of assets are allocated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 1 to 50 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2017 was approximately $46,013,000 (2016: $38,479,000) (Note 10). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets.

Changes in the government regulations and industrial circumstances could also have an impact on the requirement for provision for dismantlement, removal and restoration costs and the estimated amounts.

(v) Inventory-related allowance

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for their products. Possible changes in these estimates could result in revisions to the valuation of inventory. The carrying amount of the Group's inventories as at 31 December 2017 was $5,601,000 (2016: $4,651,000) (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

(vi) Revaluation of land and buildings

The Group carries its land and buildings at fair value, with changes in fair values being recognised in revaluation reserve. The Group engaged independent valuation specialists to determine fair value as at 31 December 2017.

The fair value of land and buildings is determined by independent real estate valuation experts using recognised valuation techniques.

The determination of the fair value of the land and buildings requires the use of estimates based on local market conditions existing at the end of each reporting date.

The key assumptions used to determine the fair value of the land and buildings are further explained in Note 10.

4. REVENUE

	Group	
	2017 **\$'000**	**2016** **\$'000**
Sale of goods	**168,963**	148,215
Rendering of agency and logistics services	**3,477**	3,817
Rental income	**154**	177
	172,594	152,209

5. FINANCIAL INCOME/(EXPENSES)

	Group	
	2017 **\$'000**	**2016** **\$'000**
Financial income:		
Interest income from fixed deposits	**214**	256
Foreign exchange gains, net	**–**	50
	214	306
Financial expenses:		
Interest expense on:		
– term loans	**(61)**	(62)
– finance leases	**(7)**	(6)
Foreign exchange loss, net	**(286)**	–
	(354)	(68)

6. OTHER INCOME/(EXPENSES) – NET

	Group	
	2017 **$'000**	**2016** **$'000**
Allowance for doubtful trade receivables (Note 18)	**–**	(381)
Allowance for doubtful other receivables (Note 18)	**(159)**	(532)
Write-back of allowance for doubtful trade receivables (Note 18)	**9**	–
Bad debts written-off (trade)	**(5)**	(36)
Gain on disposal of property, plant and equipment (net)	**10**	70
Government grant income	**136**	273
Handling fee	**110**	152
Management fee income	**6**	6
Property, plant and equipment written-off	**(24)**	(6)
Allowance for impairment loss on freehold land, leasehold land and buildings (Note 10)	**(174)**	(2,339)
Reversal of/(Allowance) for impairment loss on Asset classified as held for sale (Note 20)	**1,380**	(15,116)
Others	**69**	75
	1,358	(17,834)

7. PROFIT/(LOSS) BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the financial statements, the following charges were included in the determination of profit/(loss) before income tax:

	Group	
	2017 **$'000**	**2016** **$'000**
Audit fees paid to auditors:		
Auditors of the Company	**144**	161
Other auditors	**34**	32
Non-audit fees paid to auditors:		
Auditors of the Company	**4**	–
Depreciation of property, plant and equipment (Note 10)	**2,333**	2,015
Directors' fees:		
Directors of the Company	**123**	120
Directors' remuneration other than fees:		
<u>Directors of the Company</u>		
Short-term employee benefits	**2,129**	2,638
<u>Directors of the subsidiaries</u>		
Short-term employee benefits	**711**	924
Staff costs (excluding directors' remuneration)	**11,163**	8,997
Contributions to defined contribution plans	**1,102**	1,060

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. INCOME TAX EXPENSE

	Group	
	2017 $'000	**2016 $'000**
Current tax expense		
– current year	**1,537**	1,544
– over provision in prior years	**(34)**	(71)
	1,503	1,473
Deferred tax expense		
– current year	**137**	18
– under/(over) provision in prior years	**58**	(106)
	195	(88)
Withholding tax	**80**	62
Total income tax expense	**1,778**	1,447

Domestic income tax is calculated at 17% (2016: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2016: 17%) to profit before income tax as a result of the following differences:

	Group	
	2017 $'000	**2016 $'000**
Profit/(Loss) for the year	**9,513**	(9,505)
Total tax expense	**1,778**	1,447
Profit/(Loss) before income tax	**11,291**	(8,058)
Income tax expense at the statutory rate	**1,919**	(1,370)
Tax effect of non-deductible items	**79**	3,551
Tax effect of tax exemptions	**(99)**	(119)
Tax rebate/incentives	**(270)**	(198)
Effect of different tax rates of overseas operations	**(16)**	(328)
Over provision of income tax in prior years	**(34)**	(71)
Under/(Over) provision of deferred tax in prior years	**58**	(106)
Deferred tax assets not recognised	**61**	26
Withholding tax	**80**	62
Total income tax expense	**1,778**	1,447

8. INCOME TAX EXPENSE (CONTINUED)

The deferred tax (assets)/liabilities are as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred tax assets	**(417)**	(468)	**–**	–
Deferred tax liabilities	**2,810**	2,666	**124**	–
Net deferred tax liabilities	**2,393**	2,198	**124**	–

The movement for the year in deferred tax position is as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At beginning of year	**2,198**	2,293	**–**	–
Credited to profit or loss	**195**	(88)	**124**	–
Charged to revaluation reserve	**–**	1	**–**	–
Foreign currency realignment	**–**	(8)	**–**	–
At end of year	**2,393**	2,198	**124**	–

The following are the major deferred tax liabilities and assets recognised by the Group and the movements during the year:

Group	Revaluation of land and buildings $'000	Tax losses $'000	Accelerated tax depreciation $'000	Others $'000	Total $'000
Balance at 1 January 2017	**2,470**	**(468)**	**151**	**45**	**2,198**
(Credited)/Charged to profit or loss	**(88)**	**51**	**84**	**148**	**195**
Balance at 31 December 2017	**2,382**	**(417)**	**235**	**193**	**2,393**
Balance at 1 January 2016	2,594	(452)	113	38	2,293
(Credited)/Charged to profit or loss	(124)	(9)	38	7	(88)
Foreign currency realignment	–	(7)	–	–	(7)
Balance at 31 December 2016	2,470	(468)	151	45	2,198

No deferred tax assets has been recognised for tax losses of $510,000 (2016: $152,000) that can be used to offset against future taxable profits of the companies in which the losses arose, due to uncertainty of its recoverability. The utilisation of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date.

The deferred tax liability for the Company relates to the interest income not received.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings per share of the Company is based on the following data:

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is based on:

	Group	
	2017 $'000	2016 $'000
Profit/(Loss) attributable to owners of the Company	9,513	(9,505)
	Number of shares	
Weighted average number of shares in the calculation of basic earnings per share	341,079,335	341,079,335

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is based on:

	Group	
	2017 $'000	2016 $'000
Profit/(Loss) attributable to owners of the Company	9,513	(9,505)
	Number of shares	
Weighted average number of shares in issue during the year	341,079,335	341,079,335

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000	Equipment and vehicles $'000	Construction-in-progress S$'000	Total $'000
Group						
2017						
Cost/valuation:						
At 1 January 2017	3,151	7,370	17,400	9,566	7,852	45,339
Foreign currency realignment	(10)	(36)	–	(9)	–	(55)
Additions	–	–	13	3,695	1,768	5,476
Written-off	–	–	–	(464)	–	(464)
Disposals	–	–	–	(263)	–	(263)
Reclassification	–	–	9,620	–	(9,620)	–
Revaluation						
– depreciation reclassified	–	(197)	(887)	–	–	(1,084)
– revaluation through other comprehensive income	–	–	4,654	–	–	4,654
– impairment loss through profit or loss	(165)	(9)	–	–	–	(174)
At 31 December 2017	2,976	7,128	30,800	12,525	–	53,429
Representing:						
Cost	–	–	–	12,525	–	12,525
Valuation	2,976	7,128	30,800	–	–	40,904
	2,976	7,128	30,800	12,525	–	53,429
Accumulated depreciation:						
At 1 January 2017	–	–	–	6,860	–	6,860
Foreign currency realignment	–	(8)	–	(4)	–	(12)
Depreciation charge	–	205	887	1,242	–	2,334
Written-off	–	–	–	(440)	–	(440)
Disposals	–	–	–	(242)	–	(242)
Revaluation	–	(197)	(887)	–	–	(1,084)
At 31 December 2017	–	–	–	7,416	–	7,416
Carrying amount:						
At 31 December 2017	2,976	7,128	30,800	5,109	–	46,013

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000	Equipment and vehicles $'000	Construction-in-progress $'000	Total $'000
Group						
2016						
Cost/valuation:						
At 1 January 2016	4,564	8,429	19,372	9,352	1,207	42,924
Foreign currency realignment	31	90	–	46	–	167
Additions	–	–	–	760	6,645	7,405
Written-off	–	–	–	(57)	–	(57)
Disposals	–	–	–	(535)	–	(535)
Revaluation						
– depreciation reclassified	–	(254)	(798)	–	–	(1,052)
– impairment loss through other comprehensive income	–	–	(1,174)	–	–	(1,174)
– impairment loss through profit or loss	(1,444)	(895)	–	–	–	(2,339)
At 31 December 2016	3,151	7,370	17,400	9,566	7,852	45,339
Representing:						
Cost	–	–	–	9,566	7,852	17,418
Valuation	3,151	7,370	17,400	–	–	27,921
	3,151	7,370	17,400	9,566	7,852	45,339
Accumulated depreciation:						
At 1 January 2016	–	–	–	6,429	–	6,429
Foreign currency realignment	–	15	–	29	–	44
Depreciation charge	–	254	798	963	–	2,015
Written-off	–	–	–	(51)	–	(51)
Disposals	–	–	–	(510)	–	(510)
Revaluation	–	(269)	(798)	–	–	(1,067)
At 31 December 2016	–	–	–	6,860	–	6,860
Carrying amount:						
At 31 December 2016	3,151	7,370	17,400	2,706	7,852	38,479

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Equipment and vehicles $'000
Company	
2017	
Cost:	
At 1 January 2017 and 31 December 2017	**171**
Accumulated depreciation:	
At 1 January 2017	**94**
Depreciation charge	**34**
At 31 December 2017	**128**
Carrying amount:	
At 31 December 2017	**43**
2016	
Cost:	
At 1 January 2016 and 31 December 2016	171
Accumulated depreciation:	
At 1 January 2016	60
Depreciation charge	34
At 31 December 2016	94
Carrying amount:	
At 31 December 2016	77

As at 31 December 2017, the Group carried out a review of the recoverable amount of its equipment and vehicles and has not noted indication that the Group's equipment and vehicles are impaired.

Leased plant and equipment

As at the end of financial year, the Group has motor vehicles with net book value of approximately $272,000 (2016: $246,000) acquired under finance lease. Leased assets are pledged as security for the related finance lease liabilities.

Revaluation of land and buildings

With reference to the valuation reports, management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions.

Freehold land and buildings in Australia were revalued by two firms of independent professional valuers, McGees Property and APC Australian Property Consultants, at open market value on a highest and best-use basis, which is in line with its current use.

Based on the valuation reports, the Group recognised further impairment loss of $174,000 (2016: $2,339,000) on the Group's freehold land and buildings in Australia, in "other expenses – net".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation of land and buildings (Continued)

Leasehold land and buildings in Singapore were revalued by CBRE Pte Ltd, a firm of independent professional valuers, at open market value in financial year ended 31 December 2017 and 2016 on a highest and best-use basis, which is in line with its current use. For the financial year ended 31 December 2017, based on the valuation reports, the Group recognised revaluation surplus of $4,654,000 (2016: impairment loss of $1,174,000) which is included in "other comprehensive income" to its estimated market value of $30,800,000 and in accordance with Group's policy (Note 2.10).

If the land and buildings stated at valuation were included in the financial statements at cost less accumulated depreciation and impairment losses, their net book values would be:

	Group	
	2017	**2016**
	$'000	**$'000**
Freehold land	**2,976**	3,151
Freehold buildings	**7,127**	7,370
Leasehold land and buildings	**13,180**	3,913
At end of year	**23,283**	14,434

Details of the Group's land and buildings comprise the following:

Location	**Title**	**Description**
No. 28 Joo Koon Circle, Singapore 629057	Leasehold building (Leased, expiring in August 2038)	A two-storey warehouse cum office building
No. 24/26 Joo Koon Circle, Singapore 629055	Leasehold building (Leased, expiring in June 2041)	A two-storey warehouse cum office building
No. 35 Joo Koon Road, Singapore 628987	Leasehold building (Leased, expiring in August 2041)	A two-storey warehouse cum office building
20 Leonard Way, Karratha WA 6714, Western Australia	Freehold property	A residential property
16 O'Brien Way, Karratha WA 6714, Western Australia	Freehold property	A residential property
78, Bajamalu Drive, Baynton, Karratha WA 6714, Western Australia	Freehold property	A residential property
1932 Coolawanyah Road, Karratha Industrial Estate, Karratha, Western Australia	Freehold land and property	Approximately 16,700 square metres land and warehouse cum office facilities
Lots 71, 72, 79 & 80, Deposited Plan 56822, Australian Marine Complex, Henderson WA, Australia	Freehold land and property	Approximately 11,500 square metres land and warehouse cum office facilities

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Measurement of fair value

Valuation techniques used to derive Level 3 fair values:

A reconciliation of the opening and closing fair value balance is provided below:

	Group	
	2017 $'000	**2016 $'000**
At 1 January (Level 3 recurring fair value)	**27,921**	32,365
Additions	**13**	–
Depreciation charge	**(1,092)**	(1,052)
Reclassification from construction in progress	**9,620**	–
Gain/(Loss): included in 'other comprehensive income'		
– Revaluation on leasehold land and buildings	**4,654**	–
– impairment loss on leasehold land and buildings	**–**	(1,174)
Loss: included in 'other expenses – net'		
– impairment loss on freehold land and buildings	**(174)**	(2,339)
– foreign currency realignment	**(38)**	121
At 31 December (Level 3 recurring fair value)	**40,904**	27,921

	Fair value measurement using:		
Description	**Quoted prices in active markets for identical assets (Level 1) $'000**	**Significant other observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**
Group			
2017			
Recurring fair value measurements			
Freehold land and buildings – Australia	**–**	**–**	**10,104**
Leasehold land and buildings – Singapore	**–**	**–**	**30,800**
Total fair value	**–**	**–**	**40,904**
2016			
Recurring fair value measurements			
Freehold land and buildings – Australia	–	–	10,521
Leasehold land and buildings – Singapore	–	–	17,400
Total fair value	–	–	27,921

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10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Measurement of fair value (Continued)

Valuation techniques used to derive Level 3 fair values: (Continued)

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of land and buildings, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below. There were no changes to the valuation techniques during the year.

For land and buildings categorised under Level 3 of the fair value hierarchy, the following information is relevant:

Descriptions	Valuation techniques	Key unobservable inputs	Range	Inter-relationship between key unobservable inputs and fair value measurement
Freehold land and buildings – Australia	Summation approach	Replacement building area rate	A$1,455 per sqm (2016: A$1,535 per sqm)	Increase in replacement building area rate would result in higher fair value.
	Capitalisation approach	Capitalisation rate	8.00% (2016: 8.00%) per annum	Increase in capitalisation rate would result in lower fair value.
	Direct comparison approach	Price per square metre[(1)]	A$390 to A$1,823 per sqm (2016: A$173 to A$830 per sqm)	Increase in price per square metre would result in higher fair value.
Leasehold land and buildings – Singapore	Direct comparison approach	Price per square metre[(1)]	$2,105 to $2,894 per sqm (2016: $1,805 to $3,208 per sqm)	Increase in price per square metre would result in higher fair value.

(1) The yield adjustments are made for any difference in the nature, location or condition of the specific property.

11. INTANGIBLE ASSETS

	Group Computer software 2017 $'000	Group Computer software 2016 $'000
Cost:		
At 1 January and at 31 December	**231**	231
Accumulated amortisation and impairment loss:		
At 1 January and 31 December	**231**	231
Carrying amount:		
At 31 December	**–**	–

12. GOODWILL

	Group	
	2017 $'000	2016 $'000
Cost:		
At 1 January and at 31 December	**3,181**	3,181
Impairment loss:		
At 1 January and at 31 December	**(2,633)**	(2,633)
Carrying amount:		
At 31 December	**548**	548

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units ("CGU") which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	Group	
	2017 $'000	2016 $'000
Windsor Marine Pte Ltd	**60**	60
Sinwa Australia Pty Ltd	**488**	488
	548	548

The recoverable amounts of the CGU were based on its value in use and were determined by the management based on their best estimate and knowledge of the marine industry.

The carrying amounts of CGU were determined to be lower than its recoverable amount and no impairment is required.

Value in use was determined by discounting the future cash flows generated from continued use of the units. Unless indicated otherwise, value in use in 2017 was determined similarly as in 2016. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and five year business plan in both 2017 and 2016 with growth rate of 3% (2016: 3%) per annum, which does not exceed the long-term average growth rate for the industry.

- Discount rate of 10% (2016: 10%) per annum was used to determine the recoverable amounts of the units. The discount rate was estimated based on past experience and benchmark with the industry average weighted average cost of capital.

- There are no changes in cost structure of goods and services provided to customers.

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13. HELD-TO-MATURITY FINANCIAL ASSET

	Group and Company	
	2017 $'000	**2016 $'000**
Investment in quoted debt securities, at amortised cost	**–**	250

The debt security which was listed in SGX-ST is denominated in Singapore dollar, has nominal value of $250,000, with coupon rate of 4.25% per annum, payable at half-yearly interval, and mature on 17 October 2017. The management has assessed the fair value of the investment in debt securities to be Level 2 fair value and approximate its carrying amount as at 31 December 2016. The valuation method is based on effective yield.

The debt security was fully redeemed on 17 October 2017.

There were no disposals or impairment allowance for the debt securities.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 $'000	**2016 $'000**
Unquoted equity shares, at cost	**6,377**	6,377
Loans to subsidiaries	**20,551**	22,245
	26,928	28,622
Less: Impairment loss on unquoted equity shares	**(100)**	(100)
Less: Impairment loss on loans to subsidiaries	**(3,920)**	(5,300)
	22,908	23,222

The loans to subsidiaries form part of the Company's net investment in certain of its subsidiaries. These loans are interest-free, except for loans amounting to $8,054,000 (2016: $8,367,000) which bear an average effective interest rate of 4.3% (2016: 4.3%) per annum, unsecured and settlement is neither planned nor likely to occur in the foreseeable future.

The Company's loans to subsidiaries are denominated in the following currencies:

	Company	
	2017 $'000	**2016 $'000**
Singapore dollar	**12,383**	13,767
United States dollar	**114**	111
Australian dollar	**8,054**	8,367
	20,551	22,245

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation/principal place of business and principal activities)	Cost of investment in Company's/ subsidiaries' books		Effective equity interest held by the Group	
	2017 $'000	2016 $'000	2017 %	2016 %
Sinwa SS Pte. Ltd. Singapore Investment holding	**4,919**	4,919	**100**	100
Seafirst Marine Services Pte. Ltd. Singapore Marine supply and logistics, ship agency and general husbandry	**1,120**	1,120	**100**	100
Sinwa Offshore Pte. Ltd. Singapore Project management and support services to the offshore drilling industry	**50**	50	**100**	100
Windsor Marine Pte Ltd Singapore Marine supply and logistics, import and export and commission agents	**188**	188	**100**	100
Sinwa International Pte. Ltd. Singapore Investment holding	**#**	#	**100**	100
Sinwa Ship Supply (HK) Pte. Ltd. Singapore Marine supply and general husbandry	**100**	100	**100**	100
Subsidiaries of Sinwa Offshore Pte. Ltd.:				
Sinwa Offshore Logistics (M) Sdn. Bhd.(4) Malaysia Dormant	**#**	#	**80**	80
Sinwa (Thailand) Ltd(5) Thailand Marine supply to the offshore industry	**83**	83	**100**	100

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14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (Continued)

Name of subsidiaries (Country of incorporation/principal place of business and principal activities)	Cost of investment in Company's/ subsidiaries' books		Effective equity interest held by the Group	
	2017 $'000	2016 $'000	2017 %	2016 %
Subsidiaries of Sinwa SS Pte. Ltd.:				
Sinwa (Singapore) Pte Ltd Singapore Marine supply and logistics	**1,980**	1,980	**100**	100
Sinwa Marine Pte Ltd Singapore Ship agency and general husbandry	**263**	263	**100**	100
Sinwa SS (HK) Co. Limited(1) Hong Kong Investment holding	**2**	2	**100**	100
Subsidiaries of Sinwa Marine Pte Ltd:				
IMS (Shanghai) Co., Ltd(4) China Trading and exports	**213**	213	**100**	100
Sinwa Marine Services (Dalian) Pte. Ltd. Singapore Marine supply and general husbandry	**#**	#	**100**	100
Sinwa Marine Services (Tianjin) Pte. Ltd. Singapore Marine supply and general husbandry	**#**	#	**100**	100
Sinwa Marine Services (Qingdao) Pte. Ltd. Singapore Marine supply and general husbandry	**#**	#	**100**	100
Sinwa Shanghai Ship Supply Pte. Ltd.(6) Singapore Marine supply and general husbandry	**10**	10	**100**	100
Subsidiaries of Sinwa International Pte. Ltd.:				
Sinwa Australia Pty Ltd(2)(3) Australia Marine supply and logistics	**1,372**	1,372	**100**	100

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows: (Continued)

Name of subsidiaries (Country of incorporation/principal place of business and principal activities)	Cost of investment in Company's/ subsidiaries' books		Effective equity interest held by the Group	
	2017 $'000	2016 $'000	2017 %	2016 %
Subsidiaries of Sinwa International Pte. Ltd.: (Continued)				
Sinwa AIMS Pty. Ltd.(2)(3) Australia Marine supply and logistics	**782**	782	**100**	100
Sinwa Holdings (Australia) Pty. Ltd.(2)(3) Australia Investment holding	**4,136**	4,136	**100**	100

\# Cost of investment is less than $1,000.
(1) Audited by Mazars LLP, Hong Kong, a member firm of Mazars.
(2) Not required to be audited under the laws of the country of incorporation.
(3) Audited by Mazars Risk and Assurance Pty Ltd, Australia, a member firm of Mazars for consolidation purposes.
(4) Not audited as it is immaterial to the Group.
(5) Audited by Intadit Certified Public Accountant Office Co,. Ltd, Thailand.
(6) On 28 November 2016, Sinwa Marine Pte Ltd, a subsidiary, incorporated a wholly-owned subsidiary, Sinwa Shanghai Ship Supply Pte. Ltd, a company incorporated in Singapore, for a cash consideration of $10,000.

Other than as disclosed above, all the subsidiaries are audited by Mazars LLP, Singapore.

15. INVESTMENT IN ASSOCIATE

	Group	
	2017 $'000	2016 $'000
Unquoted equity shares at cost	**–**	–
Less: Allowance for impairment	**–**	–
	–	–
Movement in allowance for impairment		
At 1 January	**–**	24
Written-off	**–**	(24)
At 31 December	**–**	–

The associate, LS Offshore Services Pty. Ltd. was incorporated in Australia in year 2006 with Sinwa International Pte. Ltd., a wholly-owned subsidiary of Sinwa Limited, holding a 49% equity interests in the associate. Its principal activities are shipping agency, offshore marine supply and logistics.

Since incorporation, the associate has not commenced operations and it is not required to be audited under the laws of the country of incorporation. In the previous financial year, the associate was deregistered.

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16. INVESTMENT IN JOINT VENTURE

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Interest in joint venture	**52**	42	**25**	25

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in joint venture, is as follows:

	2017 $'000	**2016 $'000**
Group's interest in net assets of joint venture at beginning of year	**42**	31
Share of total comprehensive income	**10**	11
Carrying amount of interest in joint venture at end of year	**52**	42

The details of the joint venture is as follows:

Name of joint venture (Country of incorporation/principal place of business and principal activities)	**Cost of investment in Company's books**		**Effective equity interest held by the Group**	
	2017 $'000	**2016 $'000**	**2017 %**	**2016 %**
SB Barge Pte. Ltd. Singapore Marine launch services	**25**	25	**50**	50

SB Barge Pte. Ltd. ("SB")

SB is an unlisted joint arrangement in which the Group has joint control via investors' agreement and 50% (2016: 50%) ownership interest. SB is structured as a separate vehicle and the Group has a residual interest in its net assets. Accordingly, the Group has classified its interest in SB as a joint venture, which is equity-accounted. This joint venture is audited by Mazars LLP, Singapore.

16. INVESTMENT IN JOINT VENTURE (CONTINUED)

Summarised financial information of the Group's joint venture is as follows:

	2017 $'000	2016 $'000
Revenue	**310**	324
Profit for the year [1]	**20**	22
Other comprehensive income	**–**	–
Total comprehensive income	**20**	22
(1) *Included in the above amounts are:*		
Depreciation	**(29)**	(29)
Income tax expenses	**(26)**	(29)
Non-current assets	**191**	220
Current assets[2]	**76**	66
Non-current liabilities	**(125)**	(187)
Current liabilities	**(39)**	(15)
Net assets	**103**	84
(2) *Included in the above amounts are:*		
Cash and cash equivalents	**25**	39

The information above summarised the financial statements of the Group's joint venture based on the financial statements prepared in accordance with FRS, modified for fair value adjustment on acquisition and differences in the Group accounting policies.

17. OTHER ASSETS

	Group	
	2017 $'000	2016 $'000
Non-current:		
Club memberships	**43**	43
Less: Allowance for impairment	**(22)**	(22)
	21	21
Available-for-sale financial asset (unquoted shares in an Australian cooperative)	**34**	34
Total other assets	**55**	55

NOTES TO THE FINANCIAL STATEMENTS

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18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current:				
Trade receivables:				
Third parties	**44,523**	36,930	**–**	–
Less: Allowance for impairment	**(614)**	(912)	**–**	–
PRC licensees	**184**	170	**–**	–
	44,093	36,188	**–**	–
Other receivables:				
Subsidiaries	**–**	–	**25,180**	29,645
Other receivables	**664**	583	**1,704**	64
Deposits	**290**	1,237	**40**	643
PRC licensees	**81**	174	**–**	–
Less: Allowance for impairment on other receivables/amount due from subsidiary	**(159)**	(172)	**(178)**	(178)
Total trade and other receivables	**44,969**	38,010	**26,746**	30,174
Non-current:				
Other receivables:				
Joint venture	**66**	86	**66**	86
PRC licensees	**1,151**	1,151	**–**	–
Less: Allowance for impairment on amounts due from PRC licensees	**(881)**	(881)	**–**	–
	336	356	**66**	86

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Movements in allowance for impairment:				
At 1 January	**1,965**	1,083	**178**	–
Charge to profit or loss	**159**	913	**–**	178
Write-back of allowance for doubtful trade receivables	**(9)**	–	**–**	–
Bad debts written-off	**(461)**	(31)	**–**	–
Balance at 31 December	**1,654**	1,965	**178**	178

The impairment for the Group and the Company are mainly due to certain debtors that have indicated that they are not expecting to be able to pay their outstanding balances mainly due to financial difficulties.

18. TRADE AND OTHER RECEIVABLES (CONTINUED)

The table below is an analysis of the Group's trade receivables as at the end of the financial year:

	Group	
	2017	**2016**
	$'000	**$'000**
Not past due and not impaired	**24,757**	21,741
Past due but not impaired	**19,336**	14,447
Impaired receivables	**614**	912
Less: Allowance for impairment	**(614)**	(912)
	44,093	36,188
Aging of receivables that are past due but not impaired		
< 6 months	**17,996**	13,170
6 months to 12 months	**892**	1,068
> 12 months	**448**	209
	19,336	14,447

The average credit period generally granted to trade receivable customers is about 30 to 90 days (2016: 30 to 90 days). The carrying amounts of the trade receivables approximate their fair value due to their relatively short term maturity.

In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Group has policies in place to ensure the credit is extended only to customers with acceptable credit history and/or payment track record. Allowances for doubtful trade receivables are made on specific trade receivables when there is objective evidence that the Group will not be able to collect all amounts due. Included in current year allowances are mainly specific allowances for impairment of certain long outstanding receivables which are deemed to be uncollectible.

The Company has other receivables from its subsidiaries that are not considered past due because there are no credit terms given to these transactions comprising mainly dividends and advances. Other receivables from subsidiaries and joint venture are unsecured, interest-free and repayable on demand.

PRC licensees refer to appointed marine supply and logistics companies under mutual co-operation agreements. Under these agreements, the SINWA brand name is licensed to these companies and management, technical and consultancy support services are provided to them. As such, the Group has made advances to the PRC licensees for the initial start-up, future infrastructural branding and market development of Sinwa business.

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18. TRADE AND OTHER RECEIVABLES (CONTINUED)

The trade receivables from and payables to the PRC licensees are settled within the agreed trade credit term of 90 days. However, the Group has no intention to call for repayment of the non-trade amounts owing by the PRC licensees in the foreseeable future and has therefore, classified these non-trade amounts as non-current assets. The carrying amounts of other receivables due from joint venture and PRC licensees are interest-free and unsecured. The Group is unable to determine the fair value of these non-current receivables as these other receivables will not be repaid in the next 12 months and there is no fixed term of repayment. As at 31 December 2017, allowance for impairment in the non-trade amount due from these PRC licensees was $881,000 (2016: $881,000).

The Group's and the Company's trade and other receivables balances are denominated in the following currencies:

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Current				
Singapore dollar	**35,350**	31,197	**25,614**	29,740
United States dollar	**803**	1,270	**–**	–
Australian dollar	**4,919**	4,091	**1,132**	434
Thai baht	**3,806**	1,050	**–**	–
Hong Kong dollar	**36**	32	**–**	–
Renminbi	**55**	11	**–**	–
British pound	**–**	359	**–**	–
	44,969	38,010	**26,746**	30,174
Non-current				
Singapore dollar	**336**	356	**66**	86

19. INVENTORIES

	Group	
	2017 $'000	**2016 $'000**
Finished goods	**5,601**	4,651

The cost of inventories recognised as expense and included in "cost of sales" amounted to $129,879,000 (2016: $113,977,000).

20. ASSET CLASSIFIED AS HELD FOR SALE

	Group	
	2017 $'000	**2016 $'000**
Unquoted share in a joint venture company	**15,116**	15,116
Less: Allowance for impairment	**(13,736)**	(15,116)
	1,380	–
Movement in allowance for impairment:		
At 1 January	**15,116**	–
Reversal of impairment loss credited to profit or loss	**(1,380)**	–
Impairment loss charged to profit or loss	**–**	15,116
At 31 December	**13,736**	15,116

Nordic International Limited ("NIL")

On 10 February 2012, the joint venture partner of Nordic International Limited ("NIL"), Morten Innhaug ("Morten") served the Group with notice of arbitration claiming deadlock pursuant to Clause 11 of the Shareholders' Agreement of NIL.

Subsequent to the ruling by the Tribunal in Singapore International Arbitration Centre ("SIAC") Arbitration No. 4/2012 in October 2013, on 27 November 2013 and 8 January 2014, the SIAC made procedural directions to appoint third party professional firms to assist in the valuation of NIL shares as at 2 December 2011.

As at 31 December 2016, pending the ruling of the SIAC on the application by the joint venture partner to terminate the arbitration for valuation of NIL's shares, the Group, after taking into consideration the current depressed market sentiment in the oil and gas industry and the possibility of further substantial legal costs, have decided to make a full impairment on the asset held for sale.

On 5 January 2017, the SIAC has refrained from formally making an order terminating the proceedings as questions of legal costs and arbitration costs, including fee of the experts, remain outstanding and the SIAC will hear counsel on what might be an appropriate final award to finalise the proceedings.

On 1 March 2017, the Group announced that its wholly-subsidiary, Sinwa SS (HK) Co. Limited ("Sinwa SS HK"), has received the termination order submitted to the SIAC, in relation to the valuation of NIL's shares, by the joint venture partner.

The SIAC has ruled that the arbitration proceedings are hereby terminated as the SIAC finds that the continuation of the proceedings has become unnecessary or impossible. The SIAC also ruled that pursuant to Rules 30.7 and 32 of the SIAC Rules 2010, the amount of the costs of arbitration shall be finally determined by the Registrar of the Singapore International Arbitration Centre, and upon payment of such sums as the Registrar may fix, the file in SIAC Arbitration No. 004 of 2012 shall be closed.

On 8 December 2017, Sinwa SS HK and NIL have entered into two (2) full and final deeds of settlement to resolve all the dispute between all parties arising out of and/or connected with Sinwa SS HK and Morten's shareholding in NIL, and arising from Seismic vessel including but not limited to the settlement of the BGP Arbitration and Suit 875 *NIL Vs Morten* for breach of fiduciary duties, respectively.

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20. ASSET CLASSIFIED AS HELD FOR SALE (CONTINUED)

Nordic International Limited ("NIL") (Continued)

The two (2) final deeds of settlement are:

(a) Deed of Settlement with Morten, Nordic Maritime Pte. Ltd., Nordic Geo Services Limited, and BGP Geoexplorer Pte. Ltd. ("BGP"); whereby BGP will pay NIL US$750,000 (the "BGP Settlement Sum"); and

(b) Deed of Settlement with Morten, Nordic Maritime Pte. Ltd., and Nordic Geo Services Limited; whereby

(i) Morten will pay Sinwa SS HK US$500,000 within five (5) years with an option to extend for three (3) years from the date of expiration of the initial 5-year repayment period; and

(ii) Sinwa SS HK will be paid the BGP Settlement Sum and the entire balance in any and/or all NIL's existing bank accounts (the "balance of NIL's Banks Accounts") amounting to US$316,000. Upon Sinwa SS HK's receipt of the BGP Settlement Sum and the Balance of NIL's Bank Accounts, Sinwa SS HK shall transfer its shareholding in NIL to Morten.

On 5 January 2018, the Group has received an amount of US$1,066,000 (equivalent to $1,380,000) from NIL representing the settlement for (a) and (b)(ii) above. The Group recognised a reversal of impairment of $1,380,000 in the other income-net in 2017. Notwithstanding this, management is of the view that economic benefits arising from the settlement (b)(i) are not expected to flow in. Management will continue to pursue the amount from settlement (b)(i) within the mentioned period.

21. CASH, BANK BALANCES AND FIXED DEPOSITS

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Cash at banks	**9,074**	10,123	**272**	1,732
Fixed deposits	**16,894**	20,446	**16,894**	20,446
Cash on hand	**175**	333	**–**	–
Cash and cash equivalents in the statement of cash flows	**26,143**	30,902	**17,166**	22,178

Fixed deposits bear effective interest rate of 0.98% – 1.88% (2016: 0.50% – 1.37%) per annum and for tenures of approximately 30 days (2016: 30 days).

21. CASH, BANK BALANCES AND FIXED DEPOSITS (CONTINUED)

The Group's and the Company's cash, bank balances and fixed deposits are denominated in the following currencies:

	Group		Company	
	2017 **$'000**	**2016** **$'000**	**2017** **$'000**	**2016** **$'000**
Singapore dollar	**12,529**	23,182	**7,256**	17,483
United States dollar	**7,390**	3,593	**5,819**	1,585
Australian dollar	**5,282**	3,644	**4,091**	3,110
Thai baht	**839**	371	**–**	–
Hong Kong dollar	**74**	2	**–**	–
Euro	**11**	81	**–**	–
Renminbi	**14**	25	**–**	–
Others	**4**	4	**–**	–
	26,143	30,902	**17,166**	22,178

22. SHARE CAPITAL AND TREASURY SHARES

	Group and Company			
	2017	**2016**	**2017**	**2016**
	Number of ordinary shares		**$'000**	**$'000**
Issued share capital				
Issued and paid up:				
At 1 January and at 31 December	**343,256,867**	343,256,867	**41,963**	41,963
Treasury shares				
At 1 January and at 31 December	**(2,177,532)**	(2,177,532)	**(961)**	(961)

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at the meeting of the Company. All shares rank equally with regard to the Company's residual assets.

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23. OTHER RESERVES

	Group		Company	
	2017 **$'000**	**2016** **$'000**	**2017** **$'000**	**2016** **$'000**
Composition:				
Capital reserve	**108**	108	**108**	108
Foreign currency translation reserve	**(4,159)**	(4,092)	**–**	–
Revaluation reserve	**17,489**	12,835	**–**	–
	13,438	8,851	**108**	108
Movement:				
(1) Capital reserve				
At 1 January and at 31 December	**108**	108	**108**	108
(2) Foreign currency translation reserve				
At 1 January	**(4,092)**	(4,256)	**–**	–
Exchange differences arising on translation of foreign operations	**(67)**	164	**–**	–
At 31 December	**(4,159)**	(4,092)	**–**	–
(3) Revaluation reserve				
At 1 January	**12,835**	14,009	**–**	–
Gain on revaluation on leasehold land and buildings	**5,607**	–	**–**	–
Deferred tax liabilities related to the gain on revaluation	**(953)**	–	**–**	–
Impairment loss on leasehold land and buildings	**–**	(1,174)	**–**	–
At 31 December	**17,489**	12,835	**–**	–

The capital reserve represents the amount arising from the issuance of treasury shares to an employee of the Group. This reserve is non-distributable.

The foreign currency translation reserve represents exchange differences arising from the translation of financial statements of certain entities within the Group whose functional currencies are different from that of the Group's presentation currency. This reserve is non-distributable.

Revaluation reserve relates to the revaluation of land and buildings, net of tax. This reserve is non-distributable.

24. FINANCE LEASES

	Minimum lease payments $'000	Future finance charges $'000	Present value of minimum lease payments $'000
Group			
2017			
Minimum lease payable:			
Due within one year	**67**	**(7)**	**60**
Within two to five years	**122**	**(13)**	**109**
Total	**189**	**(20)**	**169**
2016			
Minimum lease payable:			
Due within one year	58	(6)	52
Within two to five years	94	(10)	84
Total	152	(16)	136

The lease terms are repayable over 3 to 5 years (2016: 4 to 5 years).

The effective rate of interest for finance leases ranged from 4.68% to 6.00% (2016: 4.68% to 5.31%) per annum. Interest rates were fixed at the contract date. All leases were on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases were secured by the lessor's charge over the leased assets. The Group's finance leases are denominated in Singapore dollar. The carrying amounts of the non-current finance leases approximate their fair values.

25. BORROWINGS

	Group and Company	
	2017 $'000	2016 $'000
Secured short term borrowing	**3,000**	5,000

Terms and conditions of outstanding borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	Face value 31 December 2017 $'000	Carrying amount 31 December 2017 $'000	Face value 31 December 2016 $'000	Carrying amount 31 December 2016 $'000
Group							
Secured short term borrowings[(1)]	SGD	1.48%-1.96%	2018	3,000	3,000	5,000	5,000

(1) Secured by certain leasehold properties and corporate guarantee by a subsidiary.

The weighted average effective interest rate for the term loans is 1.96% (2016: 1.50%) per annum.

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26. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Trade payables:				
Third parties	**24,576**	16,882	**–**	–
PRC licensees	**357**	411	**–**	–
Accrued liabilities	**4,309**	7,907	**318**	333
Other payables:				
Third parties	**6,198**	5,043	**1,563**	1,297
PRC licensees	**80**	81	**–**	–
Subsidiaries – non-trade	**–**	–	**3,207**	16,672
Total trade and other payables	**35,520**	30,324	**5,088**	18,302

The average credit period taken to settle the trade payables is about 90 days (2016: 90 days). Other payables are short-term in nature. The carrying amounts approximate their fair values.

Non-trade amount due to subsidiaries are mainly payment on behalf, unsecured, interest-free and repayable on demand.

The Group's and the Company's trade and other payables are denominated in the following currencies:

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Singapore dollar	**28,790**	25,463	**5,088**	18,302
United States dollar	**916**	1,262	**–**	–
Australian dollar	**4,412**	2,851	**–**	–
Thai baht	**1,013**	498	**–**	–
Hong Kong dollar	**110**	81	**–**	–
Renminbi	**266**	152	**–**	–
Others	**13**	17	**–**	–
	35,520	30,324	**5,088**	18,302

27. DIVIDENDS

Dividends (one-tier exempt tax) paid during the financial year:

	Group and Company	
	2017 **$'000**	**2016** **$'000**
By the Company:		
Interim dividend of $0.005 per share (2016: $0.01 per share)	**1,705**	3,411
Final dividend of $0.012 per share for financial year 2016 (2016: Final dividend of $0.0075 per share for financial year 2015)	**4,093**	2,558
	5,798	5,969

Subsequent to the year end, in respect of the current financial year 2017, the directors propose a first and final dividend of $0.005 per share (one-tier exempt tax) totaling $1,705,000 which will be paid to shareholders of the Company. This dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

28. COMMITMENTS

Capital commitments

At the end of the financial year, the Group has no commitment in respect of property, plant and equipment for capital expenditure contracted but not provided for. (2016: $3,852,510).

Operating lease commitments (when the Group is a lessee)

At the end of the financial year, commitments in respect of non-cancellable operating leases with a term of more than one year are as follows:

	Group	
	2017 **$'000**	**2016** **$'000**
Future minimum lease payments payable:		
Within one year	**624**	416
Within two to five years	**1,156**	1,133
After five years	**4,493**	5,296
	6,273	6,845
Rental expense for the year	**748**	772

Operating lease payments represent rentals payable for the Group's JTC leasehold properties in Singapore and other overseas premises.

The lease rental terms on the Group's JTC leasehold properties are negotiated for an average term of 30+30 years. For overseas premises, leases are negotiated for an average term of three years.

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29. CONTINGENT LIABILITIES, UNSECURED

As at the end of the financial year, the Company had given undertakings to certain subsidiaries to provide continued financial support to these subsidiaries to enable them to operate as going concerns and to meet their obligations as and when they fall due for at least 12 months from the financial year end.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

30. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Related corporations

There are transactions and arrangements between the Company and members of the Group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured, repayable on demand and interest-free unless otherwise stated. For non-current balances, an interest is imputed based on the cost of borrowing unless the loan forms part of the Company's net investments in subsidiaries for which settlement is neither planned nor likely to occur in the foreseeable future.

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant related party transactions during the financial year entered into at rates and terms agreed between the parties:

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Dividend income from subsidiaries	**–**	–	**10,000**	10,000
Management fee income from subsidiaries	**–**	–	**5,542**	4,387
Interest income from subsidiaries	**–**	–	**420**	354
Rental expenses to a subsidiary	**–**	–	**(32)**	(32)
Purchase of services from joint venture	**310**	324	**–**	–

There are transactions and arrangements between the Company and other related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Related parties

During the financial year, the Group had the following transactions based on rates and terms agreed between the parties:

	Group	
	2017 $'000	**2016 $'000**
Rental paid to Evenstar (Australia) Pty Ltd by an Australian subsidiary	**142**	131
Sale of motor vehicle to Kovan Sports Centre Pte Ltd	**–**	50

Evenstar (Australia) Pty Ltd and Kovan Sports Centre Pte Ltd are companies owned by Sim Yong Teng, who is an Executive Director of the Company.

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30. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel compensation

	Group	
	2017 $'000	**2016 $'000**
Salaries, fees and other short-term employment benefits	**3,361**	3,903
Contributions to defined contribution plan	**92**	121
	3,453	4,024

The above amounts are related to the following:

	Group	
	2017 $'000	**2016 $'000**
Directors of the Company	**2,252**	2,758
Other key management personnel	**1,201**	1,266
	3,453	4,024

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management personnel compensation are for the directors of the Company (including directors' fees of Independent Directors) and other key management personnel in the Group.

31. STATEMENT OF OPERATIONS BY SEGMENT

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (Note 2.21).

Segment reporting policy

A segment is a distinguishable component of the Group within a particular economic environment (geographical segment) and to a particular industry (business segment) which is subject to risks and rewards that are different from those of other economic environment and business segments respectively.

Intersegment pricing is determined based on an arm's length basis and these transactions are eliminated on consolidation. Segment results, assets and liabilities include items directly attributable to a segment. Unallocated items mainly comprise corporate assets and liabilities and profit or loss items that are not directly attributable to a segment or those that cannot be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Segment information is presented in respect of the Group's business and geographical segments. Business segments are based on the Group's management and internal reporting structure. In presenting information on the basis of business segments, segment revenue and segment assets are based on the nature of the products or services provided by the Group. In presenting information on the basis of geographical segments, segment revenue and segment assets are recognised based on the countries in which the entities owning the revenue generating assets are incorporated.

31. STATEMENT OF OPERATIONS BY SEGMENT (CONTINUED)

Segment reporting policy (Continued)

The Group, which serves sea-going vessels and the offshore industry in Singapore, Thailand, the PRC, Hong Kong and Australia is principally engaged in the following business activities:

Marine supply ("Supply")

The Group supplies deck stores, engine stores, electrical stores, safety equipment, general consumables and tools, provisions and bonded stores (duty free liquor and tobacco products).

General ship agency and marine logistics

(i) General ship agency ("Agency")

The Group services ship owners, ship managers and oil rig operators in matters relating to their crew, vessels and oil rigs arriving at and departing from Singapore. These matters include port and customs clearances and documentation, deslopping and sludge removal and other matters as requested from time to time.

(ii) Marine logistics ("Logistics")

The Group also provides ship and rig owners with temporary and medium to long-term storage of goods and equipment; trans-shipment and other logistics support.

Charter

The Group has a joint venture which owns a seismic vessel and another joint venture owns a launch vessel. The former joint venture has been classified as asset held for sale (Note 20).

Property holding

Warehouse cum office facilities in Henderson and Karratha in Australia are classified in the property holding segment to monitor its property holding revenue.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

Unallocated segments include the Group's remaining investment holding activities which are not included within reportable segments as they are not separately reported to the chief operating decision-maker.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. STATEMENT OF OPERATIONS BY SEGMENT (CONTINUED)

Business Segments

	Supply $'000	Agency & logistics $'000	Charter $'000	Property holding $'000	Elimination $'000	Consolidated $'000
2017						
Group revenue						
Total revenue from external customers	168,963	3,477	–	154	–	172,594
Intersegment revenue	480	616	–	1,960	(3,056)	–
Total revenue	169,443	4,093	–	2,114	(3,056)	172,594

	Supply $'000	Agency & logistics $'000	Charter $'000	Property holding $'000	Unallocated $'000	Consolidated $'000
2017						
Group profit/(loss)						
Profit before interest, income tax, depreciation and amortisation	10,342	463	86	581	792	12,264
Interest income	12	–	–	–	202	214
Interest expense	(7)	–	–	–	(61)	(68)
Depreciation	(1,001)	(25)	–	(1,274)	(34)	(2,334)
Allowance for impairment loss on freehold land, leasehold land and buildings	–	–	–	(175)	–	(175)
Reversal of allowance for impairment on asset held for sale	–	–	1,380	–	–	1,380
Share of profit in joint venture	–	–	10	–	–	10
Profit/(Loss) before income tax	9,346	438	1,476	(868)	899	11,291
Income tax (expense)/credit	(1,508)	(37)	–	30	(263)	(1,778)
Profit/(Loss) for the year	7,838	401	1,476	(838)	636	9,513

31. STATEMENT OF OPERATIONS BY SEGMENT (CONTINUED)

Business Segments (Continued)

	Supply $'000	Agency & logistics $'000	Charter $'000	Property holding $'000	Unallocated $'000	Consolidated $'000
2017						
Group assets and liabilities						
Segment assets	63,519	1,108	15	41,631	–	106,273
Unallocated corporate assets	–	–	–	–	19,642	19,642
Total assets						125,915
Segment liabilities	34,204	382	14	3,240	–	37,840
Unallocated corporate liabilities	–	–	–	–	5,138	5,138
Total liabilities						42,978
Other segment information						
Capital expenditures	2,055	–	–	3,421	–	5,476
Material non-cash items:						
Write back of allowance for doubtful trade receivables	9	–	–	–	–	9
Allowance for doubtful other receivables	(159)	–	–	–	–	(159)
Bad debt written-off (trade)	(5)	–	–	–	–	(5)
Gain on disposal of property, plant and equipment	10	–	–	–	–	10
Allowance for impairment loss on freehold land, leasehold land and buildings	–	–	–	(174)	–	(174)
Reversal of allowance for impairment on assets held for sale	–	–	1,380	–	–	1,380

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31. STATEMENT OF OPERATIONS BY SEGMENT (CONTINUED)

Business Segments (Continued)

	Supply $'000	Agency & logistics $'000	Charter $'000	Property holding $'000	Elimination $'000	Consolidated $'000
2016						
Group revenue						
Total revenue from external customers	148,215	3,817	–	177	–	152,209
Intersegment revenue	513	738	–	1,930	(3,181)	–
Total revenue	148,728	4,555	–	2,107	(3,181)	152,209

	Supply $'000	Agency & logistics $'000	Charter $'000	Property holding $'000	Unallocated $'000	Consolidated $'000
2016						
Group profit/(loss)						
Profit/(Loss) before interest, income tax, depreciation and amortisation	9,596	657	(28)	762	226	11,213
Interest income	20	–	–	–	236	256
Interest expense	(6)	–	–	–	(62)	(68)
Depreciation	(912)	(22)	–	(1,047)	(34)	(2,015)
Allowance for impairment loss on freehold land and buildings	–	–	–	(2,339)	–	(2,339)
Allowance for impairment loss on asset held for sale	–	–	(15,116)	–	–	(15,116)
Share of profit in joint venture	–	–	11	–	–	11
Profit/(Loss) before income tax	8,698	635	(15,133)	(2,624)	366	(8,058)
Income tax (expense)/credit	(1,389)	(45)	–	104	(117)	(1,447)
Profit/(Loss) for the year	7,309	590	(15,133)	(2,520)	249	(9,505)

31. STATEMENT OF OPERATIONS BY SEGMENT (CONTINUED)

Business Segments (Continued)

	Supply $'000	Agency & logistics $'000	Charter $'000	Property holding $'000	Unallocated $'000	Consolidated $'000
2016						
Group assets and liabilities						
Segment assets	52,916	1,692	7	35,081	–	89,696
Unallocated corporate assets	–	–	–	–	24,433	24,433
Total assets						114,129
Segment liabilities	29,609	471	10	2,672	–	32,762
Unallocated corporate liabilities	–	–	–	–	6,732	6,732
Total liabilities						39,494
Other segment information						
Capital expenditures	738	–	–	6,667	–	7,405
Material non-cash items:						
Allowance for doubtful trade receivables	(381)	–	–	–	–	(381)
Allowance for doubtful other receivables	(532)	–	–	–	–	(532)
Bad debts written-off (trade)	(36)	–	–	–	–	(36)
Gain on disposal of property, plant and equipment, net	70	–	–	–	–	70
Allowance for impairment loss on freehold land and buildings	–	–	–	(2,339)	–	(2,339)
Allowance for impairment loss on asset held for sale	–	–	(15,116)	–	–	(15,116)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. STATEMENT OF OPERATIONS BY SEGMENT (CONTINUED)

Geographical Segments

	Revenue from external customers		Non-current assets[1]	
Group	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Singapore	**130,087**	122,511	**35,850**	27,860
Australia	**25,790**	22,553	**11,067**	11,568
Others	**16,717**	7,145	**87**	52
	172,594	152,209	**47,004**	39,480

(1) Excluded deferred tax assets and held-to-maturity financial assets.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Categories of financial instruments

The following table sets out the financial instruments as at the end of the financial year:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial assets				
Trade and other receivables	**45,305**	38,366	**26,812**	30,260
Cash, bank balances and fixed deposits	**26,143**	30,902	**17,166**	22,178
Loans to subsidiaries	**–**	–	**20,551**	22,245
Total loan and receivables	**71,448**	69,268	**64,529**	74,683
Held-to-maturity financial asset	**–**	250	**–**	250
Available-for-sale financial asset	**34**	34	**–**	–
Total financial assets	**71,482**	69,552	**64,529**	74,933
Financial liabilities				
Trade and other payables	**35,520**	30,324	**5,088**	18,302
Finance leases	**169**	136	**–**	–
Borrowings	**3,000**	5,000	**3,000**	5,000
Total financial liabilities at amortised cost	**38,689**	35,460	**8,088**	23,302

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risk management

General risk management principles

The main risks arising from the entity's financial instruments are foreign exchange risk, interest rate risk, liquidity risk and credit risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

(i) Foreign exchange risk management

The Group and the Company are exposed to changes in foreign exchange rates arising from foreign currency transactions and balances and changes in fair values. The Group's and the Company's overall financial risk management programme seeks to minimise potential adverse effects on the financial performance and position of the Group and the Company. The Group's and the Company's overall risk management are determined and carried out by the management. The Group and the Company do not hold or issue derivative financial instruments for speculative purposes.

The Group and the Company are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar. The Group and the Company monitor the movement in foreign currency exchange rates closely to minimise the exposure.

The breakdown of the carrying amounts of monetary assets and monetary liabilities at the reporting date by currency are as follows:

	Group				Company			
	Monetary liabilities		Monetary assets		Monetary liabilities		Monetary assets	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Singapore dollar	**31,959**	30,599	**48,215**	54,985	**8,088**	23,302	**45,319**	61,326
Australian dollar	**4,412**	2,851	**10,235**	7,769	**–**	–	**13,277**	11,911
United States dollar	**916**	1,262	**8,193**	4,863	**–**	–	**5,933**	1,696
Thai baht	**1,013**	498	**4,645**	1,421	**–**	–	**–**	–
Hong Kong dollar	**110**	81	**110**	34	**–**	–	**–**	–
Euro	**4**	7	**11**	81	**–**	–	**–**	–
Renminbi	**266**	152	**69**	36	**–**	–	**–**	–
British pound	**7**	9	**–**	359	**–**	–	**–**	–
Others	**2**	1	**4**	4	**–**	–	**–**	–
	38,689	35,460	**71,482**	69,552	**8,088**	23,302	**64,529**	74,933

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risk management (Continued)

General risk management principles (Continued)

(i) Foreign exchange risk management (Continued)

Foreign currency sensitivity analysis

The Group and the Company transact their businesses mainly in Singapore dollar, Australian dollar and United States dollar.

The following table details the Group's and the Company's sensitivity to a 10% change in the relevant foreign currencies against the Singapore dollar. 10% (2016: 10%) is the sensitivity rate used when reporting foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates.

If the relevant foreign currency changes by 10% against the functional currency of the Group and the Company, profit or loss will increase or (decrease) by:

	Group Profit/(Loss)		Company Profit/(Loss)	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
United States dollar				
Strengthen 10%	**728**	360	**593**	170
Weaken 10%	**(728)**	(360)	**(593)**	(170)

The potential impact on the profit or loss of the Group and the Company as described in the sensitivity analysis above is attributable mainly to the Group's and the Company's foreign exchange rate exposure on receivables and payables at year end.

(ii) Interest rate risk management

The Group's and the Company's policy is to strive to maintain cash and cash equivalents and borrowings in fixed rate instruments. However, the Group's and the Company's borrowings are mostly charged at variable rates. It is the Group's policy to obtain quotes from reputable banks to ensure that the most favourable rates are made available to the Group.

Borrowings at variable rates expose the Group and the Company to cash flow interest rate risk. Borrowings at fixed rates expose the Group and the Company to fair value interest rate risk. The Group and the Company monitor the movement in interest rates closely to ensure actions can be taken to minimise exposures as considered necessary.

A summary of the quantitative data of the Group's and the Company's interest-bearing financial instruments can be found in Note 25.

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risk management (Continued)

General risk management principles (Continued)

(ii) Interest rate risk management (Continued)

Interest rate sensitivity

The table below shows the sensitivity analysis of interest rate risk showing the effect on profit or loss of reasonably possible changes in the relevant risk variable with all other variables held constant, of the Group's and the Company's profit (through the impact on interest expense on floating rate borrowings).

	Increase (+)/ decrease (-) in basis points 2017	Effect on profit/(loss) 2017 $'000	Increase (+)/ decrease (-) in basis points 2016	Effect on profit/(loss) 2016 $'000
Group				
Borrowings				
Results	**+100**	**(30)**	+100	(50)
Results	**-100**	**30**	-100	50
Company				
Borrowings				
Results	**+100**	**(30)**	+100	(50)
Results	**-100**	**30**	-100	50

(iii) Liquidity risk management

The Group and the Company maintain sufficient cash and cash equivalents and internally generated cash flows to finance their activities. The Group and the Company finance their liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available. The Group's and the Company's policy is to ensure continuity of funding and where necessary, a certain percentage of the borrowings should mature within 1 year. Short-term flexibility is achieved by working capital credit facilities.

Liquidity risk analysis

The following details the Group's and the Company's remaining contractual maturity for its non-derivative financial instruments. The tables have been drawn up based on undiscounted cash flows of financial instruments based on the earliest date of which the Group and the Company are expected to receive or pay. The table includes interest and principal cash flows.

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32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risk management (Continued)

General risk management principles (Continued)

(iii) Liquidity risk management (Continued)

Liquidity risk analysis (Continued)

	On demand or within 1 year $'000	Within 2 to 5 years $'000	Total contractual cash flows $'000	Total carrying amount $'000
Group				
Financial liabilities				
Finance leases	**67**	**122**	**189**	**169**
Borrowings	**3,005**	**–**	**3,005**	**3,000**
Trade and other payables	**35,520**	**–**	**35,520**	**35,520**
At 31 December 2017	**38,592**	**122**	**38,714**	**38,689**
Finance leases	58	94	152	136
Borrowings	5,009	–	5,009	5,000
Trade and other payables	30,324	–	30,324	30,324
At 31 December 2016	35,391	94	35,485	35,460
Financial assets				
Cash, bank balances and fixed deposits	**26,167**	**–**	**26,167**	**26,143**
Trade and other receivables#	**44,969**	**–**	**44,969**	**44,969**
At 31 December 2017	**71,136**	**–**	**71,136**	**71,112**
Cash, bank balances and fixed deposits	30,918	–	30,918	30,902
Trade and other receivables#	38,010	–	38,010	38,010
Held-to-maturity financial assets	259	–	259	250
At 31 December 2016	69,187	–	69,187	69,162

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risk management (Continued)

General risk management principles (Continued)

(iii) Liquidity risk management (Continued)

Liquidity risk analysis (Continued)

	On demand or within 1 year $'000	Within 2 to 5 years $'000	Total contractual cash flows $'000	Total carrying amount $'000
Company				
Financial liabilities				
Borrowings	**3,005**	**–**	**3,005**	**3,000**
Trade and other payables	**5,088**	**–**	**5,088**	**5,088**
At 31 December 2017	**8,093**	**–**	**8,093**	**8,088**
Borrowings	5,009	–	5,009	5,000
Trade and other payables	18,302	–	18,302	18,302
At 31 December 2016	23,311	–	23,311	23,302
Financial assets				
Cash, bank balances and fixed deposits	**17,190**	**–**	**17,190**	**17,166**
Trade and other receivables#	**26,746**	**–**	**26,746**	**26,746**
At 31 December 2017	**43,936**	**–**	**43,936**	**43,912**
Cash, bank balances and fixed deposits	22,194	–	22,194	22,178
Trade and other receivables#	30,174	–	30,174	30,174
Held-to-maturity financial asset	259	–	259	250
At 31 December 2016	52,627	–	52,627	52,602

Trade and other receivables exclude non-current receivables due from joint venture and PRC licensees (Note 18) and loans to subsidiaries (Note 14).

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The management believes that the financial risks associated with these financial instruments are minimal.

The cash, bank balances and fixed deposits are placed with high credit rating institutions. The Group's and the Company's credit risk on trade and other receivables are low as most of the Group's and the Company's sales are settled within 30 to 90 days (2016: 30 to 90 days). The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. The Group's and the Company's exposure and the credit ratings of its counterparties are continuously monitored.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Financial risk management (Continued)

General risk management principles (Continued)

(iv) Credit risk management (Continued)

Trade receivables consist of a large number of customers. The Group and the Company do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, except for the amount due from subsidiaries. Impairment loss will be provided on the amount due from subsidiary at company level as and when the recoverability is remote.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's and the Company's maximum exposure to credit risk.

33. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The fair values of applicable assets and liabilities, are determined and categorised using a fair value hierarchy as follows:

(a) Level 1 – the fair values of assets and liabilities with standard terms and conditions and which trade in active markets that the Group can access at the measurement date are determined with reference to quoted market prices (unadjusted).

(b) Level 2 – in the absence of quoted market prices, the fair values of the assets and liabilities are determined using the other observable, either directly or indirectly, inputs such as quoted prices for similar assets/liabilities in active markets or included within Level 1, quoted prices for identical or similar assets/liabilities in non-active markets.

(c) Level 3 – in the absence of quoted market prices included within Level 1 and observable inputs included within Level 2, the fair values of the remaining assets and liabilities are determined in accordance with generally accepted pricing models.

Fair value measurements that use inputs of different hierarchy levels are 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.

The carrying amounts of cash, bank balances and fixed deposits, trade and other current receivables and payables and short-term borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair value of finance leases is disclosed in Note 24 and the fair value of non-current borrowings approximate their carrying amounts as they were subject to floating interest rates. The fair value of non-current receivables due from joint venture and PRC licensees cannot be determined as explained in Note 18.

34. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

The Group and the Company manage its capital to ensure that the Group and the Company are able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholder value. The capital structure of the Group and the Company consist of equity attributable to equity holders of the parent which comprises issued capital, reserves and retained earnings.

Management monitors capital based on a gearing ratio. The Group and the Company are also required by the banks to maintain a gearing ratio of not exceeding 1.0 (2016: 1.0). The Group's and the Company's strategies, which remained unchanged from financial year ended 31 December 2016, are to meet the gearing ratios as defined by each bank.

The Group and the Company were in compliance with the externally imposed capital requirements by financial institutions for the financial year ended 31 December 2017 and 2016.

The gearing ratio is calculated as total borrowings and total finance leases divided by total equity.

The Group's and the Company's management review the capital structure on quarterly basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group and the Company will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Total borrowings	**3,000**	5,000	**3,000**	5,000
Total finance leases	**169**	136	**–**	–
Total equity	**82,937**	74,635	**58,706**	52,683
Gearing ratio	**0.04**	0.07	**0.05**	0.09

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2018

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 15 MARCH 2018

No. of Issued shares : 341,079,335*
Class of share : Ordinary shares
Voting rights : One vote per share*

* Excluding non-voting 2,177,532 treasury share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	14	0.65	458	0.00
100 – 1,000	514	23.76	235,339	0.07
1,001 – 10,000	490	22.65	2,888,941	0.85
10,001 – 1,000,000	1,115	51.55	79,156,182	23.21
1,000,001 AND ABOVE	30	1.39	258,798,415	75.87
TOTAL	**2,163**	**100.00**	**341,079,335**	**100.00**

Note:
The percentage is based on 341,079,335 shares (excluding 2,177,532 shares held as treasury shares) as at 15 March 2018.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	EVENSTAR INVESTMENTS PTE LTD	140,147,928	41.09
2	RAFFLES NOMINEES (PTE.) LIMITED	26,659,800	7.82
3	KIM SENG HOLDINGS PTE LTD	11,640,500	3.41
4	CITIBANK NOMINEES SINGAPORE PTE LTD	11,292,800	3.31
5	LEE YUEN SHIH	8,747,356	2.56
6	PHILLIP SECURITIES PTE LTD	6,038,450	1.77
7	SIM YONG TENG	5,952,150	1.75
8	TAN LAY LING	4,773,500	1.40
9	DBS NOMINEES (PRIVATE) LIMITED	3,578,325	1.05
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,126,900	0.92
11	CHIANG KOK MENG	3,080,000	0.90
12	HIMANSHU LALITRAI TIMBADIA	3,001,500	0.88
13	LIM BOON KEONG	3,000,000	0.88
14	CHIA KEE KOON	2,800,100	0.82
15	UOB KAY HIAN PRIVATE LIMITED	2,335,800	0.68
16	OCBC SECURITIES PRIVATE LIMITED	2,218,888	0.65
17	TAY ENG KHIAM	2,120,000	0.62
18	HAI SIA SEAFOOD PTE LTD	1,973,000	0.58
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,913,950	0.56
20	RANN BRUCE WILLIAM	1,664,468	0.49
	TOTAL	**246,065,415**	**72.14**

TREASURY SHARES

Total number of ordinary shares held in Treasury	:	2,177,532
Voting Rights	:	None
Percentage of this shareholding against total number of issued shares excluding Treasury Shares	:	0.64%

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interests	
Name of Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Evenstar Investments Pte Ltd	140,147,928	41.09	–	–
Sim Yong Teng(1)	5,952,150	1.75	140,147,928	41.09
FMR LLC(2)	–	–	27,224,900	7.98

Note:

(1) Pursuant to section 7(4) of the Companies Act Chapter 50 (the "**Act**"), Mr Sim Yong Teng is deemed to be interested in the shares held by Evenstar Investments Pte Ltd.

(2) FMR LLC is deemed to have an interest, by virtue of Section 7(4) of the Act, in shares acquired by the registered holders, FID Low Priced Stock Fund.

SHAREHOLDING HELD IN THE HANDS OF PUBLIC

Based on information available to the Company as at 15 March 2018, approximately 46.18% of the issued ordinary shares of the Company are held by the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Sinwa Limited will be held at 28 Joo Koon Circle, Singapore 629057 on Wednesday, 25 April 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2017 together with the Auditors' Report thereon. Resolution 1

2. To declare a final dividend of S$0.005 per share (one-tier tax exempt) for the financial year ended 31 December 2017 (2016: first and final dividend of S$0.012 per share). Resolution 2

3. To re-elect the following Directors of the Company retiring pursuant to the following Regulations of the Constitution of the Company:

   (i) Mr Sim Yong Teng (Retiring under Regulation 108) Resolution 3
   (ii) Mr Yeo Nai Meng (Retiring under Regulation 108) Resolution 4
   (iii) Mr Chng Loy Teoh (Retiring under Regulation 119) Resolution 5

   [See Explanatory Note (i)]

4. To approve the payment of Directors' fees of S$138,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears. (2017: S$123,000.00) Resolution 6

5. To re-appoint Messrs Mazars LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. Resolution 7

6. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without any amendments:

7. **Authority to issue shares** Resolution 8

   That pursuant to Section 161 of the Companies Act, Cap. 50 (the "**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

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

   (ii) make or grant offers, agreements or options (collectively, the "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute deem fit; and

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

(the "***Share Issue Mandate***")

provided that:

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

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:–

    (i) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

    (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution, provided the options or awards were granted in compliance with part VIII of charter 8; and

    (iii) any subsequent bonus issue, consolidation or subdivision of shares.

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

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

NOTICE OF ANNUAL GENERAL MEETING

8. **Renewal of Share Purchase Mandate** Resolution 9

That:–

(a) for the purposes of Sections 76C and 76E of the Companies Act, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire the Shares from time to time not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST through the SGX-ST's Central Limit Order Book (CLOB) trading system or, as the case may be, any other stock exchange on which the Shares may for the time being listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Rules.

(the "**Share Buyback Mandate**")

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

(i) the date on which the next AGM of the Company is held or required by law to be held;

(ii) the date on which the share buybacks are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked;

(c) in this Resolution:

"**Prescribed Limit**" means 10% of the total number of ordinary shares in the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution;

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

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

(ii) in the case of an Off-Market Purchase: 120% of the Highest Last Dealt Price, where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

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

[See Explanatory Note (iii)]

By Order of the Board

Siau Kuei Lian
Company Secretary
Singapore
Date: 9 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Sim Yong Teng will, upon re-election as a Director of the Company, remain as the Executive Chairman and a member of Nominating Committee.

Mr Yeo Nai Meng will, upon re-election as a Director of the Company, remain as the Chairman of Nominating, Remuneration and Risk Management Committees and a member of Audit Committee will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

Mr Chng Loy Teoh Patrick will, upon re-election as a Director of the Company, remain as a member of Nominating, Remuneration Audit and Risk Management Committees and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) The Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities or the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

(iii) The Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company effective from the date of the above AGM until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company at the Maximum Price as defined in the Circular to Shareholders enclosed in this Notice. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2017 are set out in greater detail in the Circular to Shareholders.

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number and class of shares shall be specified.)

3. The instrument appointing a proxy must be deposited at the registered office of the Company at 28 Joo Koon Circle, Singapore 629057 not less than seventy-two (72) hours before the time appointed for holding the AGM.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF BOOKS CLOSURE

NOTICE IS ALSO HEREBY GIVEN that the Share Transfer Books and Register of Members of Sinwa Limited (the "**Company**") will be closed on 4 May 2018 for the purpose of determining the entitlements of the Company's shareholders ("**Shareholders**") for the preparation of dividend warrants.

For the avoidance of doubt, in the case where the registered Shareholder is the Central Depository (Pte) Limited ("**CDP**") the dividend warrants shall be issued to the CDP and credited to the depositors' securities accounts with the CDP in proportion to the number of shares of the Company standing to the credit of each depositor's securities account with the CDP as at 5.00 pm (Singapore time) on 3 May 2018.

Duly completed transfers received by the Company's Registrars, RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 up to 5.00 p.m. on 3 May 2018 will be registered to determine entitlements to the said dividend.

Payment of the dividend, if approved by the members at the AGM to be held on 25 April 2018, will be made on 15 May 2018.

By Order of the Board

Siau Kuei Lian
Company Secretary
Singapore

Date: 9 April 2018

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SINWA LIMITED

Company Registration No. 200206542H
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name) ________________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of Sinwa Limited (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at 28 Joo Koon Circle, Singapore 629057 on Wednesday, 25 April 2018 at 10.00 a.m. and at any adjournment thereof. *I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion.

If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

No.	Resolutions relating to:	No. of votes 'For'	No. of votes 'Against'
1.	Audited Financial Statements for the financial year ended 31 December 2017		
2.	Payment of proposed first and final dividend of S$0.005 per ordinary share		
3.	Re-election of Mr Sim Yong Teng as a Director		
4.	Re-election of Mr Yeo Nai Meng as a Director		
5.	Re-election of Mr Chng Loy Teoh Patrick as a Director		
6.	Approval of Directors' fees amounting to S$138,000 for the financial year ending 31 December 2018		
7.	Re-appointment of Messrs Mazars LLP as Auditors and authority to Directors to fix remuneration		
8.	Authority to issue shares		
9.	Renewal of Share Purchase Mandate		

Dated this ____________ day of ____________________ 2018

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

*Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 8, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 28 Joo Koon Circle, Singapore 629057 not less than seventy-two (72) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

*A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of the Meeting dated 9 April 2018.

General:

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

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